



Zara Investment Holding Co. Ltd.

Annual Report 2008

www.zaraholding.com



His Majesty King Abdulla II Bin Al-Hussein





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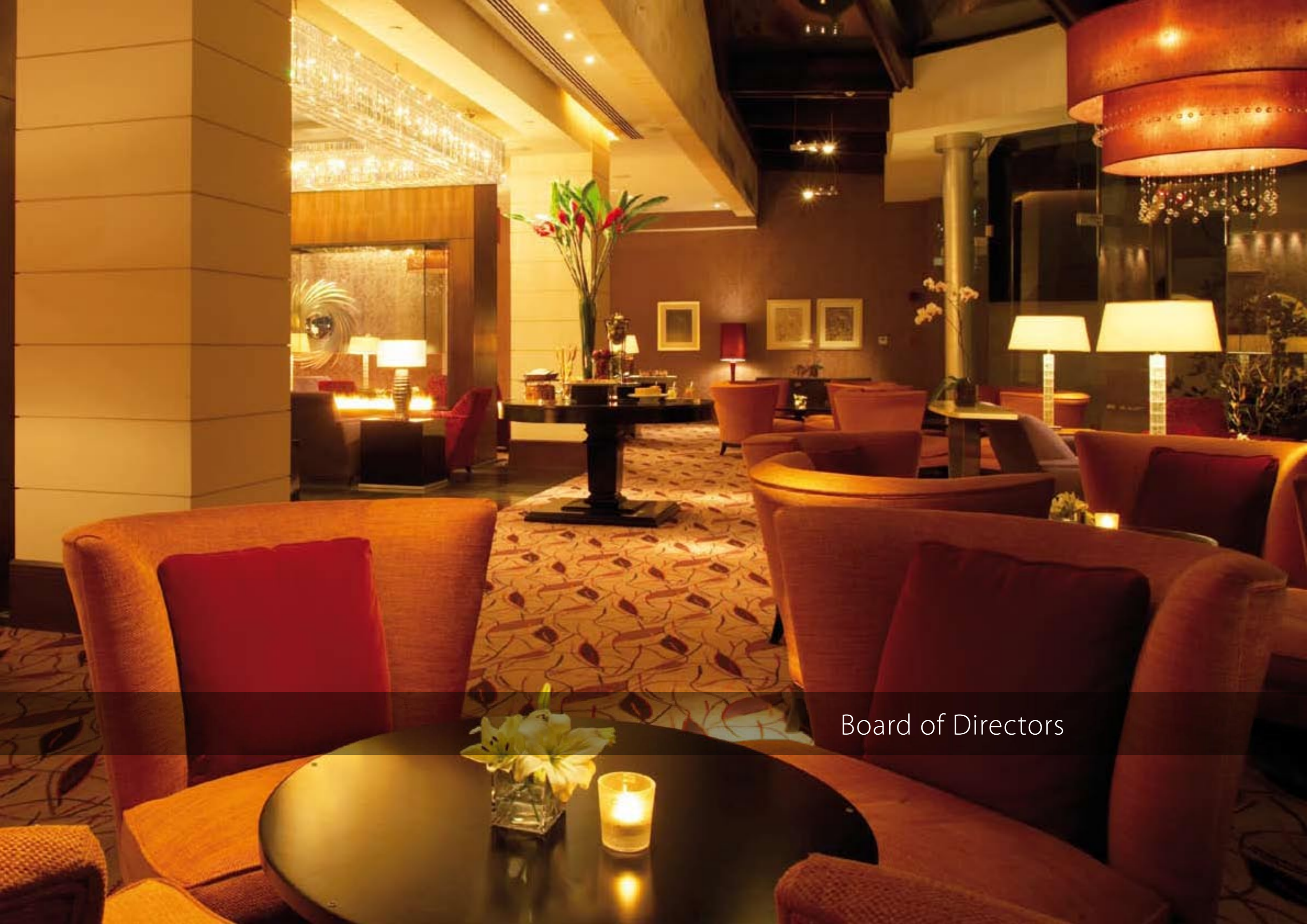
Company operations and consolidated accounts for the year ending on 31/12/2008

ZARA INVESTMENT HOLDING COMPANY LIMITED

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Board of Directors

Sabih Taher Darwish Masri
Chairman, Board of Directors

Khaled Sabih Taher Masri
Vice Chairman, Board of Directors

Ahmad Saeed Al Sharif, PhD.
Member | Representing the Libyan Foreign Investments
Company

Bassam Wael Rushdi Kanaan
Member | Representing the Social Security Corporation

Amal Rafiq Suleiman Shabib
Member | Representing the Social Security Corporation

Kamal Ghareeb Abdel Rahim Al-Bakri
Member | Representing Cairo Amman Bank

Isam Halim Jeries Salfiti
Member | Representing Union Bank for Savings and Investment

Kamil Abdel Rahman Ibrahim Sadeddin
Member | Representing Al-Masira Investment Company

Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki
Member

Mohammad Osama Jawdat Sha'sha'a
Member *(as of 28/5/2008)*

Yassin Khalil Mohammad Yassin Talhouni
Member

Nafeth Saleh Odeh Mustafa
Member

Yazid Adnan Mustafa Mufti
Member

Lina Mazhar Hassan Annab
General Manager
(Successor to Saleh Mohammad Abdel Baqi Refai as of 1/4/2008)

Ernst & Young
Auditors

Ittqan Law Firm Company
Legal Advisor / Wael Karaen



Message to our Shareholders



Mövenpick Resort & Residence Aqaba

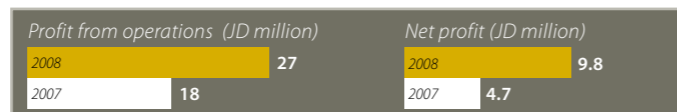
Dear Shareholders,
Welcome to your Company's 15th annual meeting for the ordinary general assembly of the shareholders.

In 2008, your Company had a great year – a record-breaking performance:

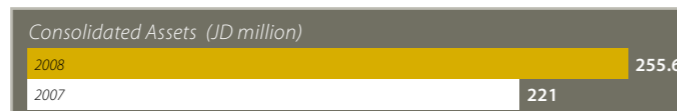
- Operating consolidated revenue rose to JD 77.8 million, up by 34% over 2007



- Profit from operations rose to JD 27 million, up by 48% over 2007 and Net profit rose to JD 9.8 million, up by 111% over 2007



- Revenue per available room (RevPAR) reached JD 65, up by 30% over 2007
- Consolidated assets rose to JD 255.6 million up by 15% compared with 2007



- Cash rose to JD 15.4 million up by 215% compared with 2007

This year's outstanding performance is the product of your Company's powerful and varied portfolio of premium five-star properties spread all over the Kingdom of Jordan. The strategy of Zara to invest in geographically diverse areas while catering to a wide range of tourists, from leisure to business, has paid off well.

The strength and quality of the product that your Company offers is further enhanced by Jordan's strategic central location in the Middle East, its stability and security, in addition to its wonderful climate. Jordan has indeed reaffirmed its place on the global tourism map as a safe, unique and first class destination.

The growth witnessed in the tourism sector's key indicators reaffirms the high confidence in which tourists and travelers regard Jordan. Tourism receipts for 2008 are estimated at JD 2,097 million compared with JD 1,639 million for 2007, an increase of 28%; Tourism contribution to GDP amounted to 15.4% in 2008 compared to 15% in 2007.



Group tourism reached 468,326 tourists for 2008 compared with 326,773 tourists for 2007, an increase of 43%.

Employment in this sector reached 39,624 employees in 2008 compared with 34,455 employees in 2007 an increase of 15%; of this employment figure, I am proud to point out that almost 6% of this workforce is employed by your Company.

“ Almost 6% of the workforce in tourism and 34% in 5-star hotels in Jordan are employed by Zara”

Grand Hyatt Amman Hotel



The issue of human resources development is an integral part of Zara's overall strategy. In order to maintain our position at the forefront of Jordan's tourism sector, we are adamant in employing the best of the best. We are proud to boast a network of highly professional individuals that are of a caliber that continuously strives towards excellence and self improvement. It is due to their efforts that we maintain a strong market leadership presence. With this in mind, and as a strategic imperative, in 2008, we focused on boosting human resource capacities on the holding company level as well as on that of the hotel operations. We have introduced a new management team at the holding company that is capable of building upon the successes of the previous one while ensuring your Company's smooth transition to a new level of efficiency and excellence. This team's essential duty is to enhance shareholders' equity through careful management of your Company's assets.

Year 2008 also witnessed the completion of your Company's seventh 5-star property at Tala Bay located on Aqaba's South Beach slated to be opened in 2009 and to be managed by the Mövenpick Hotels and Resorts. In view of the rapid growth and flurry of real estate development projects that Aqaba is witnessing, this property compliments the diversity of Zara's property portfolio. Other successful achievements witnessed during 2008 are the complete overhaul and renovation of the all-day dining restaurant, The Palm Court, at the Mövenpick Resort and Residence in Aqaba, the restoration and expansion of the beach area in addition to the completion of the pool side restaurant at the Mövenpick Resort and Spa Dead Sea, and various other projects at all properties aimed at improving the infrastructure as well as the back of house areas.

Furthermore, in 2008, we embarked upon and completed the design concept of key projects targeting the upgrade of the product offerings at our properties. These include the refurbishment of the meeting rooms at Grand Hyatt Amman, in addition to a comprehensive room and suites refurbishment programs at Grand Hyatt Amman, Mövenpick Resort Petra, Mövenpick Nabatean Castle, and InterContinental Jordan.

During 2008 we restructured our debt and streamlined our borrowings to avert the risk of interest and foreign exchange fluctuations. Thanks to our solid financial position we were able to procure an international long term loan of US\$40 million at competitive rates through the International Finance

Corporation (IFC). Key performance ratios also posted healthy and encouraging growth. Profitability ratios as return on assets, return on equity and profit margins rose by 67%, 76%, 44% to reach 4.60%, 8.05%, and 15.09% respectively compared with 2007.

The final quarter of 2008 posed a challenge to countries worldwide as the price of oil and commodities plummeted, capital markets crashed and a crisis in the financial markets brought about a global economic deceleration. As we stand witness to all of this, we are mindful of the setbacks that these events will have on the Jordanian as well as the global tourism industry. Yet, one should take note that as a company and as a country we are no strangers to challenges. Throughout the past decade we have dealt with major crises and critical events surrounding the overall investment, political and economic climates in the region. We were always quick to act and put the right measures in place to soften the impact felt all around, which enabled us to weather the repercussions of conflicts in neighboring countries. This time is no different. We will not stand idle in the face of challenges, and we will not give in to pessimistic scenarios. It has been our experience that economic difficulties create both challenges and opportunities. Business uncertainty is inevitably accompanied by opportunity. A major target for us in 2009 will be to actively seek ways of improving our profitability through leveraging our resources and restructuring our costs.

We move into 2009 filled with tempered and realistic expectations and with the confidence that we have the right investments, the right initiatives, the right culture and the right leadership teams in place. Teams that are guided by the wisdom of the members of the board of your Company, and are empowered to seize opportunities to enhance and build on the great successes of our wonderful Company.

On behalf of the board of directors and the employees of Zara, I would like to thank you all for your trust and continued support.

Sabih Taher Masri
Chairman of the Board of Directors



Board of Directors' Report

The Board of Directors is pleased to welcome you and thank you for attending this meeting, and would like to present to you the 15th annual report on the Company's activities, consolidated financial statements for the fiscal year ending 31/12/2008 and outlook for 2009.



Grand Hyatt Amman Hotel

1- Overview

In 2008, the Jordanian economy continued the growth pattern witnessed over the past few years. The economy grew (GDP growth) by an estimated 6%, which is attributed to broad economic reforms aimed at improving productivity and making Jordan more attractive to foreign investments. This momentum is expected to slow down in view of the global financial crisis and its trickle effect on countries worldwide. The tourism sector is expected to be affected by an overall slowdown in travel and tourism worldwide. However, tourism in Jordan is one of the first sectors to quickly mobilize a strategic action plan on the national level to tackle the anticipated set back of this crisis. The private and public sectors are closely working together on marketing plans aimed at promoting Jordan within markets where many promising opportunities exist. These endeavors will be a key factor in softening the impact of this global retraction.

Hotel industry key indicators for 2008 compared to 2007:

	Year 2008	Year 2007	Variance%
Number of visitor tourists	3,728,709	3,430,959	8.7%
Tourism Income (Million JD)	2,097	1,639	27.9%
Average length of stay (Night)	4.5	4.3	4.7%
Number of classified hotels	202	197	2.5%

	Year 2008	Year 2007	Variance%
Number of hotel rooms	15,112	14,720	2.7%
Number of beds	29,685	27,956	6.2%
Number of employees	39,624	34,455	15.0%

Source: Ministry of Tourism and Antiquities

5-star hotel key indicators for 2008 compared to 2007:

	Year 2008	Year 2007
Number of five-star hotels	26	25
Number of five-star hotel rooms	6,353	6,017
Number of hotel rooms owned by Zara Investment Holding Co. Ltd	1,825	1,825
Rooms owned by Zara - % of total	29 %	30 %

Source: Ministry of Tourism and Antiquities

2. a- Main activities of the company

Paid up capital / JD	Main activity	Head Quarter	Number of employees
125,000,000	Hotel, tourism and general investments	Amman	28

Long term Assets: 255.6 Million Dinar



b- Subsidiaries:

Paid up capital / JD	Main activity	Head-quarter	Share-holding %	Number of employees
Red Sea Hotels Company Ltd.				
17,000,000	Owner of Mövenpick Resort & Residence Aqaba	Aqaba	100%	359
Amman Tourism Investment Company Ltd.				
16,500,000	Owner of Grand Hyatt Amman Hotel , Hyatt Tower and Zara Center	Amman	100%	462
National Hotels and Tourism Company Ltd.				
15,000,000	Owner of Mövenpick Resort & Spa Dead Sea	Amman	100%	585
Jordan Hotels and Tourism Company PSC				
10,000,000	Owner of Hotel Inter-Continental Jordan	Amman	51.6%	520
South Coast Real Estate Development Company Ltd.				
4,250,000	Real estate development –Aqaba South Coast (Ras Al Yammaniyah)	Aqaba	82%	-
South Coast Hotels Company Ltd.				
3,500,000	Owner of tourism project – Aqaba South Coast (Ras Al Yammaniyah)	Aqaba	82%	-
Zara South Coast Development Company Ltd.				
3,000,000	Owner of Mövenpick Resort Tala Bay Aqaba	Amman	75%	-
Nabatean Hotels Company Ltd.				
2,800,000	Owner of Mövenpick Nabatean Castle Hotel - Petra	Amman	100%	106
Levant Hotels and Tourism Company Ltd.				
500,000	Owner of Mövenpick Resort Petra	Amman	100%	204
Rum Hotels and Tourism Company Ltd.				
500,000	Owner of tourism project - Tybeh - Petra	Amman	75%	-
Jordan Himmeh Mineral Company PSC				
500,000	Owner of Jordan Himmeh Resort - Mukhaibeh	Amman	55.8%	3
Oasis Hotels Company Ltd.				
400,000	Owner of tourism project - Dead Sea	Amman	75%	-
Jordan Hotel Supplies Trading Company Ltd.				
300,000	Owner of Souk Zara gift boutiques	Amman	100%	26
Zara Agricultural Company Ltd.				
50,000	Landscape and nursery services - Jordan Valley	Amman	52%	24
Total Number of employees				2,289

Neither the Holding Company nor any of its subsidiary companies have any branches inside or outside the Kingdom.

“ Jordan has indeed reaffirmed its place on the global tourism map as a safe, unique and first class destination “

InterContinental Jordan



3. a- Names of members of the board with brief introduction:

Name	Representative	Position	Joined	Representative appointed on	DOB
Sabih Taher Darwish Masri	-	Chairman	1999	-	2/12/1937
Khaled Sabih Taher Masri	-	Vice Chairman	1994	-	19/2/1966
Libyan Foreign Investments Company	Dr. Ahmed Saeed Al Sharif	Member	2000	17/3/2004	7/6/1945
Social Security Corporation	Amal Rafiq Suleiman Shabib	Member	2000	1/10/2007	18/10/1961
Social Security Corporation	Bassam Wael Rushdi Kanaan	Member	2000	1/2/2006	10/6/1965
Union Bank for Savings and Investment	Isam Halim Jeries Salfiti	Member	1994	28/7/1994	23/5/1944
Al Masira Investment Company	Kamil Abdel Rahman Ibrahim Sadeddin	Member	1994	14/2/2004	26/7/1951
Cairo Amman Bank	Kamal Ghareeb Abdel Rahim Al-Bakri	Member	1994	14/6/2007	7/6/1969
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki	-	Member	2000	-	12/11/1931
Yassin Khalil " Mohammad Yassin" Talhouni	-	Member	2000	-	8/5/1973
Yazid Adnan Mustafa Mufti	-	Member	2000	-	27/3/1953
Nafeth Saleh Odeh Mustafa	-	Member	2003	-	12/12/1934
Mohammad Osama Jawdat Sha'sha'a	-	Member	2008	-	1/6/1942

Degree	Grad. Date	Profession	Membership in Public Shareholdings
BSc. Chemical Engineering	1963	Businessman	• Arab Bank / Vice Chairman
MBA Business Administration	1989	Businessman	• Jordan Hotels and Tourism Company • Cairo Amman Bank / Chairman • Jordan Himmeh Mineral Company / Chairman
Ph.D. Economics	1979	Professor, Qar Younos University - Libya	-
B.Sc. Civil Engineering	1983	Planning & Development Manager, Nuqul Group	-
MBA CPA / CFA	1998	Finance Manager, Al Hikmah Pharmaceutical Company	• Jordan Capital Bank • AQARCO
B.A. Economics	1967	General Manager, Union Bank for Savings and Investment	• Union Bank for Savings & Investment / Chairman • Union Land Development Company / Chairman • Jordan Hotels and Tourism Company / Chairman • Union Factories for Tobacco and Cigarettes Production Company
High Diploma, Civil Engineering-England	1975	Chief Executive Officer Astra / Saudi Arabia	• Jordan Projects Tourism Development Company • Jordan Vegetable Oil Factories Company / Chairman • Jordan Express Tourist Transport Company
LLB	1991	General Manager, Cairo Amman Bank	• Jordan Express Tourist Transport Company • Jordan Vegetable Oil Factories Company • Jordan Insurance Company
-		Businessman	-
B.A. Economics	1994	Businessman	• Jordan Hotels & Tourism Company / Vice Chairman • Jordan Electricity Company • Cairo Amman Bank
B.A. Business Administration	1976	Businessman	• Cairo Amman Bank • Middle East Insurance Company • Palestine Company for Development and Investment
-		Businessman	• Jordan Hotels and Tourism Company
High Diploma, International Economics	1967	Businessman	• Jordan Insurance Company

“ The issue of human resources development is an integral part of Zara’s overall strategy. ”

Mövenpick Resort Petra



b. Names and position of senior executive management with brief introduction:

Position	Date of Appointment	DOB	Degree	Grad. Date	Professional Career
Lina Mazhar Hassan Annab					
General Manager	1/5/2002	29/11/1966	M.A. International Relations	1990	Held several positions with multinationals in the United States and the Middle East Board member in several companies Member at the National Tourism Council Vice Chairman at the Employment – Technical and Vocational Education and Training Council (E - TVET Council)
Ahmad Ibrahim Mohammad Jamjoum					
Chief Financial Officer	1/11/2008	16/11/1964	M.A Accounting systems and Auditing/CPA	1991	Held several financial and consulting positions with various leading local and regional corporations.
Haitham “Mohammad Nazih” Nureddin Hanbali					
Financial Controller	7/1/2007	31/7/1969	B.Sc. Accounting / CPA	1996	Held financial consulting and auditing positions at local and regional consulting firms.

4. Major shareholders and number of shares held compared with 2007:

Name	Number of Shares as of 31/12/2008	%	Number of Shares as of 31/12/2007	%
Social Security Corporation	18,497,195	14.8%	18,497,195	14.8%
Libyan Foreign Investments Company	16,282,943	13%	16,282,943	13%
Al Masira Investment Company	15,295,011	12.23%	15,275,376	12.22%
Arab Supply and Trading Company	9,173,628	7.3%	9,173,628	7.3%
Cairo Amman Bank	8,325,070	6.6%	8,325,070	6.6%

5. Company’s competitive position:

The Company presently owns six five-star hotels geographically distributed over Amman, Dead Sea, Petra, and Aqaba. In total, they include 1,825 rooms with total revenue of around 31% of five-star hotel revenue in the Kingdom. Hence, the company occupies a competitive influential position as one of the biggest investment companies in the Kingdom in the hotel sector, whether in relation to its paid up capital totaling JD 125 million/ share or the net book value of its property and equipment totaling around JD 193.2 million as of 31/12/2008.

All of the company’s hotels are managed by renowned international management companies, which include the Intercontinental, Hyatt International, and the Mövenpick Hotels and Resorts. The affiliation with such reputable operators enables the properties of Zara to compete on both local and international levels.

6. Reliance on specific local or foreign suppliers or major customers:

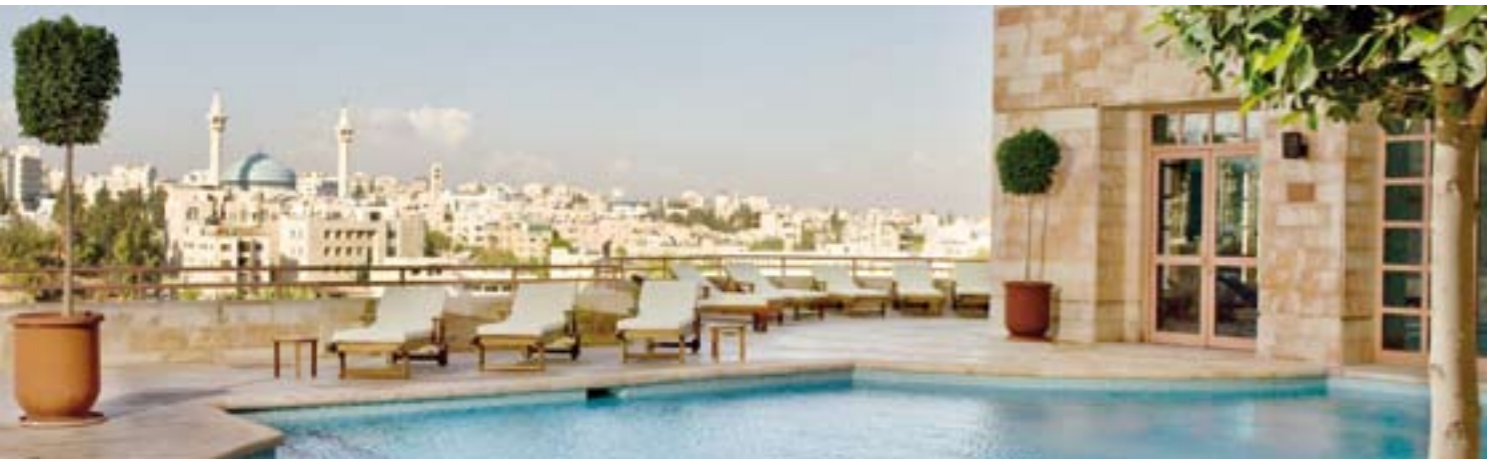
The Company does not rely on specific local or foreign suppliers or major customers of more than 10% of its total procurements and/or sales.

7. Government protection or privileges enjoyed by the Company:

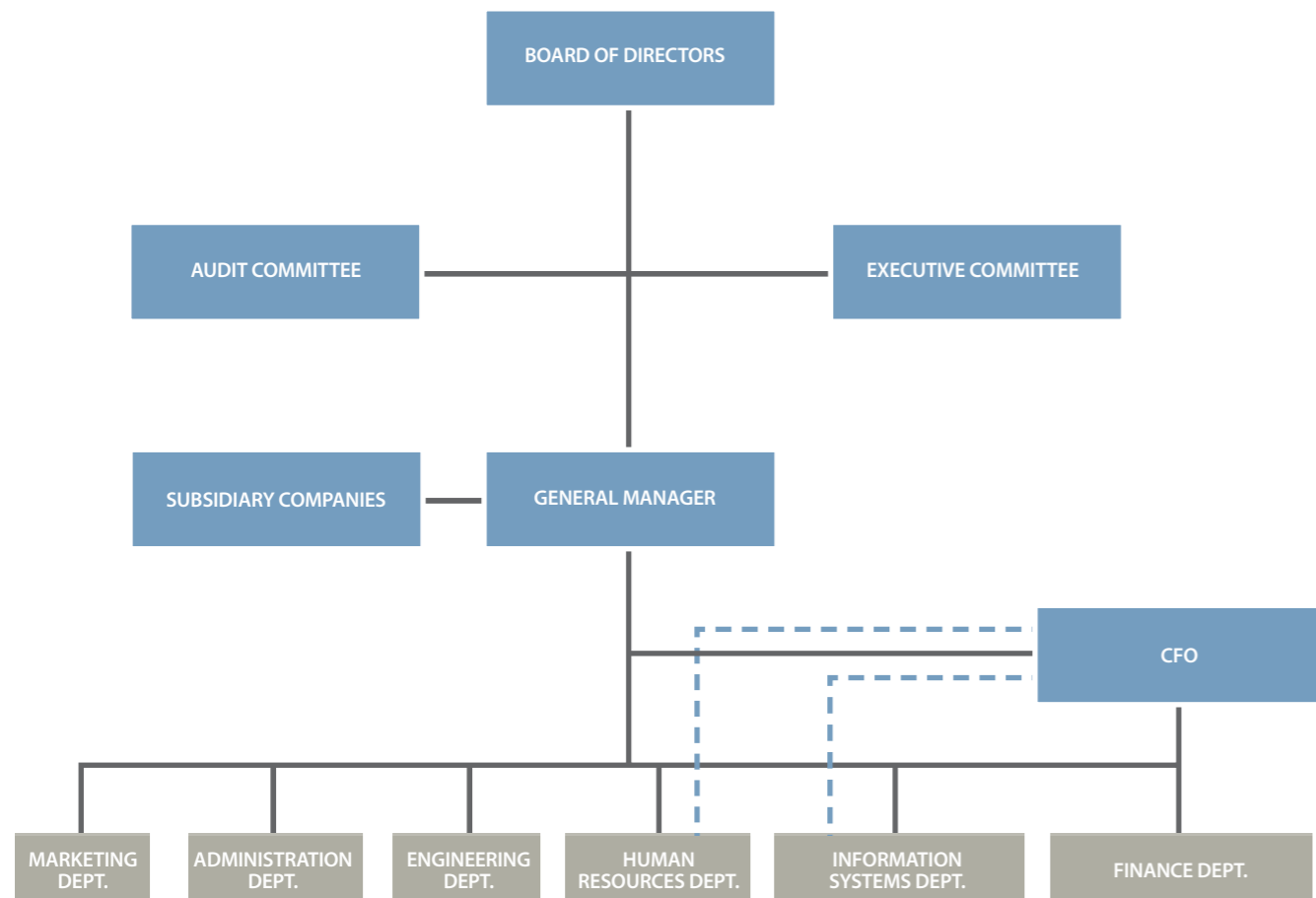
There are no government protections or privileges enjoyed by the Company or any of its products in accordance with the laws and regulations.

8. Government or international organizations measures with material impact on the Company’s work, products, or competitiveness:

All of the company’s hotels and resorts have benefited from the exemptions stipulated in the Investment Promotion Law in force. These exemptions cover duties and taxes on procurements of furniture, fixtures and equipment (FF&E) required for renovation purposes at least once every seven years.



9. a- Organization Structure



b- Number of Company employees and qualifications:

Ph.D.	Masters	Higher Diploma	Bachelors	Diploma	High School	Total number of Employees
Zara Investment (Holding) Company PSC						
0	2	0	18	3	5	28

Subsidiaries:

Ph.D.	Masters	Higher Diploma	Bachelors	Diploma	High School	Total number of Employees
Red Sea Hotels Company Ltd.						
0	0	0	45	77	237	359
Amman Tourism Investment Company Ltd.						
0	1	0	87	41	333	462
National Hotels and Tourism Company Ltd.						
0	3	0	81	76	425	585
Jordan Hotels and Tourism Company PSC						
0	0	1	80	124	315	520
South Coast Real Estate Development Company Ltd.						
0	0	0	0	0	0	0
South Coast Hotels Company Ltd.						
0	0	0	0	0	0	0
Zara South Coast Development Company Ltd.						
0	0	0	0	0	0	0
Nabatean Hotels Company Ltd.						
0	0	0	13	4	89	106
Levant Hotels and Tourism Company Ltd.						
0	1	0	33	11	159	204
Rum Hotels and Tourism Company Ltd.						
0	0	0	0	0	0	0
Jordan Himmeh Mineral Company PSC						
0	0	0	0	0	3	3
Oasis Hotels Company Ltd.						
0	0	0	0	0	0	0
Jordan Hotel Supplies Trading Company Ltd.						
0	0	0	9	4	13	26
Zara Agricultural Company Ltd.						
0	0	0	0	0	24	24
Total						2,289



Mövenpick Resort & Spa Dead Sea

c. Qualification and training programs for Company employees:

Course Name	Number of Employees
STEPS (Supervisory Training & Educational Path to Success)	19
Managing Training & Development for the Business (MTD)	24
Go for Excellence Program (Minimum Hospitality Requirements)	387
Security Training	263
Cherish " Guest Recognition Training "	123
HACCP Training (Basic Food Hygiene & Fundamental HACCP)	30
Safety practices in work place	69
Code of Business conducts and Ethics	147

10. Risks:

The Company does not foresee any risks that may have a material impact during the subsequent fiscal year.

11. Company's achievements in 2008-Financial and operational:

The following are the major achievements of the Company in 2008:

1. **Zara South Coast Development Company owner of Mövenpick Resort Tala Bay Aqaba:**
 - a. The completion of Zara's seventh five-star property at Tala Bay located at Aqaba's South Beach, slated to be opened in 2009 and to be managed by Mövenpick Hotels and Resorts. Once fully operational, the hotel is expected to be the largest five-star hotel in Jordan.
 - b. The finalization of the acquisition of 7.6 donum land at Tala Bay, aimed at serving as car park for Mövenpick Resort Tala Bay Aqaba.
2. **Amman Tourism Investment Company owner of Grand Hyatt Amman Hotel:**
 - a. The completion of concept and design works for a comprehensive room refurbishment program at Grand Hyatt Amman. This renovation is aimed at enhancing and reinforcing the Hotel's leading position among five-star hotels in Amman. The work is expected to be implemented over 2009 – 2010.
 - b. Complete upgrade and renovation of the kitchen area at Grand Hyatt Amman in compliance with HACCP requirements.
 - c. The installation of Automatic Under Vehicle Inspection System (AUVIS), at the car park area at Grand Hyatt Amman. This system is used for vehicle identification and bomb detection. It applies state of the art technology for protection against explosive devices.
 - d. The complete renovation and refurbishment of Zara Gallery located at Grand Hyatt Amman. Zara Gallery serves as the Company's show case for Jordanian and Arab artists.
3. **Jordan Hotels and Tourism Company owner of Hotel InterContinental Jordan:**
 - a. The completion of concept and design works for a comprehensive room refurbishment program at Jordan Intercontinental Hotel. This renovation is aimed at enhancing and reinforcing the Hotel's leading position among five-star hotels in Amman. The work is expected to be implemented over 2009 – 2010.
 - b. The expansion and partial redesign of the Terrace area at Intercontinental Jordan Hotel. This project will enhance the seating capacity of the Hotel while improving the overall ambiance at the Terrace.



Grand Hyatt Amman Hotel

- c. The construction of underground Gas tanks (LPG) at Jordan Intercontinental Hotel in order to switch from using free standing cylinders to the use of centralized gas location on the premises. This is in line with industry best practice.

4. National Hotels and Tourism Company owner of Mövenpick Resort & Spa Dead Sea:

- a. The expansion and enhancement of the beach area at Mövenpick Resort & Spa Dead Sea. This project enabled the hotel to utilize and fully take advantage of its sea side which allowed for more spacious and comfortable guest space on the beach.
- b. The completion of the pool side restaurant and Bar "Splash Bar" at the Mövenpick Resort & Spa Dead Sea. This new food and beverage outlet is expected to cater to the high demand of pool goers in addition to serving as a room service outlet for the new rooms at the beach extension (Wadi Rum cluster).
- c. The enhancement of the hotel security outlets located at the main entrance of the Mövenpick Resort & Spa Dead Sea. This is aimed at easing and facilitating the guests' experience as they enter the hotel, while maintaining strict security measures.

5. Levant Hotels and Tourism Company owner of Mövenpick Resort Petra:

- a. The completion of concept and design works for a comprehensive room refurbishment program at Mövenpick Resort Petra. This renovation is aimed at reinforcing the Hotel's leading position as the only

luxurious five-star hotel in Petra. The work is expected to be implemented over 2009 – 2010.

- b. The complete renovation of selected back of house areas at Mövenpick Resort Petra.

6. Nabatean Hotels Company owner of Mövenpick Nabatean Castle Hotel:

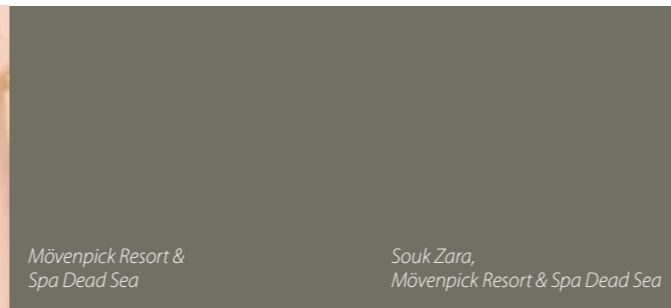
- a. The completion of concept and design works for a comprehensive room refurbishment program at Mövenpick Nabatean Castle Hotel in Petra. The work is expected to be implemented over 2009 – 2010.
- b. The installation and upgrade of new infrastructure features such as sound system, fire alarm system, Closed Circuit TV (CCTV) and Master Antenna TV system (MATV) at Mövenpick Nabatean Castle Hotel in Petra.
- c. The complete renovation of selected back of house areas at Mövenpick Nabatean Castle Hotel in Petra.

7. Zara Investment Holding Company:

- a. The Company has installed and implemented successfully a new ERP system during 2008. The system is expected to provide timely financial and operational information to top management to aid in decision making. This is in line with the Company's continuous effort to apply best practice in all of its endeavors.
- b. The Company implemented human resources management system aimed at improving the management of its human capital. This is in line with the Company's continuous effort to apply best practice in all of its endeavors.
- c. The Company implemented a state of the art business intelligence solution aimed at providing in-depth analysis and a 360 degree view of all of its operations. This is aimed at improving the efficiency of data collection and dissemination.
- d. The Company settled the second installment of debentures of JD 13.5 million. The remaining and last installment of JD 18 million will be paid in December 2009 through the syndicated loan agreement under the management of the Arab Bank. The syndicated loan agreement is for JD 30 million with a term of 11 years with grace period of three years.
- e. The Company withdrew US\$ 37 million of a long term loan from the International Finance Corporation (IFC). The remaining US\$ 3 million will be withdrawn during 2009.



Mövenpick Resort & Spa Dead Sea



Souk Zara, Mövenpick Resort & Spa Dead Sea



- f. The Company paid in full its share of JD 6 million (10%) of the approved initial capital and subsequent increases in its investments in United Saudi Jordanian Hotels & Tourism Company, the owner of Kempinski Hotel Ishtar Dead Sea.
- g. The Company paid in full its share of JD 2.5 million (10%) of the approved initial capital and subsequent increases in its investments in Ayla Hotels & Tourism Company, the owner of Kempinski Hotel Aqaba.
- h. The Company commissioned a comprehensive environmental study and evaluation of all of its properties in order to improve its energy consumption in addition to implementing environmentally friendly initiatives.
- i. Zara Investment Holding Company PSC monitored the operation of its subsidiaries and its investments in other companies:
 1. **Jordan Hotels and Tourism Company**, the owner of Hotel Inter-Continental Jordan.
 2. **Amman Tourism Investment Company**, the owner of Grand Hyatt Amman Hotel, Hyatt Tower and Zara Center.
 3. **National Hotels and Tourism Company**, the owner of Mövenpick Resort & Spa Dead Sea.
 4. **Levant Hotels and Tourism Company**, the owner of Mövenpick Resort Petra.
 5. **Red Sea Hotels Company**, owner of Mövenpick Resort & Residence Aqaba.
 6. **Nabatean Hotels Company**, the owner of Mövenpick Nabatean Castle Hotel Petra.
 7. **Jordan Himmeh Mineral Company**, the owner of Himmeh Hotel and Resort in Mukhaibeh.
 8. **Jordan Hotel Supplies Trading Company**, the owner of Souk Zara gift boutiques at all Zara Investment's hotels and resorts.
 9. **Zara Agricultural Company**, which oversees the general landscape and up keep of Zara Investment's hotels and resorts.
 10. **Oasis Hotels Company**, the owner of a 34 donum plot of land located on the eastern coast area of the Dead Sea.
 11. **Rum Hotels and Tourism Company**, the owner of a 66 donum plot of land located on Tybeh road in Wadi Musa.
 12. **South Coast Hotels Company**, the owner of an 82 donum plot of land located on the South Coast of Aqaba / Ras Al-Yamaniya. The company is in the final stages of the design phase of a masterplan for a mixed-use project comprising of hotels, shopping centers, entertainment facilities and apartment buildings.
 13. **South Coast Real Estate Development Company**, the owner of a 370 donum plot of land located on the south coast of Aqaba, east of the main road. The company is in the final stages of the design phase of a masterplan for a mixed-use project comprising of hotels, shopping centers, entertainment facilities and apartment buildings.
 14. **Zara South Coast Development Company**, the owner of Mövenpick Resort Tala Bay Aqaba project on the south coast of Aqaba (under construction) which is executing a five-star hotel project comprising of 456 rooms and a number of other food and beverage and entertainment facilities.
 15. **United Saudi Jordanian Hotels & Tourism Company**, the owner of Kempinski Hotel Ishtar Dead Sea.
 16. **Ayla Hotels & Tourism Company**, the owner of Kempinski Hotel Aqaba, which is expected to complete its project in 2009.
 17. **Jordan Company for Development of Tourism Projects (JPTD)**, the owner of Tala Bay project / Aqaba, which is developing a 2,670 donum area which includes a number of services, tourism, real estate and facilities.
 18. **Jordanian Tourism Transport Company (JETT)**, the owner of JETT tourism buses.

12. Financial impact of non-recurring transactions that occurred during the fiscal year and do not fall within the main activities of the company:

There is no financial impact of non-recurring transactions that occurred during the fiscal year and do not fall within the main activities of the Company.

13. Chronological order of realized profits (Losses), dividends, Equity attributable to shareholders, and share price for the years 2004 through 2008:

	2008	2007	2006	2005	2004
Profits (losses) realized	9,844,760	4,669,869	(462,449)	2,010,135	(6,086,203)
Dividends	-	-	-	-	-
Equity attributable to shareholders	131,673,954	119,666,590	109,517,280	104,714,483	98,415,152
Share price JD	1.75	2.05	2.00	2.24	1.33







14. Analysis of Company's financial position and results of operations during fiscal year 2008

Number	Description	2008 %	2007 %
1	Return on investment	4.59	2.75
2	Return on shareholders' equity	8.05	4.58
3	Return on paid - in capital	9.39	4.86
4	Profit margin	15.09	10.44
5	Net profit before tax to operating revenues	16.21	10.54
6	Ownership ratio	57.04	59.90
7	Shareholders' equity to loans	161.69	185.86
8	Loans to total assets	35.28	32.23
9	Property & equipment to shareholders' equity	131.52	131.67
10	Current liabilities to total equity & liabilities	14.84	16.85
11	Liabilities to total assets	42.96	40.09
12	Liabilities to shareholders' equity	75.30	66.92
13	Current liabilities to shareholders' equity	26.01	28.13
14	Long-term loans to shareholders' equity	48.50	38.02
15	Operating revenues to shareholders' equity	53.38	43.89
16	Operating revenues to total assets	30.45	26.30
17	Current ratio	79.99	50.64

The gross operating income of the company's hotels for 2008 rose up by 37.9% compared with 2007.



Key indicators of the company's hotels for 2008 compared with those for 2007

Hotel	Number of Rooms	Occupancy		Average Room Rate JD		Operating Revenues JD	
		2008	2007	2008	2007	2008	2007
 INTERCONTINENTAL JORDAN	450	65	53	102	94	19,878,637	15,497,624
 GRAND HYATT AMMAN	316	67	59	124	103	18,092,380	14,080,182
Hyatt Tower	90	59	60	114	92	1,259,449	1,008,967
 MÖVENPICK Resort & Spa Dead Sea	362	75	65	94	80	17,198,450	13,109,948
 MÖVENPICK Resort & Residence Aqaba	332	79	64	78	73	10,717,463	7,812,350
 MÖVENPICK Resort Petra	183	69	72	70	51	7,268,926	4,835,143
 MÖVENPICK Nabatean Castle Hotel Petra	92	67	60	49	39	1,917,771	553,198
Total	1825	71	62	93	81	76,333,076	56,897,412

“ It has been our experience that economic difficulties create both challenges and opportunities.”



Grand Hyatt Amman Hotel

- 1- The consolidated balance sheet of Zara indicates that the total assets as of 31/12/2008 totaled JD 255,677,929 compared with JD 221,360,437 as of 31/12/2007, representing a 15.5% increase.
- 2- The consolidated income statement indicates that operating revenues for 2008 totaled JD 77,820,204 compared with JD 58,209,826 representing a 33.7% increase.
- 3- The consolidated expenses including general and administration, depreciation, and net finance expenses for 2008 totaled JD 14,955,160 compared with JD 14,639,507 for 2007, representing a 2.2% increase.
- 4- The equity attributable to shareholders as of Dec 31, 2008 totaled JD 131,673,954 compared with JD 119,666,590 as of Dec 31, 2007, representing a 10% increase.
- 5- The consolidated net profit for 2008 totaled JD 9,844,760 compared with JD 4,669,869 for 2007, representing a 111% increase.

15. Company's outlook for 2009

1. The soft as well as the grand opening of Zara hotel at Tala Bay, to be managed and operated by Mövenpick Hotels & Resorts.
2. Implement cost control measures to improve the performance of the holding and its subsidiaries. We will improve the quality of services provided to customers and employees while employing the latest efficient systems. The key performance indicators will be utilized to monitor efficiency and effectiveness of control and operations.
3. Commence renovation works at Grand Hyatt Amman Hotel, Inter-Continental Jordan Hotel, Mövenpick Hotel Petra, and the Nabatean Castle Hotel in Petra.
4. Take the necessary steps to commence the first stage in executing the Company project in Ras Al-Yamaniya site with a total area of (630) donums.
5. Follow up on the Company's investments in its subsidiaries and other companies, in particular; the Jordan Company for the Development of Tourism Projects, owner of Tala Bay project, United Saudi Jordanian Hotels and Tourism Company, owner of the Kempinski Hotel Ishtar Dead Sea, and Ayla Hotels & Tourism Company, owner of Kempinski Hotel Aqaba.
6. Establish a five star controller's body to share timely information on performance, procurement, salary scale, cash lists, and to assure consistent reporting across the board to measure competitiveness.
7. Continued cooperation with local, regional, and international investment companies to establish joint projects in the Kingdom.

16. Audit fees paid by the Company and its subsidiaries, and fees received by or due to auditors for other services:

Company	Fees JD
Zara Investment (Holding) Company PSC	12,528
Amman Tourism Investment Company LLC	14,580
Red Sea Hotels Company LLC	14,020
National Hotels and Tourism Company LLC	13,150
Jordan Hotels and Tourism Company PSC	15,500
South Coast Real Estate Development Company LLC	2,088
South Coast Hotels Company LLC	2,088
Nabatean Hotels Company LLC	6,800
Zara South Coast Development Company LLC	2,088
Levant Hotels and Tourism Company LLC	11,750
Rum Hotels and Tourism Company LLC	2,088
Jordan Himmeh Mineral Company PSC	4,500
Oasis Hotels Company LLC	2,088
Jordan Hotel Supplies Trading Company LLC	2,250
Zara Agricultural Company LLC	1,800
Total	107,318

“ We move into 2009 filled with tempered and realistic expectations.”

Mövenpick Resort Tala Bay Aqaba



17. a- Number of shares held by members of the board:

Names	Position	Nationality
Sabih Taher Darwish Masri	Chairman	Jordanian
Khaled Sabih Taher Masri	Vice Chairman	Jordanian
Libyan Foreign Investments Company, represented by Dr. Ahmad Saeed Al Sharif	Member	Libyan
Social Security Corporation, represented by Bassam Wael Rushdi Kanaan	Member	Jordanian
Social Security Corporation, represented by Amal Rafiq Suleiman Shabib	Member	Jordanian
Cairo Amman Bank Represented by Kamal Ghareeb Abdel-Rahim Al-Bakri	Member	Jordanian
Union Bank for Savings and Investment, represented by Isam Halim Jeries Salfti	Member	Jordanian
Al Masira Investment Co. represented by Kamil Abdel Rahman Ibrahim Sadeddin	Member	Jordanian
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki	Member	Saudi
Yassin Khalil Mohammad Yassin Talhouni	Member	Jordanian
Nafeth Saleh Odeh Mustafa	Member	Saudi
Yazid Adnan Mustafa Mufti	Member	Jordanian
Mohammad Osama Jawdat Sha'sha'a	Member	Jordanian

Number of shares as of 31/12/2008	Number of shares as of 31/12/2007	Controlled companies	Number of shares held by controlled companies as of	
			31/12/2008	31/12/2007
1,705,000	1,705,000	<ul style="list-style-type: none"> Arab Supply and Trading Co. Astra Investment Co. Al Masira Investment Co. 	9,173,628 10,000 15,295,011	9,173,628 10,000 15,275,376
1,730,000	1,730,000	None	None	None
16,282,943 -	16,282,943 -	None	None	None
18,497,195 -	18,497,195 -	None	None	None
18,497,195 -	18,497,195 -	None	None	None
8,325,070 -	8,325,070 -	None	None	None
90,250 -	90,250 -	None	None	None
15,295,011 -	15,275,376 -	None	None	None
6,000,000	6,000,000	None	None	None
4,141,188	4,141,188	<ul style="list-style-type: none"> National Development and Supply Company Levant Investment Co. 	200,000 1,462,500	200,000 1,462,500
500,000	500,000	None	None	None
25,000	25,000	None	None	None
10,850	650	None	None	None





b. Number of shares held by senior executive management:

Position	Nationality	Number of shares as of 31/12/2008	Number of shares as of 31/12/2007	Controlled companies	Number of shares held by controlled companies as of	
					31/12/2008	31/12/2007
Lina Mazhar Hassan Annab						
General Manager	Jordanian	0	0	None	0	0
Ahmad Ibrahim Mohammad Jamjoum						
Chief Financial Officer	Jordanian	0	0	None	0	0
Haitham "Mohammad Nazih" Nureddin Hanbali						
Financial Controller	Jordanian	0	0	None	0	0

c. Number of shares held by relatives of members of the board and senior executive management

Relationship	Nationality	Number of shares as of 31/12/2008	Number of shares as of 31/12/2007	Controlled companies	Number of shares held by controlled companies as of	
					31/12/2008	31/12/2007
Relatives of Sabih Masri						
Najwa Mohamad Abdel Rahman Madi						
Wife	Jordanian	1,730,000	1,730,000	None	0	0
Relatives of Nafeth Saleh Odeh Mustafa						
Mary Bint Issa Bin Ilyas Loussi						
Wife	Saudi	500,000	500,000	None	0	0

18. a- Remunerations of the Chairman and members of the board:

Position	Transportation allowance	Session attendance allowance	Accommodation	Total JD
Sabih Taher Darwish Masri				
Chairman	4,750	-	-	4,750
Khaled Sabih Taher Masri				
Vice Chairman	4,750	-	-	4,750
Ahmad Saeed Al Sharif, Ph.D				
Member	-	8,602	2,535	11,137
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki				
Member	-	-	7,432	7,432
Nafeth Saleh Odeh Mustafa				
Member	4,750	-	-	4,750
Isam Halim Jeries Salfiti				
Member	4,750	-	-	4,750
Mohammad Osama Jawdat Sha'sha'a				
Member	4,750	-	-	4,750
Yazid Adnan Mustafa Mufti				
Member	4,750	-	-	4,750
Yassin Khalil "Moh'd Yassin" Talhouni				
Member	4,750	-	-	4,750
Kamil Abdel Rahman Ibrahim Sadeddin				
Member	4,750	-	-	4,750
Bassam Wael Rushdi Kanaan				
Member	4,750	-	-	4,750
Kamal Ghareeb Abdel-Rahim Al-Bakri				
Member	4,750	-	-	4,750
Amal Rafiq Suleiman Shabib				
Member	4,750	-	-	4,750
Total	52,250	8,602	9,967	70,819



Mövenpick Nabatean Castle Hotel

b. Remunerations of senior executive management:

Position	Salaries	Transport Allowance	Bonuses	Other Benefits	Total JD
Lina Mazhar Hassan Annab					
General Manager	88,488	0	4,296	0	92,784
Ahmad Ibrahim Mohammad Jamjoum					
Chief Financial Officer	11,000	600	0	0	11,600
Haitham "Mohammad Nazih" Nureddin Hanbali					
Financial Controller	39,600	1,260	3,300	0	44,160
Saleh Mohammad Abdel Baqi Refai (until 1/4/2008)					
Ex- General Manager	14,322	0	154,774	8,250	177,346
Total	153,410	1,860	162,370	8,250	325,890

19. Donations paid by the Company and its subsidiaries during the fiscal year:

Number	Donations paid to	Amount JD
1	Madrasati Initiative - Jordan River Foundation	44,200
2	Al-Urdun Ajmal Festival - Ministry of Tourism and Antiquities	18,000
3	Reading for Everyone Initiative - Ministry of Culture	2,000
4	Jordanian Psychology Rehab	1,000
5	Others	1,760
	Total	66,960

20. Contracts, projects and obligations made by the issuing company with its subsidiaries, sister or allied companies, the Chairman, members of the board, General Manager, or any Company employee or their relatives:

No contracts, projects, obligations made by the supplier company with its subsidiary, sister or allied companies, the Chairman, members of the board, General Manager, or any company employee or their relatives.

21. a- The Company's contribution towards environmental protection:

Zara Company is keen to being environmental friendly by applying the latest international environment protection methods in all of its hotels in Jordan.

An extensive environmental study is under way for all hotels. The findings and recommendation of the study will be the base for further developing our energy saving programs

b. The Company's contribution in servicing the local community:

The geographic diversity of the Company hotels distributed among the different tourist areas in the Kingdom has played a role in developing the region by providing a chance to utilize the available resources in those regions, whether they are human resources, agricultural products, or even industrial products that ensure a good living for the residents of these areas by direct and indirect employment.



Consolidated Financial Statements

INDEPENDENT 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) and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2008 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 Group'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 Group'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 Group as of 31 December 2008 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the legal requirements

The Group maintains proper books of accounts and the accompanying financial statements and financial information contained in the Board of Directors' report are in agreement with.

Amman – Jordan
11 March 2009

Ernst & Young

ZARA INVESTMENT COMPANY (HOLDING COMPANY)
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2008

ASSETS	Notes	2008 JD	2007 JD
Non-Current Assets -			
Property and equipment	3	161,953,400	146,501,707
Projects in progress	4	31,244,359	28,104,955
Available for-sale-investments	5	27,351,906	23,785,948
Advance payments on investment		4,700,000	4,076,519
		225,249,665	202,469,129
Current Assets -			
Inventory		2,114,546	1,740,542
Accounts receivable	6	7,572,885	7,171,630
Other current assets	7	5,209,347	5,009,173
Trading investments		-	72,500
Cash on hand and at banks	8	15,433,236	4,897,463
		30,330,014	18,891,308
Total Assets		255,579,679	221,360,437
EQUITY AND LIABILITIES			
Equity attributable to shareholders -			
Paid in capital		125,000,000	125,000,000
Statutory reserve	9	2,030,948	1,026,381
Voluntary reserve	9	689,496	689,496
Fair value reserve	5	17,475,879	15,313,275
Accumulated losses		(13,522,369)	(22,362,562)
		131,673,954	119,666,590
Minority interests	19	14,118,166	12,947,562
Net Equity		145,792,120	132,614,152
Non-Current Liabilities -			
Long-term loans	10	70,703,142	32,417,741
Long-term bonds	11	-	18,000,000
Deferred tax liabilities	20	1,165,058	1,021,678
		71,868,200	51,439,419
Current Liabilities -			
Current portion of long-term loans	10	1,464,285	6,715,654
Current portion of long-term bonds	11	18,000,000	13,500,000
Accounts payable		8,365,556	8,379,415
Other current liabilities	12	10,089,518	7,995,069
Due to banks	13	-	716,728
		37,919,359	37,306,866
Total Liabilities		109,787,559	88,746,285
Total Equity and Liabilities		255,579,679	221,360,437

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, 2008

	Notes	2008 JD	2007 JD
Operating revenues		77,820,204	58,209,826
Operating expenses		(48,536,029)	(36,968,097)
Gross operating income	14	29,284,175	21,241,729
Less: Administrative expenses	15	3,382,417	2,748,474
Losses from financial investments	16	8,623	1,396,667
Add: Other income		1,156,182	1,184,796
Profit from operations		27,049,317	18,281,384
Less: Net financing expenses	17	5,205,178	4,669,919
Depreciation		6,367,565	7,221,114
Provisions and other expenses	18	2,465,819	10,083
Miscellaneous fees		393,420	242,635
Profit before income tax		12,617,335	6,137,633
Income tax	20	(877,833)	(58,310)
Profit for the year		11,739,502	6,079,323
Attributable to:			
Shareholders		9,844,760	4,669,869
Minority interests	19	1,894,742	1,409,454
		11,739,502	6,079,323
Earnings (Losses) per share attributable to shareholders	21	0.079	0.037

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, 2008

	Shareholders' Equity		
	Reserves		
	Paid in Capital	Statutory	Voluntary
	JD	JD	JD
Balance at January 1, 2008	125,000,000	1,026,381	689,496
Change in fair value	-	-	-
Total revenues and expenses included in owners' equity	-	-	-
Profit for the year	-	-	-
Total revenues and expenses for the year	-	-	-
Transfers	-	1,004,567	-
Changes in minority interests	-	-	-
Balance at December 31, 2008	125,000,000	2,030,948	689,496

Balance at January 1, 2007	125,000,000	549,864	689,496
Change in fair value	-	-	-
Total revenues and expenses included in owners' equity	-	-	-
Profit for the year	-	-	-
Total revenues and expenses for the year	-	-	-
Transfers	-	476,517	-
Changes in minority interests	-	-	-
Balance at December 31, 2007	125,000,000	1,026,381	689,496

	Fair Value Reserve	Accumulated Losses	Total	Minority Interests	Total Equity
	JD	JD	JD	JD	JD
	15,313,275	(22,362,562)	119,666,590	12,947,562	132,614,152
	2,162,604	-	2,162,604	-	2,162,604
	2,162,604	-	2,162,604	-	2,162,604
	-	9,844,760	9,844,760	1,894,742	11,739,502
	2,162,604	9,844,760	12,007,364	1,894,742	13,902,106
	-	(1,004,567)	-	-	-
	-	-	-	(724,138)	(724,138)
	17,475,879	(13,522,369)	131,673,954	14,118,166	145,792,120

	9,833,834	(26,555,914)	109,517,280	11,293,299	120,810,579
	5,479,441	-	5,479,441	-	5,479,441
	5,479,441	-	5,479,441	-	5,479,441
	-	4,669,869	4,669,869	1,409,454	6,079,323
	5,479,441	4,669,869	10,149,310	1,409,454	11,558,764
	-	(476,517)	-	-	-
	-	-	-	244,809	244,809
	15,313,275	(22,362,562)	119,666,590	12,947,562	132,614,152

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, 2008

	Notes	2008 JD	2007 JD
Operating Activities			
Profit before income tax and minority interests		12,617,335	6,137,633
Adjustments for			
Depreciation		6,367,565	7,221,114
Net financing expenses		5,205,178	4,669,919
Loss (gain) on sale of property and equipment		23,999	(14,964)
Provision for projects in progress		1,152,189	-
Loss from financial investments		8,623	1,396,667
Provision for doubtful debts		139,040	10,083
Changes in working capital			
Increase in inventory		(374,004)	(269,128)
Trading investments		68,500	-
Increase in receivables and other current assets		(740,469)	(1,590,118)
Increase in payables and other current liabilities		2,130,898	4,294,762
Income tax paid		(877,833)	(231,978)
Net cash from operating activities		25,721,021	21,623,990
Investing Activities			
Available-for-sale investments		(1,270,160)	(3,461,751)
Advance payments on investments		(623,481)	(1,100,001)
Property and equipment and projects in progress		(26,178,660)	(15,061,031)
Sale of property and equipment		49,373	56,098
Net cash used in investing activities		(28,022,928)	(19,566,685)
Financing Activities			
Repayment of loans and bonds		(20,661,968)	(21,459,084)
Loans		40,196,000	24,376,615
Minority interests		(724,138)	244,809
Finance expenses paid		(5,255,486)	(4,396,805)
Net cash flows from (used in) financing activities		13,554,408	(1,234,465)
Net increase in cash on hand and at banks		11,252,501	822,840
Cash and cash equivalents, beginning of year	22	4,180,735	3,357,895
Cash and cash equivalents, end of year	22	15,433,236	4,180,735

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, 2008

1. GENERAL

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

The principal activities of the Company as a holding company are to manage its subsidiaries and participate in other companies' management in which it is a principal owner, investing in stocks, bonds and financial instruments, granting loans, guarantees and financing 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 consolidated financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on March 11, 2009. 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 Group.

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 consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A subsidiary is consolidated if the parent company is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interest represents the portion not owned by the Company of its subsidiaries.

Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents comprise of cash on hand and at banks, short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

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 cannot 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. For unquoted investments, they are stated at cost less any impairment value.

Revenue recognition

Revenues are recognized upon rendering services and issuance of invoice.

Other revenues are recognized on an accrual basis.

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

Income Taxes

Tax expense comprises current tax and deferred taxes.

Income tax is brought to account in accordance

with Income Tax Law No. (57) of 1985 and its subsequent amendments.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 Group 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

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the prevailing exchange rates at year end. 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 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 Group'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:

2008 Cost	Land JD	Buildings JD	Electro-mechanical JD
At 1 January 2008	33,329,565	124,060,980	42,267,220
Additions	2,133,787	77,263	423,156
Transferred from projects under construction	-	8,627,680	3,038,449
Retirements	-	58,500	9,995
At 31 December 2008	35,463,352	132,707,423	45,718,830
Accumulated Depreciation			
At 1 January 2008	-	20,954,004	40,167,702
Additions	-	2,792,221	983,608
Retirements	-	14,445	4,373
At 31 December 2008	-	23,731,780	41,146,937
Net book value at 31 December 2008	35,463,352	108,975,643	4,571,893

2007 Cost	Land JD	Buildings JD	Electro-mechanical JD
At 1 January 2007	33,329,465	122,996,364	41,071,207
Additions	100	1,065,096	1,200,063
Retirements	-	480	4,050
At 31 December 2007	33,329,565	124,060,980	42,267,220
Accumulated Depreciation			
At 1 January 2007	-	18,165,714	38,511,660
Additions	-	2,788,770	1,658,541
Retirements	-	480	2,499
At 31 December 2007	-	20,954,004	40,167,702
Net book value at 31 December 2007	33,329,565	103,106,976	2,099,518

Machinery & equipment JD	Furniture & fixtures JD	Computers JD	Vehicles JD	Other JD	Total JD	
21,877,569	23,284,609	3,807,072	1,031,763	2,442,915	252,101,693	
867,143	483,928	532,094	134,773	60,707	4,712,851	
718,331	4,614,767	129,934	-	52,815	17,181,976	
55,381	86,799	12,120	31,700	-	254,495	
23,407,662	28,296,505	4,456,980	1,134,836	2,556,437	273,742,025	
Accumulated Depreciation						
19,374,224	20,078,488	2,857,835	637,167	1,530,566	105,599,986	
873,209	1,162,248	360,926	87,017	108,336	6,367,565	
53,281	86,799	12,120	7,908	-	178,926	
20,194,152	21,153,937	3,206,641	716,276	1,638,902	111,788,625	
Net book value at 31 December 2008	3,213,510	7,142,568	1,250,339	418,560	917,535	161,953,400

Machinery & equipment JD	Furniture & fixtures JD	Computers JD	Vehicles JD	Other JD	Total JD	
20,895,674	21,521,988	3,237,204	844,359	2,199,445	246,095,706	
1,026,132	1,861,092	575,140	251,621	243,470	6,222,714	
44,237	98,471	5,272	64,217	-	216,727	
21,877,569	23,284,609	3,807,072	1,031,763	2,442,915	252,101,693	
Accumulated Depreciation						
18,271,587	18,951,406	2,592,480	590,835	1,471,593	98,555,275	
1,120,913	1,225,552	270,627	97,738	58,973	7,221,114	
18,276	98,470	5,272	51,406	-	176,403	
19,374,224	20,078,488	2,857,835	637,167	1,530,566	105,599,986	
Net book value at 31 December 2007	2,503,345	3,206,121	949,237	394,596	912,349	146,501,707

4. PROJECTS IN PROGRESS

This item represents the cost of executed works by contractors for the Group relating to projects in progress:

Company Name	2008 JD	2007 JD
Jordan Hotels and Tourism Co.	446,329	5,700,628
Jordan Himmeh Mineral Co.	349,483	349,483
Nabatean Hotels Co.	590,560	213,025
Levant Hotels and Tourism Co.	362,723	15,715
Amman Tourism Investment Co.	504,263	4,194,320
Oasis Hotels Co. *	525,704	525,704
National Hotels and Tourism Co.	370,319	6,410,742
Red Sea Hotels Co.	957,810	17,056
South Coast Hotels Co. *	528,245	527,728
Zara South Coast Development Co.	27,662,871	10,061,268
Zara Investment Co. *	98,241	89,286
	32,396,548	28,104,955
Less: projects in progress provision*	(1,152,189)	-
	31,244,359	28,104,955

* Movement in projects in progress provision is as follows:

	2008 JD	2007 JD
Balance, beginning of the year	-	-
Charge for the year	1,152,189	-
Balance, end of the year	1,152,189	-

The estimated cost to complete the above projects is approximately JD 40 million, (2007: JD 26 million).

5. AVAILABLE-FOR-SALE INVESTMENTS

	2008 JD	2007 JD
Quoted shares - Local		
Jordan Express Tourist Transport Co.	739,277	815,754
Jordan Projects Tourism Development Co.	20,978,849	18,608,288
	21,718,126	19,424,042
Unquoted shares - Local		
Jordan Hotels and Tourism Education	180,000	180,000
United Saudi Jordanian Hotels and Tourism Co.	3,850,080	3,000,000
Ayla Hotels and Tourism Co.	1,220,080	800,000
Dead Sea Conferences and Exhibitions Co.	354,000	354,000
	5,604,160	4,334,000
Unquoted shares - Foreign		
Jerusalem Tourism Investment Co.	4,100	2,386
Palestine Touristic Investment Co.	25,520	25,520
	29,620	27,906
	27,351,906	23,785,948

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:

	2008 JD	2007 JD
Balance, beginning of the year	15,313,275	9,833,834
Change in fair value	2,162,604	6,864,608
Impairment losses charged to the consolidated income statement	-	(1,385,167)
	17,475,879	15,313,275

6. RECEIVABLES

	2008 JD	2007 JD
Accounts receivable	8,275,190	7,734,895
Less: allowance for doubtful accounts	702,305	563,265
	<u>7,572,885</u>	<u>7,171,630</u>

As at 31 December 2008, accounts receivable at nominal value of JD 702,305 (2007: JD 563,265) were impaired.

Movement in the allowance for doubtful accounts is as follows:

	2008 JD	2007 JD
Balance, beginning of the year	563,265	553,182
Charge for the year	139,040	10,083
Balance, end of the year	<u>702,305</u>	<u>563,265</u>

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

	Neither past due nor impaired	1-30 days JD	31-90 days JD	91-120 days JD	121-365 days JD	Total JD
2008	402,662	3,112,321	3,138,122	326,839	592,941	7,572,885
2007	-	2,722,087	2,190,204	596,627	1,662,712	7,171,630

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

7. OTHER CURRENT ASSETS

	2008 JD	2007 JD
Refundable deposits	666,497	620,964
Advance payments	1,431,610	1,459,464
Prepaid expenses	1,694,034	1,411,104
Advance payments on purchases of land	1,142,298	1,164,882
Others	274,908	352,759
	<u>5,209,347</u>	<u>5,009,173</u>

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 and other fees 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:

	Currency	2008		2007	
		Loan Installments		Loan Installments	
		Short term JD	Long term JD	Short term JD	Long term JD
Union Bank for Jordan Hotels and Tourism Co.	JOD	450,000	-	1,459,369	896,314
Arab Bank Jordan Hotels and Tourism Co.	USD	1,014,285	507,142	1,014,285	1,521,427
Arab Bank Amman Tourism Investment Co.	JOD	-	15,200,000	-	15,200,000
Arab Bank Zara Investment Holding Co. (1)	USD	-	-	2,242,000	-
Arab Bank Zara Investment Holding Co. (2)	JOD	-	14,800,000	-	14,800,000
Arab Bank Zara Investment Holding Co. (3)	JOD	-	14,000,000	-	-
Cairo Amman Bank Zara Investment Holding Co.	JOD	-	-	2,000,000	-
International Finance Corporation Zara Investment Holding Co.	USD	-	26,196,000	-	-
Union Bank Zara Investment Holding Co.	JOD	-	-	-	-
		<u>1,464,285</u>	<u>70,703,142</u>	<u>6,715,654</u>	<u>32,417,741</u>

UNION BANK - 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 2008 the facility was converted from loan into overdraft with a ceiling of JD 2,000,000 at an annual interest rate of 8.75%, with no commission.

On March 29, 2005 a JD 4,500,000 loan was granted with the same conditions mentioned above. 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, 2006. During 2008, the facility was converted from a decreasing loan into a commercial loan at an interest rate of 8.75%, with no commission.

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 decreasing 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 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). During 2008 the Company settled in full the US Dollars tranche of the loan using International Finance Corporation loan proceeds.

ARAB BANK – ZARA INVESTMENT HOLDING COMPANY (2)

On October 22, 2006 a loan amounting to JD 14,800,000 managed by Arab Bank was granted to the company to finance the Company's current projects with a first degree mortgage on the land of Movenpick Aqaba. The loan was repayable in 10 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 with a 2-year grace period with the same collaterals mentioned above. The loan is repayable in 10 equal annual instalments of JD 1,480,000 each commencing on January 1, 2010. The floating interest is due every six months according to 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 two installments of Zara Investment Company bonds that are due on December 12, 2008 and December 12, 2009 amounting to JD 14,000,000 and JD 18,000,000 respectively (note 11). The loan is repayable in nine equal 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 there from. The floating interest is due every six months according to the lending rate of the participating banks plus 0.25% annual margin. On December 12, 2008 the Company utilized JD 14,000,000 to repay 30% of Zara Investment Company bonds (note 11).

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%. On June 25, 2008 the Company repaid the loan using the International Finance Corporation loan proceeds.

INTERNATIONAL FINANCE CORPORATION – ZARA INVESTMENT HOLDING COMPANY

On February 28, 2008 a loan of US Dollar 40,000,000 was granted to finance the construction of a Movenpick hotel at Tala Bay located on the south coast of Aqaba. The loan is guaranteed by a mortgage on the Company's shares in the Jordan Hotels and Tourism Co. and National Hotels and Tourism Co. and Amman Tourism Investment Co. guarantee. The loan period is 10 years including a 3-year grace period.

The loan is repayable in 14 semi-annual installments of US Dollar 2,837,000 each except the last installment amounting to US Dollar 3,119,000 at an interest rate of LIBOR plus 1.6% determined at the date of each disbursement and fixed for the period of the loan. The first installment is due on June 15, 2011 and the last is on December 15, 2017. Interests in the first tranche of US Dollar 30,000,000 was 6.17% and 3.79% on the second tranche of US Dollar 7,000,000.

UNION BANK - ZARA INVESTMENT HOLDING COMPANY

On January 29, 2008 a loan amounting to JD 4,000,000 was granted to finance the Company's current projects at an annual interest rate of 8.75 %. The loan was scheduled to be repaid in full on July 31, 2008. During 2008 the Company repaid the loan using the International Finance Corporation loan proceeds.

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 and maturities of the loans are as follows:

Year	JD
2009	1,464,285
2010	5,047,142
2011	8,255,903
2012	8,255,903
2013	8,255,903
2014	8,255,903
2015 – 2019	32,632,388

11. BONDS

Zara Investment Company bonds

During 2004 the Company issued bonds for an amount of JD 45,000,000. The bonds were registered at the Jordan Securities Commission, and trade on Amman Stock Exchange. The bonds mature during the years 2007, 2008 and 2009. The

bonds were issued with a nominal value of JD 5,000. 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, 2007.

Terms and conditions of Zara Investment Company 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:

Year	JD
2009	18,000,000

12. OTHER CURRENT LIABILITIES

	2008 JD	2007 JD
Advances on increase in a subsidiary's capital	2,750,000	1,625,000
Accrued interest	536,077	485,769
Contractors retentions	565,820	846,138
Income tax payable	968,691	60,520
Accrued expenses	2,369,623	2,240,651
Other provisions	469,782	1,064,721
Deposits	1,404,995	649,571
Accrued management fees	108,425	66,097
Others	916,105	956,602
	10,089,518	7,995,069

13. DUE TO BANKS

This item represents the balance of the overdraft facilities as of 31 December 2007 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

2008	* Hotels Segment JD	Other Segments JD	Total JD
Operating revenues	76,333,076	1,487,128	77,820,204
Operating expenses	(47,763,617)	(772,412)	(48,536,029)
Gross operating income	28,569,459	714,716	29,284,175
Other information			
Segment assets	207,605,822	47,973,857	255,579,679
Segment liabilities	55,383,363	54,203,282	109,586,645
Depreciation	6,316,479	51,086	6,367,565
Interest income	110,954	100,150	211,104
Interest expense	3,648,670	1,767,612	5,416,282

* Hotels' gross operating revenues consisted of the following:

2008	Hotel Inter- Continental Jordan JD	Grand Hyatt Amman Hotel JD	Dead Sea Mövenpick Hotel JD	Petra Mövenpick Hotel JD	Aqaba Mövenpick Hotel JD	Nabatean** Castle Mövenpick Hotel JD	Jordan*** Himmeh Mineral Co. JD	Total JD
Operating revenues	19,878,637	19,351,829	17,198,450	7,268,926	10,717,463	1,917,771	-	76,333,076
Operating expenses	(12,072,420)	(12,231,451)	(11,256,863)	(4,046,499)	(6,853,482)	(1,302,902)	-	(47,763,617)
Gross operating income	7,806,217	7,120,378	5,941,587	3,222,427	3,863,981	614,869	-	28,569,459

2007	* Hotels Segment JD	Other Segments JD	Total 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

* Hotels' gross operating revenues consisted of the following:

2007	Hotel Inter- Continental Jordan JD	Grand Hyatt Amman Hotel JD	Dead Sea Mövenpick Hotel JD	Petra Mövenpick Hotel JD	Aqaba Mövenpick Hotel JD	Nabatean** Castle Mövenpick Hotel JD	Jordan*** Himmeh Mineral Co. JD	Total 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

** 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 2,145,013 and JD 536,054 as of December 31, 2008 and December 31, 2007 respectively. During the last quarter of 2007 the Company decided to carry on operating all the Hotel's outlets throughout the year.

*** On August 8, 2006 the board resolved to cease the resort's operations and demolish all its facilities in order to start initiation of work and development of a new resort.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 JD	2007 JD
Salaries and wages	787,729	597,923
Directors' remuneration	117,483	76,790
Bonuses	169,168	6,380
Donations	14,260	24,196
Governmental expenses	14,404	176,969
Hospitality	10,209	8,877
Insurance	525,901	546,913
Bank charges	418,488	103,401
Maintenance expenses	35,792	30,924
Professional fees	81,678	82,663
Property tax	177,331	162,771
Postage and telephone expenses	39,145	31,742
Rent	299,727	277,812
Subscriptions	35,158	28,686
Withholding tax	16,960	18,255
Travel expenses	33,878	13,244
Advertising and marketing expense	28,150	30,260
Others	576,956	530,668
	<u>3,382,417</u>	<u>2,748,474</u>

16. LOSSES FROM FINANCIAL INVESTMENTS

	2008 JD	2007 JD
Realized losses from trading investments	8,623	11,500
Impairment in available -for- sale investment	-	1,385,167
	<u>8,623</u>	<u>1,396,667</u>

17. NET FINANCING EXPENSES

	2008 JD	2007 JD
Interest expense	(5,416,282)	(4,747,742)
Interest income	211,104	77,823
	<u>(5,205,178)</u>	<u>(4,669,919)</u>

18. PROVISIONS AND OTHER EXPENSES

	2008 JD	2007 JD
Provision for doubtful debts	139,040	10,083
Losses on sales of property and equipment	23,999	-
Contingent liabilities	801,729	-
Provision for projects in progress	1,152,189	-
Slow moving items provision	71,892	-
Labor lawsuits	50,025	-
Bonuses provision	100,000	-
Others	126,945	-
	<u>2,465,819</u>	<u>10,083</u>

19. MINORITY INTERESTS

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

20. INCOME TAX

Deferred tax liabilities

Deferred tax liabilities represent the estimated income tax on 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 is as follows:

	2008 JD	2007 JD
Balance, beginning of the year	1,021,678	351,159
Charge for the year	143,380	670,519
Balance, end of the year	<u>1,165,058</u>	<u>1,021,678</u>

Income tax provision

No income tax provision was calculated for the Company and some of its subsidiaries for 2008 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 years 2006 and 2007 up to the date of the consolidated financial statements.

The Company 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.

21. EARNINGS PER SHARE

	2008 JD	2007 JD
Profit attributable to shareholders (JD)	9,844,760	4,669,869
Weighted average number of shares (Share)	125,000,000	125,000,000
Earnings per share	0.079	0.037

The basic and fully diluted earnings per share are equal.

22. CASH AND CASH EQUIVALENTS

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

	2008 JD	2007 JD
Cash on hand and at banks	15,433,236	4,897,463
Overdrafts	-	(716,728)
	15,433,236	4,180,735

23. CONTINGENCIES AND COMMITMENTS

As of the date the consolidated financial statements, the Group had outstanding bank guarantees of JD 7,507,980 (2007: JD 184,324).

24. LITIGATION

In the normal course of business the Group appear as defendants in a number of lawsuits amounting to JD 2,167,557 as of December 31, 2008. The Group and its legal advisor believe that the Group's position holds strong against these lawsuits.

A lawsuit was filed in the United States of America on 7 November 2007 against Zara Investment 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.

25. RELATED PARTY TRANSACTIONS

Following are the subsidiaries which are consolidated and they are all incorporated in Jordan:

	Paid in Capital JD	Principal Activities	Ownership %
Amman Tourism Investment Co.	16,500,000	Grand Hyatt Amman / Hyatt Tower	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.	2,800,000	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	55.8
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

Related parties represent subsidiary companies, major shareholders, key management personnel of the Group.

Pricing policies and terms of these transactions are approved by the Group's management.

Summary of compensation of key management personnel are as follows:

	2008 JD	2007 JD
Salaries and bonuses	325,890	135,59
	325,890	135,591

26. RISK MANAGEMENT

Interest rate risk

The Group 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, with all other variables held constant.

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

2008	Increase in basis points	Effect on Profit for the year JD
JD	75	(234,204)
USD	75	(191,079)

	Decrease in basis points	Effect on Profit for the year JD
JD	50	156,135
USD	50	127,386

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

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.

	2008			2007		
	Change in equity price %	Effect on profit of the year JD	Effect on equity JD	Change in equity price %	Effect on profit of the year JD	Effect on Equity JD
Amman Stock Exchange	10	-	2,171,813	10	7,250	1,942,404

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 Group is exposed to credit risk on its bank balances, receivables and certain other assets as reflected in the balance sheet.

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

The Group provides services to large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2008.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's undiscounted financial liabilities based on contractual payment dates.

Year ended 31 December 2008	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Accounts payables	6,580,484	1,893,497	565,820	-	9,039,801
Term loan & bonds	-	20,734,517	40,695,863	35,011,694	96,442,074
Total	6,580,484	22,628,014	41,261,683	35,011,694	105,481,875

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

Currency risk

Most of the Group'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).

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables and other current assets. Financial liabilities consist of bank overdrafts, term loans, payables, and other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

28. CAPITAL MANAGEMENT

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

The Group 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 2008 and 31 December 2007. Capital comprises share capital, statutory reserve, voluntary reserve and accumulated losses, and is measured at JD 114,198,075 as at 31 December 2008 (2007: JD 104,353,315).

29. COMPARATIVE AMOUNTS

Some of 2007 balances were reclassified to correspond to 2008 presentation with no effect on equity or profit for the period.

30. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009.

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 15 Agreement for the Construction of Real Estate [IF GROUP IS INVOLVED IN CONSTRUCTION OF REAL ESTATE]

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009.

IFRS 8 Operating Segments

The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. This amendment becomes effective for annual periods beginning on or after 1 January 2009. Operating segments are expected to be the same as currently identified business segments under IAS 14.

IAS 23 Borrowing Costs (Revised)

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This amendment becomes effective for annual periods beginning on or after 1 January 2009. The amendment is not expected to have any impact on the financial position or performance of the Group.

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 financial statement and for ensuring that an effective control system is in place.
3. The Chairman, General Manager, and Chief Financial Officer assume responsibility for the entirety, accuracy, and completeness of the information and data presented in the Report.



Chairman

Sabih Taher Darwish Masri



General Manager

Lina Mazhar Hassan Annab



CFO

Ahmad Ibrahim Mohammad Jamjoum

Recommendations for the General Assembly

The Board of Directors recommends the following:

1. Recitation of the minutes of the 14th annual General Assembly and its approval.
2. Recitation of the auditors report for the fiscal year ending 31/12/2008.
3. Recitation and discussion of the Board of Directors report for the year ending 31/12/2008 and its approval.
4. Discussion of the Company's consolidated financial statements as of 31/12/2008 and its approval.
5. Election of the Company's auditors for the year ending 31/12/2009 and determining their fees.
6. 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 Directors