Zara Investment Holding Co. Ltd. | **Annual Report 2012**

Zara Investment Holding

Board of Directors' Nineteenth Annual Report on the Company's operations and consolidated accounts for the fiscal year ending 31/12/2012.

Zara Investment Holding Company Limited

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We are on:

twitter.com/ZaraHolding facebook.com/ZaraHolding www.youtube.com/user/ZaraInvestment

Mövenpick Resort Petra

Board of Directors

Sabih Taher Darwish Masri
Chairman

Khaled Sabih Taher Masri
Vice-Chairman

Isam Halim Jeries Salfiti
Member/Representing Bank Al Etihad

Ahmad Saeed Al-Sharif, Ph.D.
Member/Representing Libyan Foreign Investments Company

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

Jamila Tawfiq Mahmoud Mahasneh
Member/Representing Social Security Corporation

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

Sami Issa Eid Smeirat
Member/Representing Rama Investments & Saving Company as of 25/04/2012

Abdel-Rahman Bin Ali Bin Abdel-Rahman Al-Turki
Member

Nafez Saleh Odeh Mustafa
Member

Yassin Khalil "Mohammed Yassin" Talhouni
Member

Mohammad Osama Jawdat Sha'sha'a
Member

Yazid Adnan Mustafa Mufti
Member

Lina Mazhar Hassan Annab
General Manager

Ernst & Young
Auditors

Ittqan Law Firm
Legal Advisor / Wael Karaen


Sabih Taher Darwish Masri | Chairman

Message to our shareholders

Esteemed Ladies and Gentlemen,

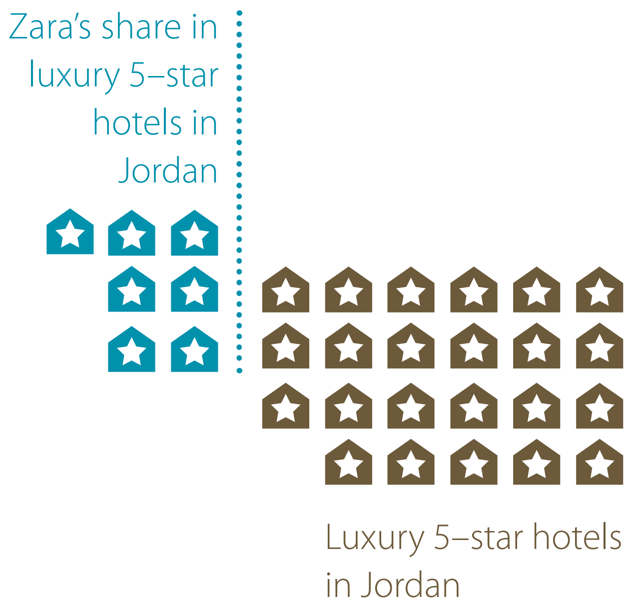
Welcome to Zara Investment Company 19th ordinary meeting of the general assembly of the shareholders

In 2012 Zara witnessed a slight rebound in its performance registering higher revenues than 2011. Consolidated operating revenues increased by 6.1% to JD 82.9 million compared with JD 78.2 million in 2011. Net operating revenues increased by 5.7% to JD 22.7 million compared with JD 21.5 million in 2011, and consolidated profit attributable to shareholders reached JD 1.1 million compared with a loss of JD .867 million in 2011.

We ushered the year 2012 with an uncertainty fueled by the surrounding regional political unrest in addition to local acute economic challenges marked by high unemployment and increasing living expenses triggered mainly by reliance on foreign sources of energy. All of these factors exacerbated an already fragile economy exerting tremendous pressure on the budget and worsening the deficit. In managing this delicate situation the government found itself resorting to a mix of higher taxes coupled with an ease on subsidies, which eventually had an inflationary impact on all aspects of the economy. Considering these challenges, it was reassuring to see that the economy of Jordan continued to expand with a GDP growth estimated at 2.8% in 2012. Moreover, specific sectors of the economy witnessed a healthy growth most importantly of which was in tourism.

Consolidated operating revenues increased by 6.1% to JD 82.9 million compared with JD 78.2 million in 2011.

In a year marked by persistent economic and political turbulences, and amidst a slew of global economic volatilities, international tourism demand remained resilient. In 2012 and despite the world's economic and political uncertainty, tourism continued to be one of the few vibrant sectors driving growth. The situation in Jordan was no exception. Tourism receipts grew by 15.3% from JD 2.1 billion ($3.0 billion) in 2011 to JD 2.5 billion ($3.5 billion) in 2012. The total number of visitors to Jordan dropped by 7.3% compared with 2011 and that is attributed to the drop of same day visitors by 24.6% to 2.2 million visitors in 2012. In contrast, the number of overnight visitors, a much coveted travel segment, increased by 5.1% to 4.2 million visitors in 2012. The drop in the overall number of visitors is also attributed to the fact that foreign visitors remained wary of traveling to and across Jordan given the unrest in the region; in addition to the economic crisis in Europe, one of Jordan's main source markets.



In 2012 Zara continued to maintain its leading market share of 5-star hotels and 5-star room inventory in Jordan. Our leadership was also evident in the number of human resources employed vis-à-vis the total number of persons employed in the hospitality sector. Employment in the 5-star hotels segment in Jordan reached 8,990 persons in 2012 of which approximately 29% are employed by Zara; while employment in the hospitality sector reached 43,781in 2012 of which approximately 6% are employed by Zara.

In 2012 Zara continued to maintain its leading market share of 5-star hotels and 5-star room inventory in Jordan.

In April 2012, in light of our objective to improve Zara's capital structure, the general assembly approved a capital increase of JD 25 million of which JD 20 million were paid up and subscribed for. Of the remaining JD 5 million, JD 3.3 million were subscribed for and remain to be registered during 2013, which would bring Zara's paid up and registered capital to JD 148.3 million. The capital increase will improve our financial leverage by reducing the company's outstanding debt and financing costs.

Contributing to the sustainability of the tourism sector in Jordan as well as the communities in which we are present remained one of our important priorities in 2012. Our efforts to employ environmentally friendly methods in running our properties continue with the introduction of alternative sources of energy leading to cleaner production and lower costs. We also intensified the application of the energy efficient lighting light-emitting diode (LED). The energy saving LED bulbs promise to reduce our energy cost given that they use only one-fourth of the electric power needed to illuminate an incandescent bulb of comparable brightness.

Our hotels also continue to successfully move away from the use of diesel fuel to clean-burning liquefied petroleum gas (LPG) for a variety of their substantial heating needs.

All of the above have not only enhanced the efficiency of our operations, but they have also achieved savings through the decrease in our electricity and fuel consumption, which in turn also resulted in substantial reduction in emissions of carbon dioxide (CO_2).

Moreover, during 2012 all of Zara hotels were among the first in the country to be certified with ISO 22000 food safety standard. These certificates enhance the hotel's preparedness and ability to control food safety hazards.

In line with our firm commitment to work on forging meaningful partnerships aimed at improving the tourism sector in Jordan, we concluded the refurbishment of 23 accommodation rooms at Salt Vocational Training Center that has become known as "Saltos Hotel". This facility will provide ideal state-of-the-art hands on training environment in addition to availing a revenue stream to the Center. Saltos Hotel is the first classified hotel in Salt City, which is expected to enhance local tourism in one of Jordan's most beautiful cities.

Continuing the strategy we followed in 2011, and due to the prevailing circumstances, new projects in 2012 were kept to a minimum. In 2012 we continued the comprehensive renovation of the rooms and suites of the Grand Hyatt Amman expected to be completed during the first quarter of 2013. We also embarked on smaller projects needed to maintain the level of quality and service at all of Zara's hotels and resorts

The key areas that we will focus on during 2013 will continue to be cost cutting measures and expense control to carry us through what we expect to be a difficult year. We will also continue our ongoing program of clean production projects. The first quarter of 2013 is due to witness the completion of the renovation of the rooms and suites of the Grand Hyatt Amman, which will give us a significant competitive edge in the luxury market in the city of Amman. During the second quarter of 2013, we will embark upon a soft room renovation program at the Movenpick Resort and Spa Dead Sea. This renovation is long overdue and is needed to maintain the hotel's competitive position in the market. Another area of great importance to us will be to build on and enhance the significant role that your Company plays in the development of the local communities in which it operates. Year 2013 will witness the operation of the first training hotel developed by Zara and belonging to the Vocational Training Corporation in Jordan which is a milestone that we are all eagerly looking forward to.

Year 2013 will witness the operation of the first training hotel developed by Zara and owned by the Vocational Training Corporation

By all standards 2012 was in no way an easy year. I am confident it would have been even harder and more challenging had it not been for the dedication and hard work of our entire team of professionals running our properties all over Jordan. To these wonderful men and women I extend my deepest thanks and appreciation for a job well done.

Finally and in closing, on behalf of the board of directors, I would like to thank all of our shareholders for their trust and continued support.

Sabih Taher Masri
Chairman of the Board of Directors

Overview

Welcome to Zara Investment Company's 19th ordinary meeting of the general assembly of the shareholders.

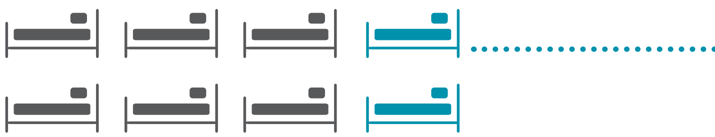
Despite domestic and external pressures witnessed throughout the year 2012, the economy of Jordan continued to expand with GDP growth reaching 2.8% compared with 2.6% growth in 2011. Given the challenges posed by a record budget deficit, the lifting of subsidies, a high rate of unemployment coupled with the regional unrest especially in neighboring Syria, a 2.8% increase is by many standards considered to be a satisfactory rate of growth. Moreover, in view of the fact that the economy of some parts of the world have actually shrunk over 2012, we remain confident that a 2.8% growth is good news for Jordan.

Jordan tourism sector witnessed a peculiar year in 2012, with an increase in revenues coupled with a decline in the total number of visitors. Tourism revenue reached JD 2.5 billion, an increase of 15.3% over 2011; while the total number of visitors dropped by 7.3% to reach 6.3 million visitors. The drop came mainly from same day visitors whose number dropped by 24.6% to 2.20 million visitors in 2012. In contrast, the number of overnight visitors increased by 5.1% to 4.2 million visitors in 2012. The drop in the number of visitors is mainly attributed to the fact that foreign visitors remain wary of traveling to and across Jordan given the unrest in the region, in addition to the economic crisis in Europe, one of Jordan's main markets.

Number of overnight visitors to Jordan increased by 5.1% to 4.2 million visitors

We are reassured by the fact that the government of Jordan is keen on implementing an economic structural reform program aimed at boosting growth and achieving better fiscal position. With Jordan's firm commitment to focusing on economic growth through its economic and political reforms, its economic prospects look set to continue moving into positive territory.

2,131 Number of hotel rooms owned by Zara



7,667
Number of five-star hotel rooms in Jordan

Hotel industry key indicators for 2012 compared to 2011

	Year 2012	Year 2011	Variance %
Number of visitor tourists	4,162,367	3,959,643	5.1%
Tourism income (Million JD)	2,456	2,130	15.3%
Average length of stay (Night)	4.3	4.5	-4.4%
Number of classified hotels	213	208	2.4%
Number of hotel rooms	17,358	17,107	1.5%
Number of beds	32,358	31,987	1.2%
Number of employees	43,781	41,879	4.5%

Source: Ministry of Tourism and Antiquities

5-star hotel key indicators for 2012 compared to 2011

	Year 2012	Year 2011	Variance %
Number of five-star hotels	30	28	7.1%
Number of five-star hotel rooms	7,667	7,119	7.7%
Number of hotel rooms owned by Zara Investment Holding Co. Ltd	2,131	2,131	-
Rooms owned by Zara - % of total	28%	30%	-6.6%

Source: Ministry of Tourism and Antiquities

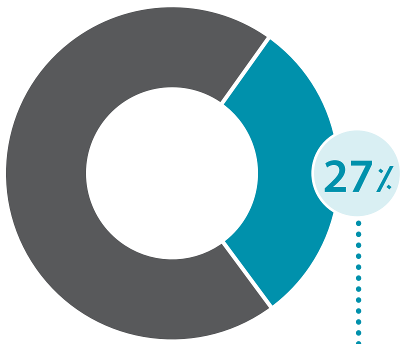
Grand Hyatt Amman Hotel

Main activities

2. (A) Main activities of the company

Paid up Capital / JD	Main Activity	Headquarter	Number of Employees
Zara Investment Holding Company PSC			
145,000,000	Hotel, tourism and general investments	Amman	31

Consolidated Assets: JD 269,8 million



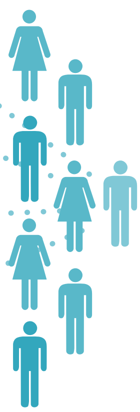
Zara is the **largest** employer in the 5-star hotel industry in Jordan

1,078
Employees in Amman

582
Employees in Dead Sea

211
Employees in Petra

680
Employees in Aqaba



2,551 Total Number of Employees at Zara

2. (B) Subsidiaries

Subsidiary	Paid up Capital/JD	Main Activity	HQ	Shareholding %	Number of Employees
Zara South Coast Development Company LLC	39,425,503	Owner of Mövenpick Resort & Spa Tala Bay Aqaba	Aqaba	84.8%	370
Red Sea Hotels Company LLC	17,000,000	Owner of Mövenpick Resort & Residence Aqaba	Aqaba	100%	310
Amman Tourism Investment Company LLC	16,500,000	Owner of Grand Hyatt Amman Hotel, Hyatt Tower and Zara Center	Amman	100%	409
National Hotels and Tourism Company LLC	15,000,000	Owner of Mövenpick Resort & Spa Dead Sea	Amman	100%	582
South Coast Real Estate Development Company LLC	10,050,000	Real estate development – Aqaba South Coast *(Ras Al Yammaniya) owner of 528 donum*	Aqaba	82%	0
Jordan Hotels and Tourism Company PLC	10,000,000	Owner of Hotel InterContinental Jordan	Amman	51.6%	578
South Coast Hotels Company LLC	4,800,000	Real estate development – Aqaba South Coast *(Ras Al Yammaniya) owner of 94 donum*	Aqaba	82%	0
Nabatean Hotels Company LLC	2,800,000	Owner of Mövenpick Nabatean Castle Hotel – Petra	Amman	100%	58
Oasis Hotels Company LLC	1,600,000	Owner of tourism project - Dead Sea, *owner of 34 donum*	Amman	92.2%	0
Levant Hotels and Tourism Company LLC	500,000	Owner of Mövenpick Resort Petra	Amman	100%	153
Rum Hotels and Tourism Company LLC	500,000	Owner of tourism project Tybeh – Petra *owner of 66 donum*	Amman	75%	0
Jordan Himmeh Mineral Company PLC	500,000	Owner of Jordan Himmeh Resort – Mukhaibeh	Amman	55.8%	4
Jordan Hotel Supplies Trading Company LLC	300,000	Owner of Souk Zara gift boutiques	Amman	100%	30
Zara Agricultural Company LLC	100,000	Landscape and nursery services – Jordan Valley	Amman	54.3%	26
		Total number of employees			2,551

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

Grand Hyatt Amman Hotel

3. (A) Names of members of the board with brief introduction

Name	Representation	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	Ahmed Saeed Al Sharif	Member	2000	17/3/2004	7/6/1945
Social Security Corporation	Jamila Tawfiq Mahmoud Mahasneh	Member	2000	20/10/2011	1/3/1963
Rama Investment & Savings Company	Sami Issa Eid Smeirat	Member	2012	25/4/2012	13/4/1971
Bank Al Etihad	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	15/6/2007	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
Nafez 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
B.Sc. Chemical Engineering	1963	Businessman	• Arab Bank / Chairman
M.B.A. Business Administration	1989	Businessman	• Jordan Hotels and Tourism Company • Jordan Himmeh Mineral Company / Chairman
Ph.D. Economics	1979	Professor, *Qar Younos University - Libya*	
M.A. Economics	1999	Assistant Manager Social Security Corporation	
M.B.A. Business Administration	2004	VP, Jordan Telecom Group *CEO, Orange Enterprise*	
B.A. Economics	1967	Businessman	• Bank Al Etihad / Chairman • Jordan Hotels and Tourism Company / Chairman
High Diploma, Civil Engineering	1975	Chief Executive Officer *Astra / Saudi Arabia*	• Jordan Vegetable Oil Industries Company / Chairman • Jordan Express Tourist Transport Company
LL.B.	1991	General Manager *Cairo Amman Bank*	• Jordan Express Tourist Transport Company • Jordan Insurance Company
B.A. Business Administration	1955	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/Chairman • 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

3. (B) Names and position of senior executive management with brief introduction

Position	Date of Appointment	DOB	Degree	Graduation Date

Lina Mazhar Hassan Annab

General Manager	1/5/2002	29/11/1966	M.A. International Relations	1990

Professional Experience

- Held several positions with multinationals in the United States and the Middle East
- Board member at several private and public shareholding companies
- Board Member at Jordan Tourism Board (JTB – as of December 2011)
- Member of Jordan National Tourism Council
- Vice Chairman of the Employment – Technical and Vocational Education and Training Council (E - TVET Council) (Until August 2012)
- Member of the Economic and Social Council (Until August 2012)
- Board member at Social Security Investment Fund (Until August 2012)

Ahmad Ibrahim Mohammad Jamjoum

Chief Financial Officer	1/11/2008	16/11/1964	M.A. Accounting Systems and Auditing / CPA	1991

Professional Experience

- Held several financial and consulting positions with various leading local and regional corporations
- Board Member at Jordan Himmeh Mineral Company
- Board Member at Palestinian Tourism Investment Company
- Board Member at Jordan Express Tourist Transport Company
- Technical Committee Member at Jordan Tourism Board

Haitham "Mohammad Nazih" Nureddin Hanbali

Financial Controller	7/1/2007	31/7/1969	B.Sc. Accounting / CPA	1996

Professional Experience

- Held financial consulting and auditing positions at local and regional consulting firms

4. Major shareholders and number of shares held compared with 2011

Name	No. of Shares as of 31/12/2012	Percentage %	No. of Shares as of 31/12/2011	Percentage %
Social Security Corporation	18,506,245	12.7%	18,516,245	14.8%
Al Masira Investment	18,354,013	12.6%	15,295,011	12.2%
Libyan Foreign Investments Company*	16,282,943	11.2%	16,282,943	13.0%
Arab supply and Trading Corporation	11,008,354	7.6%	9,173,628	7.3%
Cairo Amman Bank	9,990,084	6.9%	8,325,070	6.6%
Al Masira International – Bahrain	8,601,804	5.9%	-	-
Mohammed Bin Abdel Rahman Bin Hamad Al Sheik	6,000,000	4.1%	6,000,000	4.8%
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki	6,000,000	4.1%	6,000,000	4.8%

* On Dec. 20, 2012 the Libyan Foreign Investments Company participated in the capital increase to maintain its share of 13% by subscribing JD / Share 3,256,589 which was still under process at the Jordan Securities Commission as of Dec. 31, 2012. The paid up and registered capital as of Dec. 31, 2012 reached JD / Share 145 million compared with JD / share 125 million as of Dec. 31, 2011.

Competitive position

Zara is the **First** owner of luxury 5–star hotels in Amman, Dead Sea, and Petra

Mövenpick Resort Petra

Grand Hyatt Amman

5. Company's competitive position

Zara Investment (Holding) Company is the largest owner of luxury 5–star hotels in Jordan with strategic locations in Amman, Dead Sea, Petra, and Aqaba. These seven 5-star hotels have a combined total of 2,131 rooms. Our company enjoys the leading position as one of the top investment companies in Jordan in the hospitality sector, coupled with 32% share of 5-star hotel revenue in the Kingdom. This is manifested in relation to both its paid up and registered capital and the net book value of its property and equipment totaling respectively JD 145 million / share and JD 208.5 million as of 31/12/2012.

All of the Company's hotels are managed by renowned international management companies, namely the Intercontinental Hotels Group (IHG), Hyatt International, and the Mövenpick Hotels and Resorts (MHR). The affiliation with such reputable operators enables the properties of Zara to compete on both the local and international levels.

During 2012, all of Zara properties maintained their leadership position in the market. The Hotel Intercontinental Jordan achieved the highest revenues and operating profits in Amman. Mövenpick Resorts achieved the highest revenues and operating profits in the Dead Sea, Petra and Aqaba.

Zara is the **Largest** tourism investment company in Jordan in terms of paid up and registered capital.

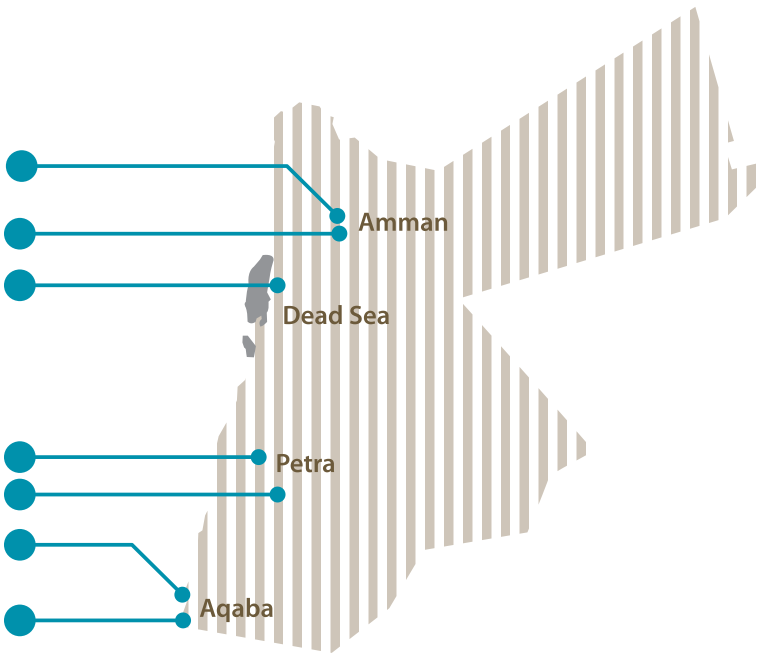
Mövenpick Resort & Residence Aqaba

Mövenpick Resort & Spa Tala Bay Aqaba

Hotel InterContinental Jordan

Mövenpick Resort & Spa Dead Sea

Zara achieved the **Highest** income of five-star hotels in Jordan (32%)



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 for more than 10% of its total procurements and/or sales.

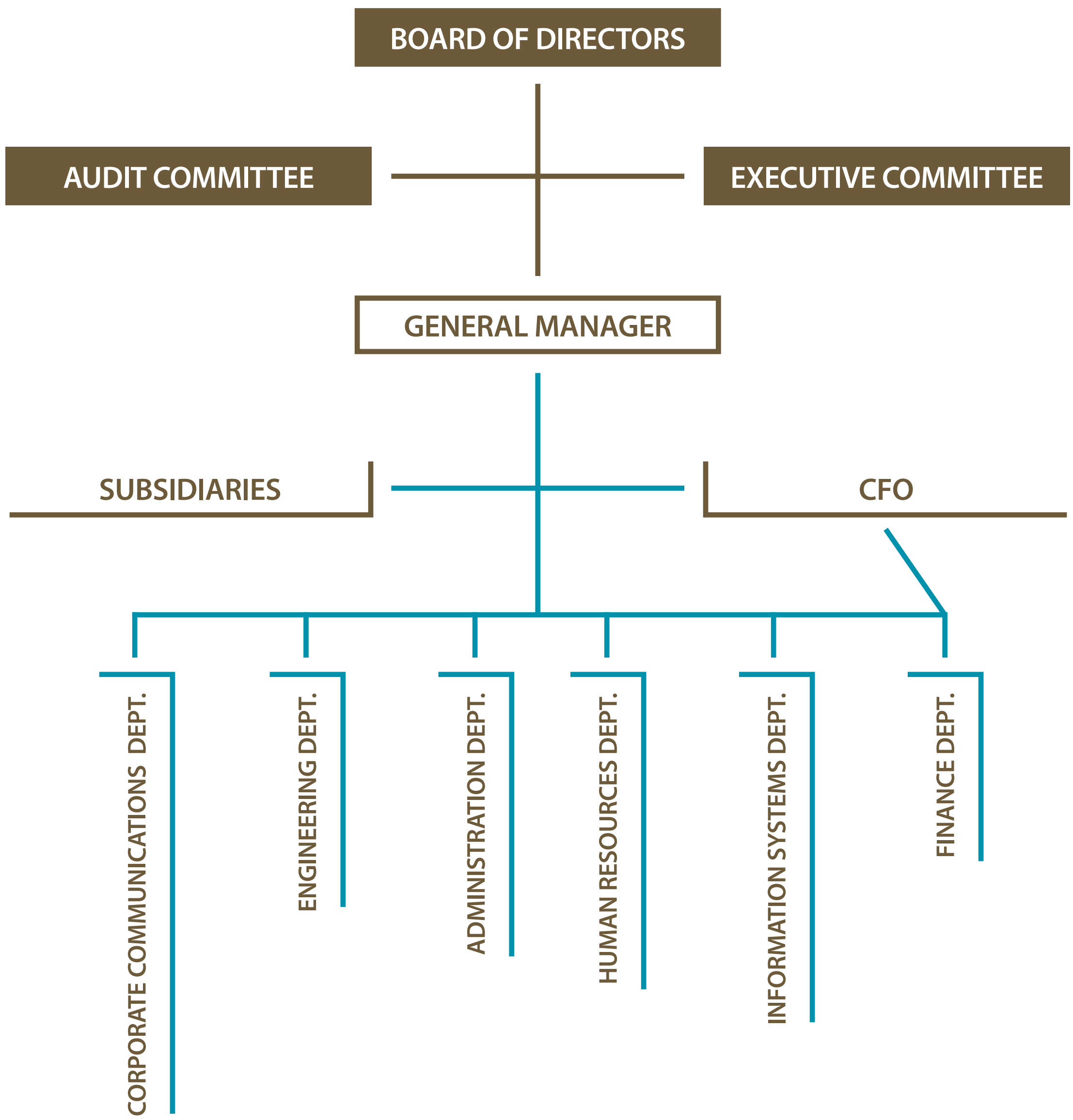
7. Government protection or privileges enjoyed by the Company

There are no government protection measures, nor privileges enjoyed by the Company or any of its products / subsidiaries in accordance with legal regulations.

8. Government or international organizations measures with material impact on the Company's activities, products, or competitiveness

All of the Company's hotels and resorts have benefited from the exemptions stipulated in the Investment Promotion and Special Economic Zone Laws. These exemptions cover duties and taxes on procurements of furniture, fixtures and equipment (FF&E) required for refurbishment and renovation purposes.

9. (A) Organization structure



9. (B) Number of company employees and qualifications

62% of the employees of Zara are high school students

	Ph.D.	Masters	Higher Diploma	Bachelors	Diploma	High School	Total Number of Employees
Zara Investment Holding Company PLC	-	2	-	21	2	6	31
Subsidiaries							
Zara South Coast Development Company LLC	-	-	-	67	96	207	370
Red Sea Hotels Company LLC	-	-	-	42	75	193	310
Amman Tourism Investment Company LLC	1	-	-	57	53	298	409
National Hotels and Tourism Company LLC	-	6	1	60	45	470	582
South Coast Real Estate Development Company LLC	-	-	-	-	-	-	-
Jordan Hotels and Tourism Company PLC	-	1	177	92	108	200	578
South Coast Hotels Company LLC	-	-	-	-	-	-	-
Nabatean Hotels Company LLC	-	-	-	2	2	54	58
Oasis Hotels Company LLC	-	-	-	-	-	-	-
Levant Hotels and Tourism Company LLC	-	1	-	15	8	129	153
Rum Hotels and Tourism Company LLC	-	-	-	-	-	-	-
Jordan Himmeh Mineral Company PLC	-	-	-	-	-	4	4
Jordan Hotel Supplies Trading Company LLC	-	-	-	11	3	16	30
Zara Agricultural Company LLC	-	-	-	-	-	26	26
Total	1	10	178	367	392	1,603	2,551

9. (C) Qualification and training programs for Company employees

Course Name	Number of Employees
Commitment to Excellence	369
Sustainability Workshop	200
Quality Service Standards	195
How to write a Personal Development Plan	138
Food and Hygiene Best Practices	130
Internship for students - University & VTC/ Royal Academy	102
Fire & Safety	100
Basic Food Hygiene	94
English Language	82
Environment Training	80
Civil Defense Training - Defibrillator & Rescue Diver	80
Chemical Hazard	77
Health & Safety	74
Quit Smoking Awareness	69
Excellence in Managing Performance	53
HACCP Training	48
Personal Hygiene	45
F&B Selling Techniques	45
Foundation HACCP	37
Language departments (Arabic)	35
Human Trafficking	34
First Aid Refreshment Training	33
Outlook Training	31
Communication & Conflict Management	25
Lessons in Leadership	23
Time management	23
Computer Skills	20
Heartbeat & Trip Advisor Training	18
Motivation	17
How to Clean Rooms up-to Standards	14
Laundry Basics	10
Supervisory Food Hygiene	9
Security Training	3
Total	**2,313**

10. Risks

The Company does not foresee any risks that may have a material impact on its operations during the coming fiscal year.

Grand Hyatt Amman Hotel

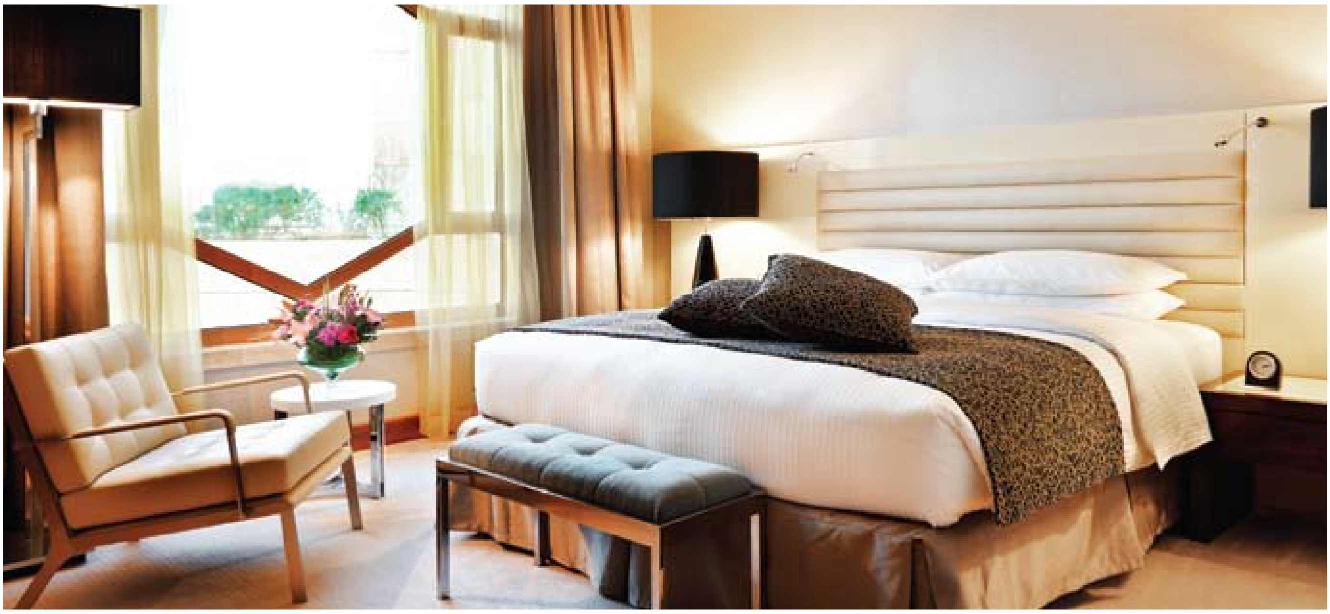
Company's achievements

11. Company's achievements in 2012

Zara Investment Holding Company

- Increased paid up and registered capital to JD / share 145 million from JD / share 125 million.
- Utilized capital increase proceeds to reduce debts by JD 19.2 million and improve leverage to reach 27.9%.
- Reduced financing costs by JD 2.2 million through debt restructuring and early payment of short term loan.
- Financed the development, renovation and refurbishment of 23 accommodation rooms at the Salt Vocational Training Center, the first vocational training hotel in Salt City in collaboration with the Vocational Training Corporation (VTC). This facility will set a precedent by having the first classified hotel in Salt City.

The **First** in supporting and financing the first vocational training hotel in Salt City, in collaboration with the Vocational Training Corporation.



Amman Tourism Investment Company, owner of Grand Hyatt Amman Hotel

- Continued the comprehensive room and suite renovation program, slated to be completed by the first quarter of 2013.
- Installed advanced internet service in all hotel guest rooms.
- Upgraded the main server room with a new Internet Protocol (IP) network.

Jordan Hotels and Tourism Company, owner of Hotel InterContinental Jordan

- Awarded The Jordan Leading Business Hotel for 2012 by World Travel Awards.
- Obtained IHG Academy Certification for 2012. Intercontinental Jordan has been recognized and approved as IHG Academy member for their partnership with Jordan River Foundation and Vocational Training Centers.
- Started state of the art kitchen renovation to enable the hotel to consistently deliver premium services and unique experience to its guests.

Levant Hotels and Tourism Company, owner of Mövenpick Resort Petra

- Awarded the Trip Advisor certificate of excellence 2012.
- Awarded the Green Globe certificate of 2012.
- Obtained ISO 22000 certificate for 2012.

Zara South Coast Development Company, owner of Mövenpick Resort & Spa Tala Bay Aqaba

- Raised registered capital by JD 9.425 million to reach JD 39.425 million increasing Zara's share by 4.78% to reach 84.78%.
- Awarded the Trip Advisor certificate of excellence 2012 and Trip Advisor traveler's choice winner 2012 for family category.
- Awarded the Green Globe certification for 2012.
- Awarded the Green Key certificate for 2012.
- Awarded the Blue Flag certificate for 2012.
- Obtained HACCP and ISO 22000 certificate for 2012.
- Nominated by Condé Nast Johansens Awards for Spa excellence.

Red Sea Hotels Company, owner of Mövenpick Resort & Residence Aqaba

- Awarded the Green Globe certificate for 2012.
- Awarded the Blue Flag certificate for 2012.
- Awarded the Green Key certificate for 2012.

National Hotels and Tourism Company, owner of Mövenpick Resort & Spa Dead Sea

- Awarded the Trip Advisor certificate of excellence 2012.
- Obtained the Green Globe certificate 2012 with the highest achievement award for the middle east region.
- Awarded the Arabian Hotel certificate 2012 "The Best Sustainable Hotel in Jordan».
- Selected as one of the top resorts in the middle east by Condé Nast Traveler Reader's Choice Awards for the second consecutive year.
- Obtained ISO 22000 certificate 2012.
- The first hotel in Jordan to take part in the "Gender Equity Seal" initiative, expected to be awarded during the first quarter of 2013.

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 2008 through 2012

	2012	2011	2010	2009	2008
Profits (losses) realized	1,155,761	(867,718)	9,008,144	7,024,635	9,844,760
Dividends	-	-	-	-	-
Equity attributable to shareholders	169,435,715	146,323,274	149,726,285	139,966,939	131,673,954
Share price JD	0.79	1.05	1.14	1.40	1.75

14. Analysis of Company's financial position and results of operations during fiscal year 2012 - 2011

No.	Description	2012 %	2011 %
1	Return on Investments	0.57	-0.40
2	Return on Equity	0.81	-0.64
3	Return on Paid-in Capital	1.07	-0.86
4	Profit Margin	1.87	-1.37
5	Earnings Before Taxes (EBT) to Operating Revenues	2.77	-0.64
6	Ownership Ratio	70.40	61.39
7	Equity to Loans	285.13	182.24
8	Loans to Assets	24.69	33.69
9	Property and Equipment to Equity	109.73	130.38
10	Current Liability to total assets	9.86	14.37
11	Liabilities to Total Assets	29.60	38.61
12	Liabilities to Equity	42.04	62.90
13	Current Liabilities to Equity	14.00	23.41
14	Long-term Loans to Equity	27.92	39.35
15	Operating Revenues to Equity	43.68	46.97
16	Operating Revenues to Assets	30.75	28.83
17	Current Ratio	121.19	62.35

Following are the key indicators of the Company's hotels for 2012 compared with those for 2011:

Hotel	Number of Rooms	Occupancy%		Average Room Rate (JD)		Operating Revenues (JD)	
		2012	2011	2012	2011	2012	2011
InterContinental Jordan	450	69	56	120	118	23,066,433	19,337,205
Grand Hyatt Amman	316	48	49	126	122	13,138,425	12,618,939
Hyatt Tower	90	72	84	145	135	1,899,388	1,954,963
Mövenpick Resort & Spa Dead Sea	362	58	55	118	123	16,990,221	16,361,557
Mövenpick Resort & Residence Aqaba	332	56	61	88	84	8,215,822	8,530,147
Mövenpick Resort Petra	183	60	56	107	108	7,353,381	6,806,463
Mövenpick Nabatean Castle Petra	92	12	21	67	71	402,820	778,722
Mövenpick Resort & Spa Tala Bay Aqaba	306	58	61	100	93	11,121,975	10,912,902
Total	**2,131**	**57**	**55**	**111**	**107**	**82,188,465**	**77,300,898**

1. The consolidated statement of financial position of Zara indicates that the total assets as of 31/12/2012 totaled JD 269,862,931 compared with JD 271,178,042 as of 31/12/2011, representing a decline of 0.5%.

2. The equity attributable to shareholders as of 31/12/2012 totaled JD 169,435,715 compared with JD 146,323,274 as of 31/12/2011 representing an increase of 15.8%.

3. The consolidated income statement indicates that operating revenues for 2012 totaled JD 82,980,453 compared with JD 78,192,232 representing an increase of 6.1%.

4. The consolidated expenses including depreciation, finance, and administration expenses for 2012 totaled JD 21,838,655 compared with JD 23,378,378 representing a decline of 6.6%.

5. The consolidated profit attributable to shareholders for 2012 totaled JD 1,155,761 compared with a loss of JD 867,718 for 2011 representing an increase of 233.2%.

Company's outlook

15. Company's outlook and plans for 2013

1. We will maintain our leadership position in the market.
2. We will embark on the soft-scale room and suite renovation program at the Mövenpick Resort & Spa Dead Sea.
3. We will consistently monitor debt restructuring to minimize financing costs.
4. We will improve our cost control measures through the application of smart monitoring business intelligence analytical tools that are designed according to best practices in the hospitality industry.
5. We will improve our profitability and operating efficiency by continuing the development and application of clean production projects.
6. We will continue to actively pursue cooperation with potential local, regional, and international investment companies to forge viable partnerships in Jordan.
7. We will closely cooperate with the Vocational Training Corporation in operating and monitoring Saltos Hotel, the Zara-refurbished first of its kind vocational training hotel in Jordan.
8. We will institutionalize our community based activities and programs aimed at enabling and empowering the residents of the communities in which we operate.
9. We will continue cooperating with various players in the public and the private sectors in initiatives to improve the quality of the service delivery in our industry.
10. **We will continue cooperating with UNWomen to get the "Gender Equity Seal" for the Company's hotels; this seal will guarantee a fair and equitable treatment in giving professional opportunities to all of our working staff regardless of gender.**

The participation rate of women in the tourism sector is 10.5%, one of the lowest ratios in the world.

As per the statistics in the World Travel and Tourism Council (WTTC) and the International Labour Organization (ILO), the rate of women's involvement in the global tourism industry is 46%.

Zara aspires to increase and enhance the quality of Women's participation in the tourism sector through aquiring the "Gender Equity Seal"

UN WOMEN

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 PLC	12,528
Zara South Coast Development Company LLC	12,000
Red Sea Hotels Company LLC	13,300
Amman Tourism Investment Company LLC	15,600
National Hotels and Tourism Company LLC	13, 200
South Coast Real Estate Development Company LLC	2,000
Jordan Hotels and Tourism Company PLC	17,000
South Coast Hotels Company LLC	2,000
Nabatean Hotels Company LLC	7,000
Oasis Hotels Company LLC	2,320
Levant Hotels and Tourism Company LLC	11,800
Rum Hotels and Tourism Company LLC	2,320
Jordan Himmeh Mineral Company PLC	4,500
Jordan Hotel Supplies Trading Company LLC	2,250
Zara Agricultural Company LLC	2,000
Total	**119,818**

17. (A) Number of shares held by members of the board

Name	Position	Nationality
Sabih Taher Darwish Masri	Chairman	Jordanian
Khaled Sabih Taher Masri	Vice Chairman	Jordanian
Libyan Foreign Investments Company, represented by Ahmad Saeed Al Sharif	Member	Libyan
Social Security Corporation, represented by Jamila Tawfiq Mahmoud Mahasneh	Member	Jordanian
Rama Investments and saving Company, represented by Sami Issa Eid Smeirat (as of 25/04/2012)	Member	Jordanian
Bank Al Etihad represented by Isam Halim Jeries Salfiti	Member	Jordanian
Al Masira Investment Co. represented by Kamil Abdel Rahman Ibrahim Sadeddin	Member	Jordanian
Cairo Amman Bank, represented by Kamal Ghareeb Abdel-Rahim Al Bakri	Member	Jordanian
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki	Member	Saudi
Yassin Khalil 'Mohammad Yassin' Talhouni	Member	Jordanian
Yazid Adnan Mustafa Mufti	Member	Jordanian
Nafez Saleh Odeh Mustafa	Member	Saudi
Mohammad Osama Jawdat Sha'sha'a	Member	Jordanian

Number of Shares as of		Controlled Companies	Number of Shares Held by Controlled Companies as of	
31/12/2012	31/12/2011		31/12/2012	31/12/2011
2,046,000	1,705,000	• Arab Supply and Trading Co. • Astra Investment Co. • Al Masira Investment Co.	11,008,354 12,000 18,354,013	9,173,628 10,000 15,295,011
2,076,000	1,730,000	None	None	None
16,282,943 -	16,282,943 -	None	None	None
18,506,245 -	18,516,245 -	None	None	None
10,000 -	- -	None	None	None
108,300 -	90,250 -	None	None	None
18,354,013 -	15,295,011 -	None	None	None
9,990,084 -	8,325,070 -	None	None	None
6,000,000	6,000,000	None	None	None
4,141,188	4,141,188	• National Development and Supply Company • Levant Investment Co.	200,000 1,462,500	200,000 1,462,500
30,000	25,000	None	None	None
600,000	500,000	None	None	None
13,020	10,850	None	None	None

17. (B) Number of shares held by senior executive management

Name / Position	Nationality	Number of Shares as of		Controlled Companies	Number of Shares Held by Controlled Companies as of	
		31/12/2012	31/12/2011		31/12/2012	31/12/2011
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

17. (C) Number of shares held by relatives of members of the board and senior executive management

Name / Relationship	Nationality	Number of Shares as of		Controlled Companies	Number of Shares Held by Controlled Companies as of	
		31/12/2012	31/12/2011		31/12/2012	31/12/2011
Relatives of Sabih Taher Darwish Masri						
Najwa Mohamad Abdel Rahman Madi						
Wife	Jordanian	4,076,000	1,730,000	None	0	0
Relatives of Nafez Saleh Odeh Mustafa						
Mary Bint Issa Bin Ilyas Loussi						
Wife	Saudi	600,000	500,000	None	0	0

18. (A) Remunerations of the Chairman and members of the board

Name	Position	Transportation Allowance	Session Attendance Allowance	Accom-modation	Total JD
Sabih Taher Darwish Masri	Chairman	6,000	-	-	6,000
Khaled Sabih Taher Masri	Vice Chairman	6,000	-	-	6,000
Ahmad Saeed Al Sharif	Member	-	10,620	3,629	14,249
Jamila Tawfiq Mahmoud Mahasneh	Member	6,000	-	-	6,000
Sami Issa Eid Smeirat	Member	5,500	-	-	5,500
Isam Halim Jeries Salfiti	Member	6,000	-	-	6,000
Kamil Abdel Rahman Ibrahim Sadeddin	Member	6,000	-	-	6,000
Kamal Ghareeb Abdel-Rahim Al Bakri	Member	6,000	-	-	6,000
Abdel Rahman Bin Ali Bin Abdel Rahman Al Turki	Member	-	-	10,691	10,691
Yassin Khalil Moh'd Yassin Talhouni	Member	6,000	-	-	6,000
Yazid Adnan Mustafa Mufti	Member	6,000	-	-	6,000
Nafez Saleh Odeh Mustafa	Member	6,000	-	-	6,000
Mohammad Osama Jawdat Sha'sha'a	Member	6,000	-	-	6,000
Total		**65,500**	**10,620**	**14,320**	**90,440**

18. (B) Remuneration of senior executive management

Name / Position	Salaries	Transportation Allowance	Bonuses	Other Benefits	Total JD
Lina Mazhar Hassan Annab					
General Manager	105,840	0	26,460	0	132,300
Ahmad Ibrahim Mohammad Jamjoum					
Chief Financial Officer	69,300	3,000	18,225	600	91,125
Haitham "Mohammad Nazih" Nureddin Hanbali					
Financial Controller	49,140	1,260	-	-	50,400

Grand Hyatt Amman Hotel

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

Beneficiary	Amount JD
Vocational Training Center – Salt city	110,563
Vocational Training Center – Shouneh	11,978
Jordan River Foundation	10,000
Injaz	7,047
Ramadan Packages	6,200
New Think Theater	2,522
Madrasati Initiative	1,344
Medical Aid for Palestinians (MAP)	1,200
Miscellaneous	4,231
Total	**155,085**

Zara is the **First** to support the "Room for Hope" initiative for the benefit of cancer patients in Jordan

Zara hotels also collected the amount of JD 81,775 from its guests for the benefit of King Hussein Cancer Foundation.

20. Contracts, projects and commitments entered into by the Company with its subsidiaries, sister or allied companies, the Chairman, members of the board, General Manager, or any Company employee or their relatives

There are no contracts, projects, commitments entered into by the 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 is committed to environmental protection and sustainability in all of its hotel operations all over Jordan. In 2009 Zara initiated an aggressive clean production program aimed at significantly reducing greenhouse gas emissions (CO2), in addition to protecting the environment of the areas in which we operate. The projects we embarked on vary in scale. Large scale project include, but are not limited to, the switch from diesel fuel to the more friendly sources of LPG and solar energy. Other smaller scale environmentally friendly programs include paper recycling and the use of energy-saving light bulbs in most of Zara hotels.

Zara is the **First** to implement a 'Clean Production Program' on a large scale in its Hotels

The environmental protection plan we initiated in 2009 continued to be implemented in the following years. In 2012 we were able to see tangible results on various fronts including monetary savings. Some of the results that we achieved include:

1. More efficient use of water resources.
2. Reduction in greenhouse gas emissions, with measurable reduction of CO2.
3. Successful use of alternative sources of friendly energy through the partial switch to solar energy in several of our properties.
4. The substitution of diesel use by the environmentally friendly LPG systems for partial heating purposes.
5. The certification and recognition of most of our hotels as green hotels by various internationally renowned environmental rating organizations.

Finally and as a market leader in our field, we fully appreciate the importance and magnitude of our role and responsibility in setting a positive benchmark for a more environmentally-conscious tourism and hospitality industry, a key sector for the economy of Jordan.

21. (B) The Company's contribution in servicing the local community

The teams serving our hotels are comprised of talented young men and women who are residents of the local communities where we operate. In large part we owe a lot of our success to them. Therefore, we believe that the development and empowerment of the local players in these communities lie at the heart of our corporate social responsibility. We do so by focusing on and supporting better education as well as on and off the job training. In 2012 our hotels provided over 102 on-the-job training opportunities for hospitality students in the Food and Beverage, Housekeeping and Kitchen departments.

In 2012, Zara financed and finalized the refurbishment of 23 accommodation rooms at the Salt Vocational Training Center (VTC). This will set a remarkable precedent on various fronts from enabling the Center to generate a revenue stream, to providing Salt City with its first classified hotel, as well as to providing the students at this Center with an ideal hands-on state-of-the-art training environment.

Zara is the **First** to initiate a partnership with the public sector to operate the first vocational training hotel in Jordan

Last but not least, Zara actively and continuously seeks opportunities where, by virtue of its expertise and through transfer of knowledge, can contribute in assisting and funding the capacity building of various carefully selected hospitality education and training centers.

Consolidated Financial Statements

Independent Auditors' Report To The Shareholders Of Zara Investment Company P.S.C. - Holding Company Amman - Jordan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Zara Investment Company P.S.C. - Holding Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

Board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 2012 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 consolidated financial statements and financial information in the Board of Directors' report are in agreement therewith.

Amman – Jordan
24 March 2013

Zara Investment Company (Holding Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012

ASSETS	Note	2012	2011
		JD	JD
Non-current assets			
Property and equipment	4	197,247,075	199,292,539
Investment properties	5	6,374,548	6,479,241
Projects in progress	6	4,863,988	11,262,250
Financial assets at fair value through other comprehensive income	7	21,508,214	21,140,359
Advance payments of financial investments	9	-	1,072,537
Advance payments on purchase of land	10	7,633,258	7,633,258
		237,627,083	246,880,184
Current assets			
Inventories	11	1,940,118	1,944,884
Accounts receivable	12	6,221,034	6,065,028
Other current assets	13	3,488,582	3,150,304
Cash on hand and at banks	14	20,586,114	13,137,642
		32,235,848	24,297,858
Total assets		**269,862,931**	**271,178,042**

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

EQUITY AND LIABILITIES

	Note	2012	2011
		JD	JD
Equity			
Equity attributable to owners of the parent			
Paid-in capital	15	145,000,000	125,000,000
Advance payment on capital increase	15	3,256,589	-
Statutory reserve	15	3,773,236	3,657,660
Voluntary reserve	15	689,496	689,496
Cumulative change in fair value	8	16,717,315	17,296,133
Accumulated losses		(921)	(320,015)
		169,435,715	146,323,274
Non-controlling interests	24	20,555,653	20,143,337
Total equity		**189,991,368**	**166,466,611**

	Note	2012	2011
Liabilities			
Non-current liabilities			
Long-term loans	16	53,053,825	65,511,450
Deferred tax liabilities	25	218,000	227,236
		53,271,825	65,738,686
Current liabilities			
Current portion of long-term loans	16	12,457,625	12,457,625
Short-term loan	17	-	10,620,000
Due to banks	18	1,121,423	2,758,114
Accounts payable		7,209,663	7,284,584
Other current liabilities	19	5,042,699	5,183,622
Provisions	20	238,961	270,010
Provision for income tax	25	529,367	398,790
		26,599,738	38,972,745
Total liabilities		**79,871,563**	**104,711,431**
Total equity and liabilities		**269,862,931**	**271,178,042**

Zara Investment Company (Holding Company)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		JD	JD
Operating revenues		82,980,453	78,192,232
Operating expenses		(60,288,829)	(56,721,368)
Net operating revenues	**21**	**22,691,624**	**21,470,864**
Other income	22	1,406,645	1,442,270
Interest income		186,307	111,656
Administrative expenses	23	(3,687,161)	(3,243,022)
Financing costs		(4,520,812)	(6,753,504)
Depreciation	4, 5	(13,630,682)	(13,381,852)
Other provisions	20	(148,383)	(147,292)
Profit (loss) before income tax		**2,297,538**	**(500,880)**
Income tax expense	25	(749,648)	(571,099)
Profit (loss) for the year		**1,547,890**	**(1,071,979)**
Attributable to:			
Shareholders of the parent		1,155,761	(867,718)
Non-controlling interests	24	392,129	(204,261)
		1,547,890	**(1,071,979)**
		JD / Fils	JD / Fils
Basic and diluted earnings per share attributable to ordinary equity holders of the parent	26	0.009	(0.007)

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

Zara Investment Company (Holding Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		JD	JD
Profit (loss) for the year		1,547,890	(1,071,979)
Other comprehensive income items after tax			
Change in fair value after deducting deferred tax liabilities	8	(578,818)	(2,199,298)
Total comprehensive income for the year		**969,072**	**(3,271,277)**
Attributable to:			
Shareholders of the parent		576,943	(3,067,016)
Non-controlling interests		392,129	(204,261)
		969,072	**(3,271,277)**

The accompanying notes from 1 to 35 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, 2012

			Attributable to the equity	
		Advance payment on capital increase	Reserves	
	Paid-in capital		Statutory	Voluntary
	JD	JD	JD	JD
Balance at 1 January 2012	125,000,000	-	3,657,660	689,496
Increase in paid in capital	20,000,000	-	-	-
Advance payment on capital increase	-	3,256,589	-	-
Capital increase expense	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transferred to reserves	-	-	115,576	-
Dividends of a subsidiary	-	-	-	-
Change in non-controlling Interests due to increase in the share capital of a subsidiary	-	-	-	-
Balance at 31 December 2012	**145,000,000**	**3,256,589**	**3,773,236**	**689,496**
Balance at 1 January 2011	125,000,000	-	3,657,660	689,496
Total comprehensive income for the year	-	-	-	-
Dividends of a subsidiary	-	-	-	-
Change in non-controlling Interests due to increase in the share capital of a subsidiary	-	-	-	-
Balance at 31 December 2011	**125,000,000**	**-**	**3,657,660**	**689,496**

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

holders of the parent				
Cumulative change in fair value	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total equity
JD	JD	JD	JD	JD
17,296,133	(320,015)	146,323,274	20,143,337	166,466,611
-	-	20,000,000	-	20,000,000
-	-	3,256,589	-	3,256,589
-	(217,348)	(217,348)	-	(217,348)
(578,818)	1,155,761	576,943	392,129	969,072
-	(115,576)	-	-	-
-	-	-	(483,556)	(483,556)
-	(503,743)	(503,743)	503,743	-
16,717,315	**(921)**	**169,435,715**	**20,555,653**	**189,991,368**
19,495,431	883,698	149,726,285	20,751,316	170,477,601
(2,199,298)	(867,718)	(3,067,016)	(204,261)	(3,271,277)
-	-	-	(739,713)	(739,713)
-	(335,995)	(335,995)	335,995	-
17,296,133	**(320,015)**	**146,323,274**	**20,143,337**	**166,466,611**

Zara Investment Company (Holding Company)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		JD	JD
Operating Activities			
Profit (loss) before income tax		2,297,538	(500,880)
Adjustments for:			
Depreciation		13,630,682	13,381,852
Dividends income		(36,418)	(36,418)
Gain on sale of property and equipment		(49,116)	(96,984)
Interest expense		4,520,812	6,753,504
Interest income		(186,307)	(111,656)
Reversal of provisions		(39,846)	(280,804)
Provision for doubtful debts, net		121,192	(53,467)
Other provisions		148,383	147,292
Impact of writing off investee's accumulated losses in its share capital		116,628	-
Changes in working capital			
Inventories		4,766	92,356
Accounts receivable		(277,198)	3,343,179
Other current assets		(52,308)	989,042
Accounts payable		(74,921)	(435,203)
Other current liabilities		487,514	(2,321,551)
Provisions paid		(139,586)	(194,679)
Income tax paid		(619,071)	(1,357,699)
Net cash flows from operating activities		**19,852,744**	**19,317,884**

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

	Note	2012	2011
		JD	JD
Investing activities			
Purchase of property and equipment		(1,979,818)	(1,493,501)
Proceeds from sale of property and equipment		57,077	129,774
Advance payments on purchase of land		-	(367,878)
Purchase of investment properties		(80,531)	(3,382)
Projects in progress		(3,029,875)	(6,059,174)
Advanced payments and retentions to contractors		(672,410)	(40,749)
Dividends received		-	36,418
Interest received		186,307	111,656
Net cash flows used in investing activities		**(5,519,250)**	**(7,686,836)**

	Note	2012	2011
Financing Activities			
Capital increase		20,000,000	-
Advance payment on capital increase		3,256,589	-
Capital increase expense		(217,348)	-
Repayment of loans		(23,077,625)	(12,425,325)
Proceeds from loans		-	10,620,000
Dividends of a subsidiary		(483,556)	(739,713)
Interest paid		(4,726,391)	(6,844,276)
Net cash flows used in financing activities		**(5,248,331)**	**(9,389,314)**
Net increase in cash and cash equivalents		**9,085,163**	**2,241,734**
Cash and cash equivalents, beginning of the year		10,379,528	8,137,794
Cash and cash equivalents, end of the year	**14**	**19,464,691**	**10,379,528**

1. General

Zara Investment Company P.S.C. (the "Company") was established on May 10, 1994 as a public shareholding company. The Company's subscribed and paid in capital is JD 145,000,000 consisting of 145,000,000 shares, each having a par value of JD 1.

The principal activities of the Company as a holding company are to manage its subsidiaries (together, the "Group") 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 24 March 2013. The consolidated financial statements require shareholders' approval.

2. Accounting Policies

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting standard Board.

The consolidated financial statements have been prepared under the historical cost convention as except for the financial assets at fair value through other comprehensive income and available-for-sale financial assets, which have been measured at fair value.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2011, subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is able to govern the financial and operating policies of subsidiaries so as to benefit from its activities.

The financial statements of the subsidiaries are prepared for the same financial year of 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.

Intra-company balances and transactions, including in unrealized profits and losses, and dividends are eliminated in full.

Non-controlling interest represents the portion not owned by the Company of its subsidiaries. Losses attributable to non-controlling interest are recognized even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Company's subsidiaries and its ownership percentages are disclosed in note (30).

2.3 Summary of significant accounting policies

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses. Such cost includes the cost of replacing part of the property, equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Repair and maintenance expenses are recognized in the consolidated income statement.

Property and equipment (except for lands) is depreciated using the straight-line method over their estimated useful lives using the following annual depreciation rates:

	%
Buildings	2
Electro-mechanicals	15
Machinery and equipment	15
Furniture and fixture	15
Computer equipment	20
Vehicles	15
Others	2-20

Asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. The loss is recognized in the consolidated income statement.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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.

Property and equipment

Investment properties is property (land or building) held to earn rentals or for capital appreciation rather than land or building use for production or supply of goods or service or for administrative purposes or sale in the ordinary course of business.

Investment properties are stated at cost less accumulated depreciation and/or accumulated impairment losses, Investment properties (except for land) are depreciated (when they are ready for use) on a straight-line basis over their estimated useful lives, annual depreciation rates used range between 2% - 20%.

Projects in progress

Constructions in progress are stated at cost, which represents cost of constructions, equipment and direct costs. Constructions in progress are not depreciated until they became ready for use.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognised in the consolidated income statement.

An assessment is made at each reporting date for an asset as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the consolidated statement of comprehensive income and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing.

Financial assets at fair value through other comprehensive income which cannot be reliably determined at fair value are stated at cost.

Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

In case of an available-for-sale financial assets cannot be measured reliably it is stated at cost less any impairment provision.

De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the financial asset have expired; or
The Group has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are valued at cost (weighted average costing) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Accounts receivable

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognized in the consolidated income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated income statement.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Accounts payable and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Income Taxes

Tax expense comprises current tax and deferred taxes.

The income tax provisions for the years ended 31 December 2012 and 2011 were calculated in accordance with the Temporary Income Tax Law no. 28 of 2009.

Deferred tax is provided on temporary differences at each reporting 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 reporting 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.

Revenue recognition

Revenues are recognized upon rendering services and issuance of invoice.

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

Rental income is recognised on a straight line basis over the lease term as other income.

Other revenues are recognized on an accrual basis.

Operating Lease

Group as a lessee
Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor
Operating lease revenue from investment properties are recognised as other income in the consolidated income statement on a straight-line basis over the lease term.

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.

Contingencies

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

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

2.4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those used in the previous year except that the Group has adopted the following amendments to IFRS's as of 1 January 2012:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The effect of the adoption of the amendments is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a reputable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis.

The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the users of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. Since the Group does not have any assets with these characteristics, there was no effect on its financial statements.

3. Significant Accounting Judgment, Estimates and Assumptions

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.

Judgments, estimates and assumptions in the consolidated financial statements are detailed below:

- A provision is established for accounts receivable based on basis and assumptions approved by the Group's management to estimate the required provision in accordance with IFRS.
- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IASs. Deferred tax assets and liabilities and income tax provision is calculated accordingly.
- The management periodically reviews the useful lives of property and equipment in order to calculate the annual deprecation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Any impairment losses of property and equipment are recognized in the consolidated income statement.
- A provision will be established against court cases where the Group is the defendant based on a legal study provided by the Group's legal advisor which will determine the risk that may occur. These studies are reviewed periodically and the provision is adjusted accordingly.
- The management of the Group periodically reviews the financial assets stated at cost to assess any impairment loss that may occur. Impairment loss is recognized in the consolidated income statement.

4. Property and Equipment

2012	Lands JD	Buildings JD	Electro-mechanicals JD
Cost			
At 1 January 2012	34,678,440	154,809,375	62,359,229
Additions	-	183,211	212,524
Transferred from projects in progress	-	1,450,662	1,465,236
Retirements	-	(1,900)	(91,070)
At 31 December 2012	**34,678,440**	**156,441,348**	**63,945,919**
Accumulated depreciation			
At 1 January 2012	-	31,946,034	45,439,563
Additions	-	3,428,889	3,853,422
Retirements	-	(1,790)	(90,510)
At 31 December 2012	**-**	**35,373,133**	**49,202,475**
Net book value at 31 December 2012	**34,678,440**	**121,068,215**	**14,743,444**

2011	Lands JD	Buildings JD	Electro-mechanicals JD
Cost			
At 1 January 2011	34,677,778	148,766,853	56,069,137
Additions	662	89,931	124,447
Transferred from projects in progress	-	5,952,591	6,165,645
Retirements	-	-	-
At 31 December 2011	**34,678,440**	**154,809,375**	**62,359,229**
Accumulated depreciation			
At 1 January 2011	-	28,540,620	41,698,934
Additions	-	3,405,414	3,740,629
Retirements	-	-	-
At 31 December 2011	**-**	**31,946,034**	**45,439,563**
Net book value at 31 December 2011	**34,678,440**	**122,863,341**	**16,919,666**

The cost of fully depreciated property and equipment as of 31 December 2012 is JD 84,567,391 (2011: JD 82,089,222).

Machinery and equipment	Furniture and fixtures	Computer equipment	Vehicles	Others	Total
JD	JD	JD	JD	JD	JD
29,571,220	43,701,135	6,246,475	1,398,406	2,551,282	335,315,562
896,546	366,050	268,740	52,747	-	1,979,818
2,213,698	3,930,148	368,393	-	-	9,428,137
(24,334)	(22,535)	(5,786)	(16,828)	-	(162,453)
32,657,130	**47,974,798**	**6,877,822**	**1,434,325**	**2,551,282**	**346,561,064**
23,330,669	27,882,171	4,813,763	894,721	1,716,102	136,023,023
1,696,476	3,705,822	565,343	144,696	50,810	13,445,458
(23,509)	(20,100)	(5,464)	(13,119)	-	(154,492)
25,003,636	**31,567,893**	**5,373,642**	**1,026,298**	**1,766,912**	**149,313,989**
7,653,494	**16,406,905**	**1,504,180**	**408,027**	**784,370**	**197,247,075**
28,510,140	38,898,766	5,733,793	1,388,325	2,551,282	316,596,074
423,655	580,305	178,367	96,134	-	1,493,501
637,575	4,247,821	339,584	-	-	17,343,216
(150)	(25,757)	(5,269)	(86,053)	-	(117,229)
29,571,220	**43,701,135**	**6,246,475**	**1,398,406**	**2,551,282**	**335,315,562**
21,874,043	24,121,174	4,210,574	808,153	1,664,128	122,917,626
1,456,633	3,785,583	606,350	143,253	51,974	13,189,836
(7)	(24,586)	(3,161)	(56,685)	-	(84,439)
23,330,669	**27,882,171**	**4,813,763**	**894,721**	**1,716,102**	**136,023,023**
6,240,551	**15,818,964**	**1,432,712**	**503,685**	**835,180**	**199,292,539**

5. Investment Properties

	2012	2011
	JD	JD
Cost		
At 1 January	10,327,468	10,324,086
Additions	80,531	3,382
At 31 December	10,407,999	10,327,468
Accumulated depreciation		
At 1 January	3,848,227	3,656,211
Additions	185,224	192,016
At 31 December	4,033,451	3,848,227
Net book value		
At 31 December	**6,374,548**	**6,479,241**

Management believes that the fair value of the investment properties is not materially different from its carrying amount as at 31 December 2012.

6. Projects in Progress

This item represents the cost of executed works and amounts paid to the contractors as follows:

	2012	2011
Company name	JD	JD
Jordan Hotels and Tourism Co.	123,315	41,845
Jordan Himmeh Mineral Co.	18,439	-
Nabatean Hotels Co.	149,357	148,840
Levant Hotels and Tourism Co.	130,513	142,628
Amman Tourism Investment Co.	499,060	5,553,479

	2012	2011
	JD	JD
Oasis Hotels Co.*	525,703	525,703
National Hotels and Tourism Co.	1,486,763	1,438,583
Red Sea Hotels Co.	133,270	126,490
South Coast Hotels Co.*	528,245	528,245
Zara South Coast Development Co.	2,305,871	3,792,984
Zara Investment Co.*	102,987	102,988
	6,003,523	12,401,785
Less: provision projects in progress *	(1,139,535)	(1,139,535)
	4,863,988	**11,262,250**

No interest expense was capitalized during 2012 and 2011.

Movement on the projects in progress is as follow:

	2012	2011
	JD	JD
Beginning balance	11,262,250	22,546,292
Additions	3,029,875	6,059,174
Transferred to property and equipment	(9,428,137)	(17,343,216)
Ending balance	**4,863,988**	**11,262,250**

Movement on the provision for projects in progress is as follow:

	2012	2011
	JD	JD
Beginning balance	1,139,535	1,139,535
Charge for the year	-	-
Ending balance	**1,139,535**	**1,139,535**

The estimated cost to complete the above projects is approximately JD 8,000,000 as of 31 December 2012 (2011: JD 10,000,000). Management expects to complete the projects during the coming two years.

7. Financial Assets at Fair Value Through Other Comprehensive Income

This item represents the Group equity investment in the following Companies:

	2012	2011
	JD	JD
Quoted shares – Local		
Jordan Express Tourist Transport Co.	681,009	764,770
Jordan Projects Tourism Development Co.	19,331,496	19,835,789
	20,012,505	20,600,559
Unquoted shares – Local		
Jordan Hotels and Tourism Education	180,000	180,000
Dead Sea Conferences and Exhibitions Co.	354,000	354,000
	534,000	534,000
Unquoted shares – Foreign		
Jerusalem Tourism Investment Co.	5,800	5,800
Palestine Tourism Investment Co.	955,909	-
	961,709	5,800
	21,508,214	**21,140,359**

Movement on financial assets at fair value through other comprehensive income is as follows:

	2012	2011
Beginning balance	21,140,359	23,372,390
Transfer from advance payment on financial investments	955,909	-
Change in fair value	(588,054)	(2,232,031)
Ending balance	**21,508,214**	**21,140,359**

Investments in unquoted shares are carried at cost. Management believes that the fair value of these investments is not materially different from its cost.

8. Cumulative Change in Fair Value

Movement on cumulative change in fair value is as follows:

	2012	2011
	JD	JD
Beginning balance	17,296,133	19,495,431
Change in fair value of financial assets at fair value through other comprehensive income	(588,054)	(2,232,031)
Change in deferred tax liability (Note 25)	9,236	32,733
Ending balance	**16,717,315**	**17,296,133**

9. Advance Payments of Financial Investments

This item represents the Group unquoted equity investment in Palestine Tourism Investment Co. located in Bethlehem which owns Jaser Castle Hotel managed by Inter-Continental Hotels Group. The procedures for the capital increase have been completed as of the date of these consolidated financial statements and the amount was classified as financial assets at fair value through other comprehensive income.

10. Advance Payments on Purchase of Land

This item represents amounts paid in advance by the following subsidiaries to purchase a number of parcels of land. The subsidiaries have not completed the transfer of ownership until the date of these consolidated financial statements:

Company name	2012	2011	Paid to
	JD	JD	
Amman Tourism Investment Co.	585,000	585,000	Greater Amman Municipality
South Coast Real Estate Development Co.	5,445,961	5,445,961	Aqaba Special Economic Zone Authority
South Coast Hotels Co.	1,220,647	1,220,647	Aqaba Special Economic Zone Authority
Zara South Coast Development Co.	381,650	381,650	Jordan Projects Tourism Development Co.
	7,633,258	**7,633,258**	

11. Inventories

	2012	2011
	JD	JD
Food and beverages	630,230	658,037
Supplies and equipment	1,118,527	1,115,425
Others	191,361	171,422
	1,940,118	**1,944,884**

12. Accounts Receivable

	2012	2011
	JD	JD
Accounts receivable	6,856,492	6,585,333
Provision for doubtful accounts	(635,458)	(520,305)
	6,221,034	**6,065,028**

Movement on the provision for doubtful accounts is as follows:

	2012	2011
	JD	JD
Beginning balance	520,305	618,020
Charge for the year*	147,901	71,327
Reversals during the year**	(26,709)	(124,794)
Amounts written off during the year	(6,039)	(44,248)
Ending Balance	**635,458**	**520,305**

* The charge for the year was allocated to administration expenses of JD Zero (2011: JD 5,614) and amount of JD 147,901 was allocated to operating expenses.

** The reversals during the year were allocated to other income of JD Zero (2011: JD 74,921) and amount of JD 26,709 was allocated operating expenses.

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

	Neither past due nor impaired	Past due but not impaired				Total
		1-30 days	31 – 90 days	91 – 120 days	> 120 days	
	JD	JD	JD	JD	JD	JD
2012	1,631,207	2,160,977	2,037,015	320,567	71,268	6,221,034
2011	1,031,585	3,271,834	1,654,869	81,302	25,438	6,065,028

Management expects unimpaired receivables to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

13. Other Current Assets

	2012	2011
	JD	JD
Refundable deposits	678,839	684,156
Advance payments to contractors	1,122,919	873,367
Prepaid expenses	1,268,826	1,185,630
Others	417,998	407,151
	3,488,582	**3,150,304**

14. Cash on Hand and at Banks

	2012	2011
	JD	JD
Cash on hand	122,331	145,403
Current accounts	9,018,646	8,655,839
Term deposits	11,445,137	4,336,400
	20,586,114	**13,137,642**

Cash at banks include term deposits for 1 day to 3 months bearing annual interest rates ranging from 1% to 5.25%.

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

	2012	2011
	JD	JD
Cash on hand and at banks	20,586,114	13,137,642
Bank overdraft (Note 18)	(1,121,423)	(2,758,114)
	19,464,691	**10,379,528**

15. Equity

Authorized Capital

The Company's authorized capital is 150,000,000 with JD 1 per value per share according to the resolution of the Board of Commissioners of Jordan Securities Commission no. 340/2012 taken in its session dated 14/8/2012 to register 25,000,000 shares increase in capital at an issuance price of JD 1 per share via public offering to the Company's shareholders proportionally. The Company's subscribed and paid-in share capital is 145,000,000 shares with JD 1 par value per share as at 31 December 2012.

Advance Payment on Capital Increase

This account represents the Libyan Foreign Investments Company's share of the capital increase. Jordan Securities Commission has not approved the registration of the shares as of the date of these consolidated financial statements..

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. The company may stop this transfer to statutory reserve when its balance reaches 25% of the authorized share capital.

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.

16. Long-Term Loans

This item consists of the following:

	Loan instalments					
	2012			2011		
Currency	Short Term	Long Term	Total	Short Term	Long Term	Total
	JD	JD	JD	JD	JD	JD
Syndicated loan – Jordan Hotels and Tourism Co.						
USD	1,183,333	3,550,000	4,733,333	1,183,333	4,733,333	5,916,666
Syndicated loan – Jordan Hotels and Tourism Co.						
JOD	500,000	1,500,000	2,000,000	500,000	2,000,000	2,500,000
Arab Bank – Amman Tourism Investment Co.						
USD	1,520,000	7,600,000	9,120,000	1,520,000	9,120,000	10,640,000
Arab Bank – Zara Investment Holding Co. (1)						
JOD	1,480,000	7,400,000	8,880,000	1,480,000	8,880,000	10,360,000
Syndicated loan – Zara Investment Holding Co. (2)						
USD	3,332,300	16,735,400	20,067,700	3,332,300	20,067,700	23,400,000
International Finance corporation – Zara investment Holding Co. (1)						
USD	4,017,192	16,268,425	20,285,617	4,017,192	20,285,617	24,302,809
International Finance corporation – Zara investment Holding Co. (2)						
USD	424,800	-	424,800	424,800	424,800	849,600
	12,457,625	**53,053,825**	**65,511,450**	**12,457,625**	**65,511,450**	**77,969,075**

Syndicated Loan - Jordan Hotels and Tourism Company

US Dollar and JD

On June 8, 2009 three banks (Arab Bank, Union Bank and Cairo Amman Bank) participated in a two tranche syndicated loan managed by Arab Bank of JD 3,000,000 and USD 10,000,000 to finance 69% of the renovation of blocks A & B of the Intercontinental Jordan Hotel. The loan was utilized according to the percentage of completion and is repayable in 12 semi-annual equal instalments of JD 841,666 each with the first one due 24 months from the date of signing the agreement. The floating interest rate is due every six months according to Arab Bank prime lending rate plus 0.75% annual margin for the JD tranche and LIBOR plus 2.25% annual margin for the USD tranche with 5% floor per annum.

Arab Bank - Amman Tourism Investment Company

US Dollar

On January 14, 1998 a decreasing loan in Jordanian Dinar 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 term was 8 years including a 5–year grace period and was repayable over 3.5 years in equal semi-annual instalments 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 instalment was due on January 14, 2005 at an annual interest rate of 7.25%.

On December 31, 2011 the loan currency was converted to USD with the same conditions and a six-month LIBOR floating interest rate is due plus 3% margin per annum with 4% floor per annum over the loan term. The loan is repayable over 7 equal annual instalments of USD 2,143,865 each starting on December 31, 2012 and ending on December 31, 2018.

Arab Bank - Zara Investment Holding Company (1)

JD

On October 22, 2006 a loan of JD 14,800,000 was granted to finance the Company's current projects with a second degree mortgage on the land of Aqaba Movenpick Hotel. The loan was repayable in 10 equal semi-annual instalments 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. The loan is repayable in 10 equal annual instalments of JD 1,480,000 each commencing on December 31, 2009 and ending on 31 December 2018. The floating interest is due every six months according to Arab Bank prime lending rate plus 0.25% annual margin.

Syndicated Loan - Zara Investment Holding Company (2)

US Dollar

On December 4, 2007 five banks (Arab Bank, Union Bank, Jordan Kuwait Bank, Cairo Amman Bank and Investment Arab Bank) participated in a syndicated loan managed by Arab Bank of JD 30,000,000 to repay the second and third instalments of the Company's bonds issued on December 12, 2004 and were due on December 12, 2008 and December 12, 2009 of JD 14,000,000 and JD 16,000,000 respectively. The loan was repayable in 9 annual instalments of JD 3,300,000 except the last instalment of JD 3,600,000 with the first one due 36 months from the date of signing the agreement. The floating interest was due every six months according to the average lending rates of the participating banks plus 0.25% annual margin.

On December 29, 2011 the loan currency was converted to USD with the same conditions and a six-month LIBOR floating interest rate is due plus 3% annual margin with 4% floor per annum over the loan term. The loan is repayable in 7 annual instalments of USD 4,700,000 except for the last instalment of USD 4,804,231 starting on December 4, 2012 and ending last on December 4, 2018.

International Finance Corporation ("IFC") - Zara Investment Holding Company (1)

US Dollar

On February 28, 2008 by the Company signed a loan agreement of USD 40,000,000 finance the construction of 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 Hotels and Investment Co. guarantee. The loan period is 10 years including a 3-year grace period.

The loan is repayable in 14 semi-annual instalments of USD 2,837,000 each except the last instalment of USD 3,119,000 at an interest rate of 1.6% plus LIBOR determined at the date of each disbursement and fixed for the tenure of the loan. The first instalment was due on June 15, 2011 and the last is due on December 15, 2017. During the second half of 2008, the Company utilized USD 30,000,000 and USD 7,000,000 at an interest rate 6.17% and 3.79% respectively. During the first half of 2009 the Company utilized the remaining USD 3,000,000 at 4.22%.

International Finance Corporation ("IFC") - Zara Investment Holding Company (2)

US Dollar

On September 30, 2009 a loan agreement of USD 1,800,000 was signed for 4 years with a grace period of 1 year to finance the Company's project to improve and enhance the efficient use of resources such as energy, water and raw material, reduce operating costs and mitigate harmful environmental impacts such as greenhouse gas emissions and water. The loan which holds the same guarantees stipulated by above loan agreement is repayable in 6 equal semi-annual instalments of USD 300,000 at an interest rate of 3% plus LIBOR determined of the date of disbursement and fixed for the tenure of the loan. The first instalment was due on June 15, 2011 and the last is due on December 15, 2013. On December 11, 2009 the loan was utilized full at 4.776%.

The loan agreements is dude covenants 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 covenants.

The aggregate amounts and maturities of the loans are as follows:

Year	JD
2013	12,457,625
2014	12,032,825
2015	12,032,825
2016	12,032,825
2017	10,549,150
2018	6,406,200
Total	**65,511,450**

17. Short-Term Loan

On December 7, 2011 the Company signed a commercial loan agreement of USD 15,000,000 with Cairo Amman Bank without commission at a six-month LIBOR floating interest rate plus 2.25% annual margin with 4% floor per annum. The loan duration is one year and repayable in one instalment at the end of the loan term. The loan amount was fully withdrawn as of December 31, 2011 and was fully repaid during 2012.

18. Due to Banks

This item represents the balance of the overdraft facilities granted to Jordan Hotels and Tourism Company from Arab Bank and Union Bank with a ceiling of JD 1,000,000 and JD 2,000,000 respectively. The annual interest rate on these facilities is 8.625%.

19. Other Current Liabilities

	2012	2011
	JD	JD
Accrued interest	302,136	507,715
Contractors' retentions	255,857	678,715
Accrued expenses	3,200,157	2,617,836
Deposits	442,401	594,448
Others	842,148	784,908
	5,042,699	**5,183,622**

20. Other Provisions

	Legal claims	Universities fees	Scientific research	Employees' benefits	Others	Total
	JD	JD	JD	JD	JD	JD
2012						
Beginning balance	80,715	-	4,964	125,201	59,130	270,010
Charge for the year	9,851	-	-	92,292	46,240	148,383
Unneeded provisions	(39,846)	-	-	-	-	(39,846)
Payments during the year	(40,869)	-	(1,800)	(51,917)	(45,000)	(139,586)
Ending balance	**9,851**	**-**	**3,164**	**165,576**	**60,370**	**238,961**
2011						
Beginning balance	361,519	125,965	6,430	45,030	59,257	598,201
Charge for the year	-	-	-	101,132	46,160	147,292
Unneeded provisions	(280,804)	-	-	-	-	(280,804)
Payments during the year	-	(125,965)	(1,466)	(20,961)	(46,287)	(194,679)
Ending balance	**80,715**	**-**	**4,964**	**125,201**	**59,130**	**270,010**

21. Segment Information

The primary reporting segments were determined based on the risk and rewards for the Group which is substantially affected by the segments products and services.

These segments are organized and operated separately in accordance with the nature of its products and services and used by the chef executive officer and the primary decision maker of the Group.

- The group is organized for administrative purposes through hotels segment and other segments:
- Hotels segment: represents hospitality services of Movenpick Hotels, Intercontinental Jordan Hotel and Grand Hyatt Amman Hotel.
- Other segments: represent the Holding Company and other segments transactions.

Management monitors the segment results based on the profit or loss of each segment separately for the purposes of performance evaluation.

Geographical segment is associated in providing products or services in a particular economic environment subject to risks and rewards that are different from those in other segments operating in other economic environments. All segments of the Group operate in one geographic area.

	*Hotels Segment	Other Segments	Elimination	Total
	JD	JD	JD	JD
2012				
Operating revenues	82,188,465	1,420,207	(628,219)	82,980,453
Operating expenses	(60,113,458)	(803,590)	628,219	(60,288,829)
Net operating revenues	**22,075,007**	**616,617**	**-**	**22,691,624**
Other information				
Segment assets	252,486,481	52,820,036	(35,443,586)	269,862,931
Segment liabilities	77,687,981	37,627,168	(35,443,586)	79,871,563
Depreciation	13,559,422	71,260	-	13,630,682
Provision for doubtful accounts	147,901	-	-	147,901
Interest income	64,389	121,918	-	186,307
Interest expense	3,197,269	1,323,543	-	4,520,812

* Hotels' net operating revenue consisted of the following:

	Operating revenues	Operating expenses	Net Operating revenues
	JD	JD	JD
Hotel Intercontinental Jordan	23,066,433	(16,069,907)	6,996,526
Grand Hyatt Amman	15,037,813	(10,707,950)	4,329,863
Dead Sea Movenpick Hotel	16,990,221	(12,678,687)	4,311,534
Petra Movenpick Hotel	7,353,381	(4,375,241)	2,978,140
Aqaba Movenpick Hotel	8,215,822	(6,809,967)	1,405,855
Nabatean Castle Hotel	402,820	(567,474)	(164,654)
Tala Bay Movenpick Hotel	11,121,975	(8,904,232)	2,217,743
	82,188,465	**(60,113,458)**	**22,075,007**

	*Hotels Segment	Other Segments	Elimination	Total
	JD	JD	JD	JD
2011				
Operating revenues	77,300,898	1,608,386	(717,052)	78,192,232
Operating expenses	(56,440,658)	(997,762)	717,052	(56,721,368)
Net operating revenues	**20,860,240**	**610,624**	**-**	**21,470,864**
Other information				
Segment assets	256,686,682	65,796,477	(51,305,117)	271,178,042
Segment liabilities	105,359,511	50,657,037	(51,305,117)	104,711,431
Depreciation	13,304,935	76,917	-	13,381,852
Provision for doubtful accounts	65,713	5,614	-	71,327
Interest income	62,741	434,582	(385,667)	111,656
Interest expense	5,696,351	1,442,820	(385,667)	6,753,504

* Hotels' net operating revenue consisted of the following:

	Operating revenues	Operating expenses	Net Operating revenues
	JD	JD	JD
Hotel Intercontinental Jordan	19,337,205	(13,017,377)	6,319,828
Grand Hyatt Amman	14,573,902	(9,848,047)	4,725,855
Dead Sea Movenpick Hotel	16,361,557	(12,692,110)	3,669,447
Petra Movenpick Hotel	6,806,463	(4,284,093)	2,522,370
Aqaba Movenpick Hotel	8,530,147	(6,763,396)	1,766,751
Nabatean Castle Hotel	778,722	(784,162)	(5,440)
Tala Bay Movenpick Hotel	10,912,902	(9,051,473)	1,861,429
	77,300,898	**(56,440,658)**	**20,860,240**

22. Other Income

	2012	2011
	JD	JD
Rent	891,414	951,213
Reversal of other provisions and other current liabilities	219,586	355,725
Gain on sale of property and equipment	49,116	96,984
Dividends income	36,418	36,418
Insurance compensation	159,000	-
Others	51,111	1,930
	1,406,645	**1,442,270**

23. Administrative Expenses

	2012	2011
	JD	JD
Salaries and wages	1,088,023	1,071,976
Board of directors' remuneration	143,063	139,477
Bonuses	34,955	37,636
Provision for doubtful accounts	-	5,614
Donations	155,085	27,713
Governmental expenses	73,594	47,315
Hospitality	16,457	7,680
Insurance	543,482	528,446
Bank charges	163,701	149,032
Maintenance	82,818	59,448
Professional fees	116,025	120,763
Property tax	208,169	204,471
Postage and telephone	37,499	44,251
Rent	330,052	345,121
Subscriptions	37,204	42,156

Withholding tax	16,864	13,303
Travel and transportation	22,674	29,977
Advertising and marketing	13,448	15,567
Others	604,048	353,076
	3,687,161	**3,243,022**

24. Non-controlling Interests

This item represents the subsidiaries net equity after deducting the Holding Company direct and indirect interest, through its subsidiaries, in these subsidiaries.

25. Income Tax

Deferred tax liabilities

Deferred tax liabilities represent the estimated income tax on unrealized gain from financial assets at fair value through other comprehensive income which appear in the cumulative change in fair value in equity.

Movement on deferred tax liabilities is as follows:

	2012	2011
	JD	JD
Beginning balance	227,236	259,969
Change for the year	(9,236)	(32,733)
Ending balance	**218,000**	**227,236**

Income tax

The income tax stated on the consolidated statement of income represents the following:

	2012	2011
	JD	JD
Current year income tax	723,500	470,900
Prior years income tax	26,148	100,199
	749,648	**571,099**

Movement on provision for income tax is as follows:

	2012	2011
	JD	JD
Beginning balance	398,790	1,185,390
Income tax for the year	723,500	470,900
Income tax paid	(573,740)	(1,257,500)
Reversal	(19,183)	-
Ending balance	**529,367**	**398,790**

Below table shows the reconciliation between the accounting profit before income tax and taxable income:

	2012	2011
	JD	JD
Accounting (loss) profit before tax	2,297,538	(500,880)
Losses of the Company and other subsidiaries	5,303,932	5,308,039
Carried forward losses	(1,135,935)	(900,448)
Non-taxable revenues	(62,150)	(74,150)
Non-deductible expenses	402,083	407,845
Taxable income	6,805,468	4,240,406
Income tax expense for the year	723,500	470,900
Legal income tax rate	5% - 14%	5% - 14%
Effective income tax rate	34%	-

The income tax provision represents income tax due on the results of operations of some of the Company's subsidiaries. No income tax provision was calculated for the Company and a number of its subsidiaries for 2012 due to the excess of expenses over taxable revenues, or due to losses accumulated from prior years, in accordance with the Temporary Income Tax Law no. (28) of 2009.

The Income Tax Department has not reviewed the Company's and its subsidiaries records, except for Amman Tourism Investment Company, for the years 2012 and 2011 up to the date of the consolidated financial statements.

The Income Tax Department has reviewed the accounting records of Amman Tourism Investment Company for the year 2011.

The Company, Levant Hotels and Tourism Company, National Hotels and Tourism Company, Red Sea Hotels Company, and Zara Agricultural Company have obtained final clearance from the Income Tax Department for all years up to 31 December 2009.

Jordan Hotels and Tourism Company, Jordan Himmeh Mineral Company, Amman Tourism Investment Company, Rum Hotels and Tourism Company, and Oasis Hotels Company have obtained final clearance year from the income Tax Department up to 31 December 2010.

26. Earnings Per Share

	2012	2011
(Loss) profit attributable to owners of the parent (JD)	1,155,761	(867,718)
Weighted average number of shares (Share)	128,377,178	125,000,000
Basic earning per share (JD / Fils)	**0.009**	**(0.007)**

The basic and diluted earnings per share are equal.

27. Contingent Liabilities

As of the date the consolidated financial statements, the Group had outstanding bank guarantees of JD 1,115,000 (2011: JD 1,115,000).

28. Operating Lease Commitments

Group as a lessee

On 1 September 2012, the Company signed a renewable office lease agreement for one year of JD 145,368 (2011: JD 145,368).

Future minimum rentals payable under operating leases at 31 December are as follows:

	2012	2011
	JD	JD
Within one year	100,000	100,000

Group as a lessor

The Group has entered into commercial property leases on its investment properties. These leases have terms between one and ten years.

Future minimum rentals receivables under operating leases as at 31 December are as follows:

	2012	2011
	JD	JD
Within one year	463,244	543,186
After one year but not more than five years	866,795	1,289,884
More than five years	240,000	149,595
	1,570,039	**1,982,665**

29. Litigations Against The Group

In the normal course of business, the Group appears as a defendant in a number of lawsuits amounting to JD 528,556 as of December 31, 2012. Management and the legal advisor believe that the Group's position holds strong against these lawsuits and no need for any provision except for what has been recorded.

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. During 2010, the court has dismissed the legal case against the Company. Management and the legal advisor believe that no obligation will arise from these lawsuits.

30. Related Party Transactions

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

	Paid In Capital	Principal activities	Ownership
	JD		%
Jordan Hotels and Tourism Co. PSC	10,000,000	Hotel Inter-Continental Jordan	51.6
Jordan Himmeh Mineral Co. PSC	500,000	Himmeh Resort	55.8
Nabatean Hotels Co. LLC	2,800,000	Nabatean Castle Hotel	100
Levant Hotels and Tourism Co. LLC	500,000	Petra Movenpick Hotel	100
Amman Tourism Investment Co. LLC	16,500,000	Grand Hyatt Amman, Hyatt Tower and Zara Center	100
Rum Hotels and Tourism Co. LLC	500,000	Tourism Project - Wadi Mousa	75
Oasis Hotels Co. LLC	1,600,000	Tourism Project - Dead Sea	92.2
National Hotels and Tourism Co. LLC	15,000,000	Dead Sea Movenpick Hotel	100
Jordan Hotel Supplies Trading Co. LLC	300,000	Gift Shops	100
Red Sea Hotels Co. LLC	17,000,000	Aqaba Movenpick Hotel	100
Zara Agricultural Co. LLC	100,000	Plants	54.3
South Coast Real Estate Development Co. LLC	10,050,000	Real Estate Development - Aqaba	82
South Coast Hotels Co. LLC	4,800,000	Tourism Project - Aqaba	82
Zara South Coast Development Co. LLC	39,425,503	Tala Bay - Aqaba	84.8

Related parties represent subsidiaries, major shareholders, and key management personnel of the Group.

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

Related parties transactions included in the consolidated statement of financial position:

	2012	2011
	JD	JD
Bank balances – Arab Bank, Cairo Amman Bank and Union Bank	20,463,783	12,992,239
Long-term loans – Arab Bank, Cairo Amman Bank and Union Bank	44,801,033	63,436,666
Due to Banks – Union Bank	1,121,423	2,758,114
Amounts due to Ayla Consulting Co.	18,246	4,340
Amounts due to Astra Co.	100,173	50,030
Amounts due from Cairo Amman Bank	17,661	11,754

Related parties transactions included in the consolidated income statement:

	2012	2011
	JD	JD
Salaries and bonuses of senior executive management of the Company	273,825	276,225
Financing Costs – Arab Bank, Cairo Amman Bank and Union Bank	3,175,795	5,143,412
Interest income – Cairo Amman Bank and Union Bank	186,307	111,656
Rent income – Cairo Amman Bank	194,075	132,105
Rent expenses – Astra Co.	146,148	147,168

31. Risk Management

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities such as bank deposits, overdrafts and loans.

The sensitivity of the consolidated 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 bearing floating interest rates.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates with all other variables held constant.

	Increase in Interest Rate	Effect on profit for the year before tax
2012	Basis Points	JD
JD	75	4,239
USD	75	(409,436)

	Increase in Interest Rate	Effect on loss for the year before tax
2011	Basis Points	JD
JD	75	96,450
USD	75	488,318

The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increase shown above.

Equity price risk

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income and the cumulative change in fair value of financial assets at fair value through other comprehensive income and available-for-sale financial assets to reasonably possible changes in equity prices, with all other variables held constant.

	Increase in Market Index	Effect on the consolidated statement of comprehensive income and equity
2012	Basis Points	JD
Amman Stock Exchange	10	2,001,250

	Increase in Market Index	Effect on the consolidated statement of comprehensive income and equity
2011	Basis Points	JD
Amman Stock Exchange	10	2,060,055

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 consolidated statement of financial position.

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 2012.

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 and market interest rate.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At 31 December 2012		JD	JD	JD	JD	JD
Accounts payable and other liabilities	-	10,409,820	557,993	-	-	10,967,813
Due to banks	1,145,603	-	-	-	-	1,145,603
Long and short-term loans	-	-	18,026,098	65,499,912	-	83,526,010
Total	**1,145,603**	**10,409,820**	**18,584,091**	**65,499,912**	**-**	**95,639,426**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
At 31 December 2011						
Accounts payable and other liabilities	-	9,902,420	1,186,430	-	-	11,088,850
Due to banks	2,814,138	-	-	-	-	2,814,138
Long and short-term loans	-	-	26,621,188	56,099,078	17,633,564	100,353,830
Total	**2,814,138**	**9,902,420**	**27,807,618**	**56,099,078**	**17,633,564**	**114,256,818**

Currency risk

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

The Jordanian Dinar exchange rate is fixed against USD (US$ 1.41 for JD 1). So the impact of currency risk is not essential to the consolidated financial statements.

32. Fair Value of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable and some other current assets. Financial liabilities consist of bank overdrafts, loans, accounts payable, and some other current liabilities.

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

33. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains 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 current and previous year.

Capital comprises of paid-on capital, advance payment on capital increase, statutory reserve, voluntary reserve, cumulative change in fair value and retained earnings (accumulated losses), and is measured at JD 169,435,715 as at 31 December 2012 (2011: JD 146,323,274).

34. Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group does not expect the amendments to have any impact on its financial position or performance as the Group does not have employees benefit plans. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendments will not impact the Group's financial position or performance. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have no effect on the classification and measurement of the Group's financial assets, neither on the classification and measurements of financial liabilities.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. The adoption of the standard will have no effect on the Group financial position or performance.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly controlled Entities

Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual period beginning on or after 1 January 2013 and is to be applied retrospectively for joint arrangements held at the date of initial application. The adoption of the standard will have no effect on the Group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

35. Comparative Figures

Some of 2011 balances were reclassified to correspond to 2012 presentation with no effect on equity or loss for the year.

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 18th annual General Assembly and its approval.
2. Recitation of the auditor's report for the fiscal year ending 31/12/2012.
3. Recitation and discussion of the Board of Directors report for the year ending 31/12/2012 and its approval.
4. Discussion of the Company's consolidated financial statements as of 31/12/2012 and its approval.
5. The release of the Board of Directors of any liability in accordance with the law.
6. Election of the Company's auditors for the year ending 31/12/2013 and determining their fees.
7. Any other matters the General Assembly may propose for discussion.

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

Board of Directors