

ZARA INVESTMENT (HOLDING) COMPANY

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Zara Investment (Holding) Public Shareholding Company
Amman – Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Zara Investment (Holding) Public Shareholding Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Professional Accountants' (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

We draw attention to note (36) to the consolidated financial statements, which describes the effect of COVID-19 pandemic outbreak on the Group's performance and its operating environment. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. In addition to the matters described in the Basis for Opinion section. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Item 1: Revenue Recognition Refer to note (20) to the consolidated financial statements	
Key Audit matter	How the key audit matter was addressed in the audit
<p>The Group owns and operates a number of hotels. Revenues are mostly generated from reservations of rooms and sale of food and beverages, within the different outlets. Revenues are recognized based on all the services availed and sales to customers.</p> <p>Revenue recognition was considered a key audit matter for the year 2021 due to the risk of errors in revenue recording and recognition as a result of the high volume of relatively low value transactions. A risk is also present in services that are rendered but not fully recorded and hence may result in an overstatement or understatement of revenues.</p> <p>The Group focuses on revenues as a key performance measure, which may create an incentive for revenue to be recognized before rendering the service. Operating revenues for the year ended 31 December 2021 amount to JD 33,360,261(2020: JD 24,462,113).</p>	<p>Audit procedures included testing the Group's controls around revenue recognition and key manual controls in the revenue recognition process. We performed detailed analytical procedures for the gross margin on a monthly basis for all types of revenue (Rooms, Food and Beverage, and Other departments). Having built expectations about revenue figures for the year, we performed substantive analytical procedures using financial and non-financial information. We selected and tested a sample of daily reports based on which revenues are recorded to ensure proper revenue recognition. We selected a sample before and after the 2021 year-end to assess whether the revenue was recognized in the correct period.</p>

Key Audit Item 2: Impairment of property and equipment and investment properties	
Refer to note (4) and note (5) to the consolidated financial statements	
Key Audit matter	How the key audit matter was addressed in the audit
<p>We have considered impairment of property and equipment and investment properties a key audit matter due to the following reasons:</p> <ul style="list-style-type: none"> • The net book values of the property and equipment and investment properties as at 31 December 2021 amounted to JD 157,784,454, representing 80% of the Group's total assets. • Assessment of the existence of indicators of impairment and estimation of recoverable amount by the Group involves judgement and estimation uncertainty, especially in the current circumstances arising from the outbreak of COVID-19 and its impact on the Group's performance and operating environment. 	<p>Our Audit procedures included the following:</p> <ul style="list-style-type: none"> • Involved our own valuation specialist who have: <ul style="list-style-type: none"> - Reviewed the Group's process of identifying possible indicators of impairment of the property and equipment and investment properties. - Reviewed the parameters used by the Group to identify indicators of impairment to ensure that these are reasonable. - Reviewed the appropriateness of the impairment assessment methodology used by the Group. - Challenged the reasonableness of key assumptions and inputs used in estimating the recoverable amount of the assets. • Reviewed the adequacy of the Group's disclosure related to impairment of property and equipment and investment properties in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Other information included in the Company's 2021 annual report

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Issam Barkawi; license number 591.

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 JD	2020 JD
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	4	155,057,026	155,784,086
Investment properties	5	2,727,428	2,874,611
Right-of-use assets	6	6,383,581	3,160,022
Projects in progress	7	2,485,140	5,277,526
Financial assets at fair value through other comprehensive income	8	4,320,041	4,294,549
Advance payments for land purchases	10	111,200	111,200
Deferred tax assets	25	5,048,749	3,682,946
Other non-current assets	13	-	1,333,375
		<u>176,133,165</u>	<u>176,518,315</u>
Current assets -			
Inventories	11	1,448,571	1,373,043
Accounts receivable	12	2,075,711	1,015,660
Other current assets	13	3,402,343	2,026,215
Cash on hand and at banks	14	15,268,533	9,622,288
		<u>22,195,158</u>	<u>14,037,206</u>
TOTAL ASSETS		<u>198,328,323</u>	<u>190,555,521</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Attributable to the equity owners of the Company -			
Paid-in capital	15	150,000,000	150,000,000
Statutory reserve	15	5,998,858	5,977,415
Voluntary reserve	15	689,496	689,496
Cumulative change in fair value	9	(264,978)	(286,661)
Accumulated losses		<u>(15,163,139)</u>	<u>(9,012,432)</u>
		141,260,237	147,367,818
Non-controlling interests	24	<u>18,373,398</u>	<u>19,207,554</u>
Total equity		<u>159,633,635</u>	<u>166,575,372</u>
Liabilities -			
Non-current liabilities -			
Long-term loans	16	7,601,864	3,536,301
Long-term lease obligations	6	5,284,883	2,707,174
Deferred tax liabilities	25	308,973	301,522
Other non-current liabilities	18	<u>7,711,024</u>	<u>2,645,394</u>
		<u>20,906,744</u>	<u>9,190,391</u>
Current liabilities -			
Current portion of long-term loans	16	926,776	-
Short-term lease obligations	6	1,215,437	633,871
Due to banks	17	5,394,281	5,226,997
Accounts payable		5,243,097	4,813,736
Other current liabilities	18	4,157,426	3,440,819
Other provisions	19	767,115	590,987
Provision for income tax	25	<u>83,812</u>	<u>83,348</u>
		<u>17,787,944</u>	<u>14,789,758</u>
Total liabilities		<u>38,694,688</u>	<u>23,980,149</u>
TOTAL EQUITY AND LIABILITIES		<u>198,328,323</u>	<u>190,555,521</u>

The accompanying notes from 1 to 36 form part of these consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 JD	2020 JD
Operating revenues		33,360,261	24,462,113
Operating expenses		(30,997,106)	(29,696,651)
Net operating revenues	20	2,363,155	(5,234,538)
Other income	21	870,807	753,542
Interest income		111,005	170,286
Depreciation of property and equipment and investment properties	4,5	(7,949,009)	(7,746,573)
Depreciation of right-of-use assets	6	(350,944)	(231,793)
Finance costs	22	(866,267)	(463,344)
Administrative expenses	23	(2,312,398)	(2,350,422)
Impairment of investment properties	5	-	(2,400,000)
Other provisions, net	19	(207,250)	(88,412)
Recovered (provision for) slow moving inventories	11	19,760	(53,764)
Recovered provision for impairment of inventories	11	174	238
Loss for the year before income tax		(8,320,967)	(17,644,780)
Income tax benefits, net	25	1,357,547	1,880,142
Loss for the year		(6,963,420)	(15,764,638)
Attributable to:			
Equity holders of the Company		(6,127,622)	(14,102,860)
Non-controlling interests	24	(835,798)	(1,661,778)
		(6,963,420)	(15,764,638)
		JD / Fils	JD / Fils
Basic and diluted losses per share attributable to the equity holders of the Company	26	(0/041)	(0/094)

The accompanying notes from 1 to 36 form part of these consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u> <u>JD</u>	<u>2020</u> <u>JD</u>
Loss for the year		(6,963,420)	(15,764,638)
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Change in fair value, net of deferred tax liabilities	9	21,683	(6,535,286)
Total comprehensive income for the year		<u>(6,941,737)</u>	<u>(22,299,924)</u>
Attributable to:			
Equity holders of the Company		(6,105,939)	(20,623,639)
Non-controlling interests		(835,798)	(1,676,285)
		<u>(6,941,737)</u>	<u>(22,299,924)</u>

The accompanying notes from 1 to 36 form part of these consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to the equity holders of the Company							
		Reserves						
	Paid-in capital	Statutory	Voluntary	Cumulative change in fair value	Accumulated losses	Total	Non- controlling interests	Total equity
	JD	JD	JD	JD	JD	JD	JD	JD
2021 -								
Balance at 1 January	150,000,000	5,977,415	689,496	(286,661)	(9,012,432)	147,367,818	19,207,554	166,575,372
Total comprehensive income for the year	-	-	-	21,683	(6,127,622)	(6,105,939)	(835,798)	(6,941,737)
Transferred to reserves	-	21,443	-	-	(21,443)	-	-	-
Change in non-controlling interests due to increase in the share capital of a subsidiary	-	-	-	-	(1,642)	(1,642)	1,642	-
Balance at 31 December	150,000,000	5,998,858	689,496	(264,978)	(15,163,139)	141,260,237	18,373,398	159,633,635
2020 -								
Balance at 1 January	150,000,000	5,971,822	689,496	6,234,118	5,096,021	167,991,457	20,883,839	188,875,296
Total comprehensive income for the year	-	-	-	(6,520,779)	(14,102,860)	(20,623,639)	(1,676,285)	(22,299,924)
Transferred to reserves	-	5,593	-	-	(5,593)	-	-	-
Balance at 31 December	150,000,000	5,977,415	689,496	(286,661)	(9,012,432)	147,367,818	19,207,554	166,575,372

The accompanying notes from 1 to 36 form part of these consolidated financial statements

ZARA INVESTMENT (HOLDING) PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 JD	2020 JD
<u>Operating Activities</u>			
Loss for the year before income tax		(8,320,967)	(17,644,780)
Adjustments:			
Interest income		(111,005)	(170,286)
Gain on sale and disposal of property and equipment	21	(21,442)	(13,000)
Finance costs	22	866,267	463,344
Depreciation of property and equipment and investment properties	4,5	7,949,009	7,746,573
Depreciation of right-of-use assets	6	350,944	231,793
Deferred grant income	21	(199,997)	(199,997)
Other provisions, net	19	207,250	88,412
Recovered from provision for impairment of inventories	11	(174)	(238)
(Recovered from) provision for slow moving inventories, net	11	(19,760)	53,764
Provision for expected credit losses, net	12	24,645	250,138
Provision for impairment of investment properties	5	-	2,400,000
Provision for projects in progress	7	-	37,400
Changes in working capital:			
Inventories		(55,594)	240,426
Accounts receivable		(1,084,696)	3,962,375
Other current assets		(90,898)	639,417
Accounts payable		429,361	(2,052,172)
Other current liabilities		635,355	(1,391,136)
Other provisions paid	19	(31,122)	(543,994)
Income tax paid	25	(4,150)	(884,399)
Net cash flows from (used in) operating activities		523,026	(6,786,360)
<u>Investing activities</u>			
Purchase of property and equipment	4	(1,520,257)	(1,176,129)
Proceeds from sale of property and equipment		22,579	13,000
Purchase of investment properties	5	(3,319)	(1,050)
Projects in progress	7	(2,759,941)	(5,389,163)
Advance payments to suppliers and contractors		48,145	1,037,211
Contractors' retentions and accruals		119,798	(188,240)
Interest income received		111,005	170,286
Net cash flows used in investing activities		(3,981,990)	(5,534,085)
<u>Financing Activities</u>			
Repayments of loans		-	(212,400)
Proceeds from loans		4,992,339	3,292,157
Other current liabilities		5,065,630	920,987
Finance costs paid		(342,390)	(148,108)
Payments of lease obligations	6	(777,654)	(567,552)
Net cash flows from financing activities		8,937,925	3,285,084
Net increase (decrease) in cash and cash equivalents		5,478,961	(9,035,361)
Cash and cash equivalents at the beginning of the year		4,395,291	13,430,652
Cash and cash equivalents at the end of the year	14	9,874,252	4,395,291

The accompanying notes from 1 to 36 form part of these consolidated financial statements

(1) GENERAL

Zara Investment (Holding) Company (the “Company”) was established on 10 May 1994 as a Public Shareholding Company. The Company’s paid-in capital is JD 150,000,000 consisting of 150,000,000 shares of JD 1 par value each as of 31 December 2021.

The principal activities of the Company are to manage its subsidiaries (collectively referred to as the “Group”), participate in other companies’ management in which it is a principal owner, invest in stocks, bonds and financial instruments and grant loans and guarantees and finance to its subsidiaries. The Company owns, through its subsidiaries, hotels and resorts located in several places in Jordan (Amman, Dead Sea, Petra, Himmeh and Aqaba).

The consolidated financial statements were authorized for issue by the Board of Directors on 21 March 2022. These consolidated financial statements are subject to the approval of the General Assembly.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION

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

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

The consolidated financial statements have been presented in Jordanian Dinar which represents 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 (Note 29) as of 31 December 2021 and 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, revenues, expenses and profit or loss relating to transactions between members of the Group are eliminated in full.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the Company's share of components previously recognized in OCI to profit or loss.

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new amendments on the standards effective as of 1 January 2021 shown below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(2-4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

	<u>%</u>
Buildings	2
Electro-mechanicals	10-15
Machinery and equipment	15
Furniture and fixture	15
Computer hardware and software	20
Vehicles	15
Others	2-20

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

When property and equipment are sold or retired, any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Investment properties

Investment properties are investments in land or buildings held to earn rentals or for capital appreciation, rather than land or buildings used for production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any. Investment properties (except for land) are depreciated on a straight-line basis over their estimated useful lives at annual depreciation rates ranging between 2% and 20%.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease obligations

At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Deferred grants

Deferred grants are recognized as deferred where there is reasonable assurance that the grant will be received and all attached conditions will be complied with, Deferred grants revenue are recognized in the consolidated statement of profit and loss over the periods that the related costs, for which it is intended to compensate, are expensed.

Projects in progress

Projects in progress are stated at cost less impairment losses, if any, which represents cost of constructions, equipment and direct costs. Projects in progress are not depreciated until they become ready for use where they get transferred to property and equipment or investment properties.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if present).

The Group has established a provision calculation that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

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 statement of profit or loss.

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 consolidated statement of changes in 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 in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity, and the valuation reserve balance for sold assets is transferred directly to retained earnings. These assets are not subject to impairment testing. Dividends are recognised in the consolidated statement of profit or loss when declared.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

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

Accounts receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts related to expected credit losses (ECL). The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting

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.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realised within twelve months after the reporting period or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period of the consolidated financial statement dates.

All other assets are classified as non-current assets.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period of the consolidated financial statements date, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period of the consolidated financial statements date

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and cash equivalents

Cash and bank balance in the consolidated statement financial position comprise cash at banks and on hand and short-term deposits with original 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

Loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into consideration any discount or acquisition premium, fees and costs are an integral part of the effective interest rate. Finance costs are recognised in the consolidated statement of profit and loss.

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 in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Accounts payable and accruals

Accounts payables are obligations to pay for goods and services that have been acquired from suppliers in the ordinary course of business of the Group, whether or not such obligations have been claimed.

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 statement of profit or loss, net of any reimbursement.

Income Tax

Accrued income tax is calculated in accordance with the Income Tax Law in the Hashemite Kingdom of Jordan, and in accordance with IAS (12).

Tax expense comprises current tax and deferred taxes. Deferred tax is provided on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the liability method in the consolidated statement of financial position and 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 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 tax asset to be utilized.

Revenue and expense recognition

Revenues are recognized according to the five-step model (IFRS 15), which includes the identification of the contract and price, the performance obligation within the contract and that revenue from services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenues are recognized upon rendering services and issuance of invoices.

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

Interest income is recognized using effective interest rate method.

Other revenues are recognized using the accrual basis of accounting.

Expenses are recognized using the accrual basis of accounting.

Foreign currency

Foreign currency transactions during the year are recorded using exchange rates that are in effect at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year-end. Foreign exchange gains or losses are reflected in the consolidated statement of profit or loss.

Contingent assets and liabilities

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.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefit is possible.

(3) SIGNIFICANT ACCOUNTING JUDGMENTS, 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, expenses and provisions. 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.

The significant judgments, estimates and assumptions in the consolidated financial statements are as follows:

- A provision is established for accounts receivable based on basis and assumptions approved by the Group's management to estimate the required allowance for expected credit losses in accordance with IFRS 9 "Financial Instruments".
- Income tax expense is calculated and charged for the year in accordance with laws, regulations and accounting standards. Deferred tax assets and liabilities and income tax provision are calculated accordingly.
- The management periodically reviews the useful lives of property and equipment in order to calculate the annual depreciation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly.
- A provision is established against court cases where the Group is the defendant, based on a legal study provided by the Group's legal advisor which determines the risk that may occur. These studies are reviewed periodically, and the provision is adjusted accordingly.
- The Group is required to make judgements and estimates affect the measurement of right-of-use assets and lease obligations. In determining the lease term, all facts and circumstances must be considered which create an economic incentive to exercise renewal options. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure the lease obligations.
- 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. No impairment losses were recognised in the consolidated statement of profit or loss for the current year (2020: JD 2,400,000).

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(4) PROPERTY AND EQUIPMENT

	Land	Buildings	Electro- mechanicals	Machinery and equipment	Furniture and fixture	Computer hardware and software	Vehicles	Others	Total
2021 -	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost -									
At 1 January	36,704,392	166,958,782	69,543,241	44,375,242	57,080,400	9,166,710	1,504,234	2,415,589	387,748,590
Additions	-	217,086	97,739	760,679	343,999	62,965	37,789	-	1,520,257
Transferred from projects in progress (Note 7)	-	1,666,322	617,909	1,174,604	2,038,762	54,730	-	-	5,552,327
Disposals	-	-	(18,800)	(122,635)	(172,055)	(29,305)	-	-	(342,795)
At 31 December	36,704,392	168,842,190	70,240,089	46,187,890	59,291,106	9,255,100	1,542,023	2,415,589	394,478,379
Accumulated depreciation -									
At 1 January	-	61,998,335	67,280,161	39,731,015	51,229,356	8,623,600	1,266,202	1,835,835	231,964,504
Depreciation for the year	-	3,558,500	664,435	1,605,391	1,632,083	252,874	68,479	16,745	7,798,507
Disposals	-	-	(18,800)	(121,982)	(171,571)	(29,305)	-	-	(341,658)
At 31 December	-	65,556,835	67,925,796	41,214,424	52,689,868	8,847,169	1,334,681	1,852,580	239,421,353
Net book value -									
At 31 December 2021	36,704,392	103,285,355	2,314,293	4,973,466	6,601,238	407,931	207,342	563,009	155,057,026

The cost of fully depreciated property and equipment as at 31 December 2021 is JD 164,064,537 (2020: JD 161,773,693).

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						Computer hardware and software			
	Land	Buildings	Electro- mechanicals	Machinery and equipment	Furniture and fixture		Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2020 -									
Cost -									
At 1 January	36,704,392	165,681,001	68,562,894	43,196,009	54,203,462	9,085,171	1,498,854	2,415,589	381,347,372
Additions	-	116,724	213,578	425,002	310,131	60,314	50,380	-	1,176,129
Transferred from projects in progress (Note 7)	-	1,161,057	766,769	754,231	2,566,807	21,225	-	-	5,270,089
Disposals	-	-	-	-	-	-	(45,000)	-	(45,000)
At 31 December	36,704,392	166,958,782	69,543,241	44,375,242	57,080,400	9,166,710	1,504,234	2,415,589	387,748,590
Accumulated depreciation -									
At 1 January	-	58,578,058	66,489,807	38,061,931	49,895,907	8,323,294	1,245,928	1,819,050	224,413,975
Depreciation for the year	-	3,420,277	790,354	1,669,084	1,333,449	300,306	65,274	16,785	7,595,529
Disposals	-	-	-	-	-	-	(45,000)	-	(45,000)
At 31 December	-	61,998,335	67,280,161	39,731,015	51,229,356	8,623,600	1,266,202	1,835,835	231,964,504
Net book value -									
At 31 December	36,704,392	104,960,447	2,263,080	4,644,227	5,851,044	543,110	238,032	579,754	155,784,086

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(5) INVESTMENT PROPERTIES

	2021	2020
	JD	JD
Cost -		
As at 1 January	10,523,111	10,522,061
Additions	3,319	1,050
As at 31 December	10,526,430	10,523,111
Accumulated depreciation and impairment -		
As at 1 January	7,648,500	5,097,456
Depreciation for the year	150,502	151,044
Provision for impairment of investment properties	-	2,400,000
As at 31 December	7,799,002	7,648,500
Net book value -		
At 31 December	2,727,428	2,874,611

(6) RIGHTS-OF-USE ASSETS

The schedule below illustrates the book value of the Group's right-of-use assets and lease obligations and the movements during the year ended 31 December 2021 and 31 December 2020:

	Right of use assets			Lease
	Land	Photovoltaic systems	Total	Obligations*
	JD	JD	JD	JD
2021-				
At 1 January	1,061,500	2,098,522	3,160,022	3,341,045
Additions	-	3,574,503	3,574,503	3,574,503
Depreciation	(118,614)	(232,330)	(350,944)	-
Finance costs (Note 22)	-	-	-	488,439
Payments	-	-	-	(777,654)
Transferred to accounts payable	-	-	-	(126,013)
At 31 December	942,886	5,440,695	6,383,581	6,500,320
	Land	Photovoltaic system	Total	Lease
	JD	JD	JD	Obligations*
	JD	JD	JD	JD
2020-				
At 1 January	1,180,114	2,211,701	3,391,815	3,618,866
Depreciation	(118,614)	(113,179)	(231,793)	-
Finance costs (Note 22)	-	-	-	289,731
Payments	-	-	-	(567,552)
At 31 December	1,061,500	2,098,522	3,160,022	3,341,045

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* The details of the lease obligations as at 31 December 2021 and 2020 are as follows:

31 December 2021			31 December 2020		
Short-term	Long-term	Total	Short-term	Long-term	Total
JD	JD	JD	JD	JD	JD
1,215,437	5,284,883	6,500,320	633,871	2,707,174	3,341,045

(7) PROJECTS IN PROGRESS

This item represents the cost of executed works and amounts paid to the contractors in each of the following subsidiaries:

	2021	2020
	JD	JD
Jordan Hotels and Tourism Co.	151,027	11,300
Jordan Himmeh Mineral Co.	2,233,921	636,355
Nabatean Hotels Co.	136,123	1,197,864
Amman Tourism Investment Co.	20,014	3,521,300
Oasis Hotels Co.*	525,703	525,703
National Hotels and Tourism Co.	154,933	131,525
Red Sea Hotels Co.	114,486	110,052
South Coast Hotels Co.*	589,474	583,968
Zara South Coast Development Co.	20,251	20,251
Zara Investment (Holding) Co.*	102,986	102,986
	4,048,918	6,841,304
Less: provision for projects in progress*	(1,563,778)	(1,563,778)
	2,485,140	5,277,526

The capitalized interest expense to projects in progress amounted to 84,800 as of 31 December 2021 (2020: 46,277).

* Movements on projects in progress were as follow:

	2021	2020
	JD	JD
Beginning balance	6,841,304	6,722,230
Additions	2,759,941	5,389,163
Transferred to property and equipment (Note 4)	(5,552,327)	(5,270,089)
	4,048,918	6,841,304
Less: Provision for projects in progress*	(1,563,778)	(1,563,778)
Ending balance	2,485,140	5,277,526

* Movements on provision for projects in progress were as follow:

	2021	2020
	JD	JD
Beginning balance	1,563,778	1,526,378
Provision for the year	-	37,400
Ending balance	1,563,778	1,563,778

The estimated cost to complete above projects is JD 6,500,000 as of 31 December 2021 (2020: JD 9,500,000). Management expects to complete these projects during the upcoming two years.

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item represents the Group's equity investments in the following companies:

	<u>2021</u>	<u>2020</u>
	JD	JD
Quoted shares – Local		
Jordan Express Tourist Transport Company PLC	655,518	630,026
Jordan Projects Tourism Development Company PLC	<u>3,664,523</u>	<u>3,664,523</u>
	<u>4,320,041</u>	<u>4,294,549</u>

Movements on financial assets at fair value through other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
Beginning balance	4,294,549	10,916,737
Change in fair value (Note 9)	<u>25,492</u>	<u>(6,622,188)</u>
Ending balance	<u>4,320,041</u>	<u>4,294,549</u>

(9) CUMULATIVE CHANGE IN FAIR VALUE

Movements on cumulative change in fair value were as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
Beginning balance	(286,661)	6,234,118
Change in fair value of financial assets at fair value through other comprehensive income (Note 8)	25,492	(6,622,188)
Change in deferred tax liabilities (Note 25)	(3,809)	86,902
Non-controlling interests share	-	14,507
Ending balance	<u>(264,978)</u>	<u>(286,661)</u>

(10) ADVANCE PAYMENTS FOR LAND PURCHASES

This item represents amounts paid by Nabatean Hotels Company (subsidiary) to purchase a land plot in Petra which has been registered under the name of the Chairman of the Board of Directors of Zara Investment (Holding) Company. The transfer of ownership to the subsidiary has not yet been completed until the date of these consolidated financial statements (note 29).

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(11) INVENTORIES

	2021	2020
	JD	JD
Supplies and equipment	968,905	1,010,412
Food and beverages	464,466	352,935
Others	85,521	99,951
	<u>1,518,892</u>	<u>1,463,298</u>
Less:		
Provision for slow moving inventories*	(68,977)	(88,737)
Provision for impairment of inventories**	(1,344)	(1,518)
	<u>1,448,571</u>	<u>1,373,043</u>

* Movements on provision for slow moving inventories were as follows:

	2021	2020
	JD	JD
Beginning balance	88,737	34,973
Provision for the year	8,005	60,079
Reversals during the year	(27,765)	(6,315)
Ending balance	<u>68,977</u>	<u>88,737</u>

** Movements on provision for impairment of inventories were as follows:

	2021	2020
	JD	JD
Beginning balance	1,518	1,756
Reversals during the year	(174)	(238)
Ending balance	<u>1,344</u>	<u>1,518</u>

(12) ACCOUNTS RECEIVABLE

	2021	2020
	JD	JD
Accounts receivable	3,670,935	2,586,239
Provision for expected credit losses	(1,595,224)	(1,570,579)
	<u>2,075,711</u>	<u>1,015,660</u>

Movements on provision for expected credit losses were as follows:

	2021	2020
	JD	JD
Beginning balance	1,570,579	1,321,789
Provision for the year *	103,323	347,382
Reversals during the year **	(78,678)	(97,244)
Amounts written off during the year	-	(1,348)
Ending balance	<u>1,595,224</u>	<u>1,570,579</u>

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- * Provision for the year was allocated to administrative expenses in the amount of JD 42,112 (2020: JD 180,710) and to operating expenses in the amount of JD 61,211 (2020: JD 166,672).
- ** Reversals during the year were added to operating revenues in the amount of JD 78,678 (2020: JD 84,691) and to other income in the amount of nil (2020: JD 12,553).

As at 31 December, the aging of unimpaired accounts receivable is as follows:

	Neither past due nor impaired	1-60 days	61 – 90 days	91 – 120 days	More than 120 days	Total
	JD	JD	JD	JD	JD	JD
2021	1,141,641	456,656	290,600	41,514	145,300	2,075,711
2020	558,613	223,445	142,192	20,313	71,097	1,015,660

Management expects unimpaired receivables to be fully recoverable. The Group does not obtain collateral over these receivables and hence, they are unsecured.

(13) OTHER CURRENT ASSETS

	2021 JD	2020 JD
Aqaba Special Economic Zone Authority *	1,333,375	1,333,375
Refundable deposits	691,182	691,182
Advance payments to suppliers and contractors	521,875	570,020
Prepaid expenses	371,051	359,574
Others	484,860	405,439
	<u>3,402,343</u>	<u>3,359,590</u>
Non-current portion	-	1,333,375
Current portion	<u>3,402,343</u>	<u>2,026,215</u>
	<u>3,402,343</u>	<u>3,359,590</u>

- * In 2015, the two subsidiaries (South Coast Real Estate Development Company and South Coast Hotels Company) collectively signed an agreement with Aqaba Special Economic Zone Authority (“ASEZA”) to cancel the sale and development agreement made in 2007 with ASEZA for the purchase of a number of land lots. In the agreement signed in 2015, ASEZA promised to repay the advances to the two subsidiaries in five equal annual instalments amounting to JD 1.3 million each over a period of 5 years starting in 2016 and ending in 2020. In 2020, the two subsidiaries agreed with ASEZA to postpone last instalment due on 1 June 2020 for two years in light of repercussions of COVID-19.

(14) CASH ON HAND AND AT BANKS

	<u>2021</u>	<u>2020</u>
	JD	JD
Cash on hand	65,329	65,067
Current accounts	11,075,122	4,783,461
Term deposits *	<u>4,128,082</u>	<u>4,773,760</u>
	<u>15,268,533</u>	<u>9,622,288</u>

* Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 0.1% to 3% per annum (2020: 1% to 3% per annum).

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Cash on hand and at banks	15,268,533	9,622,288
Due to banks (Note 17)	<u>(5,394,281)</u>	<u>(5,226,997)</u>
	<u>9,874,252</u>	<u>4,395,291</u>

(15) EQUITY

Paid-in Capital -

The Company's authorized and paid-in capital is 150,000,000 shares of JD 1 par value each as of 31 December 2021 and 2020.

Statutory Reserve -

As required by the Jordanian Companies Law, 10% of the annual profit before tax is to be transferred to statutory reserve. The reserve is not available for distribution to the 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 annual profits before tax. This reserve is available for distribution to the shareholders.

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(16) LOANS

This item consists of loans utilized from the following parties:

	Currency	Loan instalments					
		2021			2020		
		Short	Long	Total	Short	Long	Total
		Term	Term		Term	Term	
		JD	JD	JD	JD	JD	JD
Bank al Etihad – Jordan Hotels and Tourism Co.	JD	-	425,188	425,188	-	-	-
Cairo Amman Bank – Jordan Hotels and Tourism Co.	JD	166,664	833,336	1,000,000	-	-	-
Cairo Amman Bank – Jordan Himmeh Mineral Co.	JD	-	1,408,049	1,408,049	-	220,342	220,342
Cairo Amman Bank – Nabatean Hotels Co. 1	JD	-	1,029,335	1,029,335	-	699,388	699,388
Cairo Amman Bank – Nabatean Hotels Co. 2	JD	166,664	765,395	932,059	-	-	-
Cairo Amman Bank – Amman Tourism Investment Co. 1	JD	-	2,000,000	2,000,000	-	2,000,000	2,000,000
Cairo Amman Bank – Amman Tourism Investment Co. 2	JD	166,664	833,336	1,000,000	-	573,563	573,563
Cairo Amman Bank – National Hotels and Tourism Co.	JD	166,664	833,336	1,000,000	-	-	-
Cairo Amman Bank – Red Sea Hotels Co. 1	JD	-	43,008	43,008	-	43,008	43,008
Cairo Amman Bank – Red Sea Hotels Co. 2	JD	141,664	121,306	262,970	-	-	-
Cairo Amman Bank – Zara South Coast Development Co.	JD	141,664	122,905	264,569	-	-	-
		949,984	8,415,194	9,365,178	-	3,536,301	3,536,301
Less: Unearned government grants (Note 18)		(23,208)	(813,330)	(836,538)	-	-	-
		926,776	7,601,864	8,528,640	-	3,536,301	3,536,301

- Bank Al Etihad – Jordan Hotels and Tourism Company - JD

On 2 March 2020, the Company signed a loan agreement in the amount of JD 2,000,000 backed by the Central Bank of Jordan to reinforce the tourism sector. The loan was granted to finance renovation projects at the Company's Hotel. The loan term is 9 years including a 24-month grace period and is repayable in 15 equal semi-annual instalments (excluding interest) of JD 133,333 each commencing on 30 June 2023 except for the last instalment which represents the remaining balance of the loan due on 30 April 2030 with an annual interest rate of 3.5%

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The unutilized portion of the loans amounted to JD 1,574,812 as at 31 December 2021 (31 December 2020: JD 2,000,000).

- Cairo Amman Bank – Jordan Hotels and Tourism Company- JD

On 8 June 2020, the Jordan Hotels and Tourism Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. On 27 July 2021, the loan ceiling was increased by JD 1,000,000 to become JD 2,000,000. The loan was granted to finance the operating expenditures for the hotel. The loan term is 10 years including a 24-month grace period and is repayable in 96 equal monthly instalments of (excluding interest) JD 20,833 each commencing on 30 May 2022 until full payment except for the last instalment, which represents the remaining loan balance and is due on 30 April 2030 with an interest rate of 3%, in order to mitigate the repercussions of COVID-19.

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The unutilized portion of the loans amounted to JD 1,000,000 as at 31 December 2021 (31 December 2020: JD 1,000,000).

- Cairo Amman Bank - Jordan Himmeh Mineral Company - JD

On 4 September 2019, Jordan Himmeh Mineral Company signed a loan agreement in the amount of JD 2,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to partly finance the construction of the ecolodge resort at Himmeh in the northern part of the Kingdom. The loan term is 10 years including a 30-month grace period and is repayable in 16 equal semi-annual instalments of JD 125,000 each commencing on 31 December 2021 at annual interest rate of 3.5%. During April 2020, the loan was rescheduled in which the interest rate was reduced to 3% starting from 1 April 2020 and the number of instalments to 13 semi-annual instalments in the amount of JD 153,847, the first instalment is due on 30 September 2023.

On 17 May 2021 the loan ceiling was increased by JD 1,000,000 to become JD 3,000,000. The semi-annual instalments were also increased to become JD 230,769, the first instalment is due on 30 September 2023.

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The unutilized portion of the loans amounted to JD 1,591,951 as at 31 December 2021 (31 December 2020: JD 1,779,658).

- Cairo Amman Bank - Nabatean Hotels Company 1 - JD

On 25 August 2019, Nabatean Hotels Company signed a loan agreement in the amount of JD 2,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance the renovation of Movenpick Resort Petra and Movenpick Nabatean Castle Hotel. The loan term is 10 years including a 30-month grace period and is repayable in 16 equal semi-annual instalments of JD 125,000 each commencing on 31 December 2021 with an interest rate of 3.75%.

During April 2020, the loan was rescheduled in which the interest rate was reduced to 3.25% starting from 1 April 2020 and the number of instalments to 13 semi-annual instalments in the amount of JD 153,847, the first instalment is due on 30 June 2023.

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The unutilized portion of the loans amounted to JD 970,665 as at 31 December 2021 (31 December 2020: JD 1,300,612).

- Cairo Amman Bank - Nabatean Hotels Company 2 - JD

On 5 July 2020, Nabatean Hotels Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance the operating expenditures at Movenpick Resort Petra and Movenpick Nabatean Castle Hotel. The loan term is 10 years including a 24-month grace period and is repayable in 96 equal monthly instalments of JD 10,417 each commencing on 30 May 2022 and ending on 30 April 2030 with an interest rate of 3%, in order to mitigate the repercussions of COVID-19.

On 18 July 2021, the loan ceiling was increased by JD 1,000,000 to become JD 2,000,000. The monthly instalments also increased to become JD 20,833, where the first instalment is due on 30 May 2022.

The unutilized portion of the loans amounted to JD 1,067,941 as at 31 December 2021 (31 December 2020: JD 1,000,000).

- Cairo Amman Bank - Amman Tourism Investment Company -1 - JD

On 25 August 2019, Amman Tourism Investment Company signed a loan agreement in the amount of JD 2,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance 50% of Hyatt Tower apartments renovation project at Grand Hyatt Amman. The loan term is 5 years including 30-month grace period and is repayable in 6 equal semi-annual instalments of JD 333,333 each commencing on 31 December 2021 with an annual interest rate of 4.25%. During April 2020, the loan was rescheduled, and the interest rate was reduced to 3.5% effective 1 April 2020 along with increasing the loan tenure to 10 years and the number of instalments to 13 semi-annual instalments each amounting to JD 153,847, commencing on 30 June 2023.

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The Company has utilized the full loan balance during 2020.

- Cairo Amman Bank - Amman Tourism Investment Company -2- JD

On 5 July 2020, the Amman Tourism Investment Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance operating expenses of Grand Hyatt Amman Hotel. The loan term is 10 years including 24-month grace period and is repayable in 96 equal monthly instalments of JD 10,417 each commencing on 30 May 2022 and ending on 30 April 2030 with an annual interest rate of 3%, in order to mitigate the repercussions of COVID-19.

On 25 July 2021, the loan ceiling was increased by JD 1,000,000 to become JD 2,000,000. The monthly instalments were also increased to become JD 20,833, commencing on 30 May 2022.

The unutilized portion of the loans amounted to JD 1,000,000 as at 31 December 2021 (31 December 2020: JD 426,437).

- Cairo Amman Bank – National Hotels and Tourism Company JD

On 5 July 2020, National Hotels and Tourism Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance the operating expenditures at Movenpick Dead Sea Resort. The loan term is 10 years including a 24-month grace period and is repayable in 96 equal monthly instalments of JD 10,417 each commencing on 30 May 2022 and ending on 30 April 2030 with an interest rate of 3%, in order to mitigate the repercussions of COVID-19.

On 18 July 2021, the loan ceiling was increased by JD 1,000,000 to become JD 2,000,000. The monthly instalments were also increased to become JD 20,833, in which the first instalment is due on 30 May 2022.

The unutilized portion of the loans amounted to JD 1,000,000 as at 31 December 2021 (31 December 2020: JD 1,000,000).

- Cairo Amman Bank - Red Sea Hotels Company -1- JD

On 3 September 2019, the Red Sea Hotels Company signed a loan agreement in the amount of JD 2,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance renovation projects at Movenpick Aqaba Resort. The loan term is 10 years including a 30-month grace period and is repayable in 16 equal semi-annual instalments of JD 125,000 each commencing on 31 December 2021 with an interest rate of 3.75%. During April 2020, the loan was rescheduled and the interest rate was reduced to 3.25% effective 1 April 2020 along with decreasing semi-annual instalments to 13 each amounting to JD 153,847, commencing on 30 June 2023.

Withdrawals are against the borrower presenting invoices and claims received from contractors and suppliers reflecting progress of the project as approved by the consultant engineer.

The unutilized portion of the loans amounted to JD 1,956,992 as at 31 December 2021 (31 December 2020: JD 1,956,992).

- Cairo Amman Bank - Red Sea Hotels Company -2- JD

On 5 July 2020, the Red Sea Hotels Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance the operating expenditures at Movenpick Aqaba Resort. The loan term is 10 years including a 24-month grace period and is repayable in 96 equal monthly instalments of JD 10,417 each commencing on 30 May 2022 and ending on 30 April 2030 with an interest rate of 3%, in order to mitigate the repercussions of COVID-19.

On 25 July 2021, the loan ceiling was increased by JD 700,000 to become JD 1,700,000. The monthly instalments were also increased to become JD 17,708, commencing on 30 May 2022.

The unutilized portion of the loans amounted to JD 1,437,030 as at 31 December 2021 (31 December 2020: JD 1,000,000).

- Cairo Amman Bank - Zara South Coast Development Company - JOD

On 5 July 2020, the Zara South Coast Development Company signed a loan agreement in the amount of JD 1,000,000 backed by the Central Bank of Jordan to reinforce tourism. The loan was granted to finance the operating expenditures at Movenpick Tala Bay Aqaba Resort. The loan term is 10 years including a 24-month grace period and is repayable in 96 equal monthly instalments of JD 10,417 each commencing on 30 May 2022 and ending on 30 April 2030 with an interest rate of 3%, in order to mitigate the repercussions of COVID-19.

On 25 July 2021, the loan ceiling was increased by JD 700,000 to become JD 1,700,000. The monthly instalments were also increased to become JD 17,708, commencing on 30 May 2022.

The unutilized portion of the loans amounted to JD 1,435,431 as at 31 December 2021 (31 December 2020: JD 1,000,000).

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

Year	JD
2023	2,273,767
2024	2,048,481
2025	1,839,461
2026	806,914
2027 and thereafter	633,241
Total	<u>7,601,864</u>

(17) DUE TO BANKS

This item represents the balance of overdraft facilities granted to the Company from Cairo Amman Bank with ceiling of USD 15,000,000, with annual interest rate of %4.25 (2020: 4.12% per annum).

(18) OTHER CURRENT LIABILITIES

	2021	2020
	JD	JD
Accrued expenses	1,350,963	1,248,155
Deferred grant income *	1,399,981	1,599,981
Social Security Corporation deposits **	4,836,573	1,124,784
Unearned government grants***	1,703,637	-
Guest deposits	1,200,013	417,853
Contractors' accruals and retentions	373,480	253,682
Cooling units	340,254	231,026
Sales tax deposits	37,696	-
Accrued finance cost on Social Security Corporation deposits	35,075	-
Others	590,778	1,210,732
	<u>11,868,450</u>	<u>6,086,213</u>
Non-current portion	7,711,024	2,645,394
Current portion	<u>4,157,426</u>	<u>3,440,819</u>
	<u>11,868,450</u>	<u>6,086,213</u>

* This item represents a grant amounting to USD 2,824,859 (JD 2,000,000) which Amman Tourism Investment Company (subsidiary) received from Hyatt Hotels Corporation in January 2019 as an incentive to renew the Management Agreement. The grant was recorded as deferred income and to be amortized over ten years as per the agreement. During 2021, an amount of JD 199,997 was recognized in the consolidated statement of profit or loss (2020: JD 199,997) (Note 21).

** This item represents deposits from Social Security Corporation in order to benefit from "Hemaya" program which was implemented by the Group following the mandate of Defense Order No. (14) and (24).

*** This item represents the discounted balance of deposits from Social Security Corporation and loan facilities backed by the Central Bank of Jordan to reinforce tourism sector that was impacted by COVID-19 pandemic of an amount of JD 867,099 and 836,538 respectively. These facilities were granted with below-market interest rates. This balance will be amortized over the duration of the granted facilities.

(19) OTHER PROVISIONS

2021 -	<u>Legal claims</u>	<u>Employees' benefits</u>	<u>Other provisions</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Beginning balance	9,851	197,740	383,396	590,987
Provision for the year	100,000	101,850	5,400	207,250
Paid during the year	-	(31,122)	-	(31,122)
Ending balance	<u>109,851</u>	<u>268,468</u>	<u>388,796</u>	<u>767,115</u>

2020-	<u>Legal claims</u>	<u>Employees' benefits</u>	<u>Other provisions</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Beginning balance	359,851	261,242	425,476	1,046,569
Provision for the year	-	87,040	1,372	88,412
Paid during the year	(350,000)	(150,542)	(43,452)	(543,994)
Ending balance	<u>9,851</u>	<u>197,740</u>	<u>383,396</u>	<u>590,987</u>

(20) SEGMENT INFORMATION

The primary reporting segments were determined based on the risks 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 Chief Executive Officer and the 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, Grand Hyatt Amman Hotel and Hotel Intercontinental Jordan.
- Other segments: represent transactions of the Holding Company and other segments.

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

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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	Eliminations	Total
2021 -	JD	JD	JD	JD
Operating revenues	32,853,892	808,991	(302,622)	33,360,261
Operating expenses	(30,805,026)	(494,702)	302,622	(30,997,106)
Net operating revenues	2,048,866	314,289	-	2,363,155

Other information -

Segment assets	200,299,184	58,762,924	(60,733,785)	198,328,323
Segment liabilities	73,651,248	25,777,225	(60,733,785)	38,694,688
Depreciation	8,268,906	31,047	-	8,299,953
Provision for expected credit losses	61,921	41,402	-	103,323
Interest income	89,864	21,141	-	111,005
Finance costs	656,696	209,572	-	866,268
Capital expenditures	4,266,079	17,438	-	4,283,517
Segment non-current assets	165,102,113	11,031,052	-	176,133,165

* Hotels' net operating revenues consist of the following:

	Hotel InterContinental Jordan	Grand Hyatt Amman Hotel	Dead Sea Movenpick Resort	Petra Movenpick Resort	Aqaba Movenpick Resort	Nabatean Castle Movenpick Hotel	Tala Bay Movenpick Resort	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues -								
Rooms revenue	3,453,203	2,658,524	3,722,299	1,025,660	3,263,167	359,360	4,414,643	18,896,856
Food and beverages revenue	3,610,715	2,345,914	2,419,670	571,537	1,229,446	158,443	1,879,612	12,215,337
Other departments revenue	425,722	252,936	694,103	77,500	95,790	28,127	167,521	1,741,699
	<u>7,489,640</u>	<u>5,257,374</u>	<u>6,836,072</u>	<u>1,674,697</u>	<u>4,588,403</u>	<u>545,930</u>	<u>6,461,776</u>	<u>32,853,892</u>
Operating Expenses -								
Rooms expenses	842,465	584,083	747,140	270,430	679,725	98,666	684,798	3,907,307
Food and beverages expenses	2,541,140	1,556,020	1,612,381	504,881	1,031,662	163,750	1,311,022	8,720,856
Other departments expenses	287,380	101,632	458,780	15,575	191,011	164	296,254	1,350,796
Administrative and marketing expenses	3,183,642	2,985,705	3,227,958	1,093,902	2,451,092	358,079	2,800,589	16,100,967
Other expenses	180,560	9,531	83,677	44,131	136,308	17,714	253,179	725,100
	<u>7,035,187</u>	<u>5,236,971</u>	<u>6,129,936</u>	<u>1,928,919</u>	<u>4,489,798</u>	<u>638,373</u>	<u>5,345,842</u>	<u>30,805,026</u>
Net operating revenue	<u>454,453</u>	<u>20,403</u>	<u>706,136</u>	<u>(254,222)</u>	<u>98,605</u>	<u>(92,443)</u>	<u>1,115,934</u>	<u>2,048,866</u>

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	Hotels Segment *	Other Segments	Eliminations	Total
2020 -	JD	JD	JD	JD
Operating revenues	24,074,681	769,482	(382,050)	24,462,113
Operating expenses	(29,573,336)	(505,365)	382,050	(29,696,651)
Net operating revenues	(5,498,655)	264,117	-	(5,234,538)

Other information -

Segment assets	192,554,632	59,260,608	(61,259,719)	190,555,521
Segment liabilities	59,809,300	25,430,568	(61,259,719)	23,980,149
Depreciation	7,943,966	34,400	-	7,978,366
Provision for expected credit losses	166,672	180,710	-	347,382
Interest income	166,208	4,078	-	170,286
Finance costs	315,585	147,759	-	463,344
Capital expenditures	6,554,853	11,489	-	6,566,342
Segment non-current assets	163,981,237	12,537,078	-	176,518,315

* Hotels' net operating revenues consist of the following:

	Hotel InterContinental Jordan	Grand Hyatt Amman Hotel	Dead Sea Movenpick Resort	Petra Movenpick Resort	Aqaba Movenpick Resort	Nabatean Castle Movenpick Hotel	Tala Bay Movenpick Resort	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues -								
Rooms revenue	3,430,438	1,832,436	2,562,968	1,104,376	2,774,024	243,661	3,199,391	15,147,294
Food and beverages revenue	2,211,908	1,057,684	1,484,183	521,915	1,025,830	94,684	1,374,238	7,770,442
Other departments revenue	226,460	327,227	316,581	38,908	87,703	925	159,141	1,156,945
	<u>5,868,806</u>	<u>3,217,347</u>	<u>4,363,732</u>	<u>1,665,199</u>	<u>3,887,557</u>	<u>339,270</u>	<u>4,732,770</u>	<u>24,074,681</u>
Operating Expenses -								
Rooms expenses	1,001,709	612,510	768,921	364,287	671,991	113,760	683,228	4,216,406
Food and beverages expenses	2,396,766	1,093,190	1,456,454	622,121	1,097,340	150,540	1,255,333	8,071,744
Other departments expenses	322,122	102,909	406,403	37,239	124,190	39	273,371	1,266,273
Administrative and marketing expenses	3,074,678	2,852,264	2,790,139	1,330,226	2,379,072	362,134	2,700,006	15,488,519
Other expenses	156,798	8,302	106,076	32,957	73,510	15,978	136,773	530,394
	<u>6,952,073</u>	<u>4,669,175</u>	<u>5,527,993</u>	<u>2,386,830</u>	<u>4,346,103</u>	<u>642,451</u>	<u>5,048,711</u>	<u>29,573,336</u>
Net operating revenue	<u>(1,083,267)</u>	<u>(1,451,828)</u>	<u>(1,164,261)</u>	<u>(721,631)</u>	<u>(458,546)</u>	<u>(303,181)</u>	<u>(315,941)</u>	<u>(5,498,655)</u>

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(21) OTHER INCOME

	2021	2020
	JD	JD
Rental income	407,985	309,042
Grant income (Note 18)	199,997	199,997
Insurance compensation	105,863	147,311
Gain on sale and disposal of property and equipment	21,442	13,000
Reversal of provision for expected credit losses	-	12,553
Others	135,520	71,639
	<u>870,807</u>	<u>753,542</u>

(22) FINANCE COSTS

	2021	2020
	JD	JD
Interest expense on overdraft facilities	342,390	148,108
Interest expense on operating lease obligations (Note 6)	488,439	289,731
Others	35,438	25,505
	<u>866,267</u>	<u>463,344</u>

(23) ADMINISTRATIVE EXPENSES

	2021	2020
	JD	JD
Salaries and wages	711,557	740,720
Insurance	295,667	218,210
Property tax	174,166	219,279
Rent	167,123	173,368
Social security	128,848	130,310
Professional fees	126,885	125,057
Boards of directors' transportation	125,673	107,065
Governmental expenses	106,558	46,946
Subscriptions	57,147	51,173
Water and electricity	43,002	37,097
Provision for expected credit losses (Note 12)	42,112	180,710
Security	20,460	18,691
Withholding tax	18,110	9,096
Postage and telephone	16,683	24,463
Bank commissions and charges	16,432	17,865
Donations	14,361	16,453
Maintenance	12,330	19,796
Hospitality	4,962	3,151
Travel and transportation	2,156	5,923
Advertising and marketing	2,054	419
Others	226,112	204,630
	<u>2,312,398</u>	<u>2,350,422</u>

(24) NON-CONTROLLING INTERESTS

This item represents the subsidiaries' net equity after deducting the Company's direct and indirect interests in these subsidiaries.

(25) INCOME TAX

The income tax provision represents income tax due on the results of operations for some of the Company's subsidiaries. No income tax provision was calculated for the Company and a number of its subsidiaries for 2021 and 2020, due to the excess of deductible expenses over taxable revenues, or due to accumulated losses from prior years, in accordance with Income Tax Law No. (34) of 2014 and its amendments, Investment Commission Law No. (30) of 2014 and Aqaba Special Economic Zone Authority Law No. (32) of 2000.

Income tax, net -

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Current year income tax	2,898	2,434
Prior years' income tax	1,716	64,828
Deferred tax liabilities	14,033	13,140
Deferred tax benefits	(1,376,194)	(1,960,544)
	<u>(1,357,547)</u>	<u>(1,880,142)</u>

Provision for income tax -

Movements on provision for income tax were as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
Beginning balance	83,348	900,485
Income tax for the year	2,898	2,434
Prior years' income tax	1,716	64,828
Income tax paid	(4,150)	(884,399)
Ending balance	<u>83,812</u>	<u>83,348</u>

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The Company and its subsidiaries submitted their tax declarations to the Income Tax department and Aqaba Special Economic Zone Authority (ASEZA) up to the year 2020.

Company:	Year of last clearance (or sampling system acceptance):	
	Income and Sales Tax Department	Aqaba Special Economic Authority
Jordan Hotels and Tourism Co. PLC	2018	-
Jordan Himmeh Mineral Co. PLC	2019	-
Nabatean Hotels Co. LLC	2018	-
Amman Tourism Investment Co. LLC	2016	-
Rum Hotels and Tourism Co. LLC	2020	-
Oasis Hotels Co. LLC	2020	-
National Hotels and Tourism Co. LLC	2018	-
Jordan Hotel Supplies Trading Co. LLC	2019	2019
Red Sea Hotels Co. LLC	-	2016
Zara Agricultural Co. LLC – Under liquidation	2019	-
South Coast Real Estate Development Co. LLC	-	2019
South Coast Hotels Co. LLC	-	2019
Zara South Coast Development Co. LLC	-	2017
Zara Agricultural Services and Marketing Co. LLC	2019	2018
Himmeh Solar Power Co. LLC	2020	-
Zara Investment (Holding) Co. PSC	2019	-

Reconciliation between accounting loss and taxable loss is as follows:

	2021 JD	2020 JD
Accounting loss before income tax	(8,320,967)	(17,644,780)
Losses of the Company and some subsidiaries	350,622	366,594
Carried forward losses	(307,804)	(23,050)
Non-taxable income	(1,552,659)	(1,420,301)
Depreciation differences	115,089	206,742
Non-deductible expenses	2,057,831	3,991,654
Taxable loss	(7,657,888)	(14,523,141)
Income tax expense	-	-
Statutory income tax rate	6% - 21%	5% - 21%
Effective income tax rate	-	-

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Deferred tax assets -

Deferred tax assets represent the estimated tax effect of accumulated tax losses carried forward pertaining to number of subsidiaries, expected to result in future tax benefits.

Movements on deferred tax assets were as follows:

	2021 JD	2020 JD
Beginning balance	3,682,946	1,786,499
Tax effect of changing the tax rate	134,834	-
Tax effect of accumulated tax losses carried forward	1,250,512	2,145,374
Tax effect of accumulated tax losses released	(19,543)	(248,927)
Ending balance	<u>5,048,749</u>	<u>3,682,946</u>

The below subsidiaries recorded deferred tax assets against accumulated losses carried forward expected to result in future tax benefits. Movements on accumulated tax losses were as follows:

	2021					
	Beginning Balance	Losses added	Losses released	Ending balance	Deferred tax	2020
	JD	JD	JD	JD	JD	JD
Jordan Hotels & Tourism Co.	3,451,602	1,990,422	-	5,442,024	1,142,825	724,837
Nabatean Hotels Co.	1,989,817	1,629,160	-	3,618,977	398,087	218,880
Amman Tourism Investment Co.	8,244,637	2,452,465	-	10,697,102	2,246,391	1,731,374
National Hotels & Tourism Co.	2,953,429	829,144	-	3,782,573	416,083	324,877
Jordan Hotel Supplies Trading Co. - Amman	41,938	-	(7,160)	34,778	7,303	8,807
Jordan Hotel Supplies Trading Co. - Aqaba	50,207	11,900	-	62,107	3,726	2,510
Red Sea Hotels Co.	1,400,419	772,976	-	2,173,395	130,404	70,021
Zara South Coast Development Co.	12,032,805	-	(300,644)	11,732,161	703,930	601,640
	<u>30,164,854</u>	<u>7,686,067</u>	<u>(307,804)</u>	<u>37,543,117</u>	<u>5,048,749</u>	<u>3,682,946</u>

Deferred tax liabilities –

Deferred tax liabilities comprise the estimated income tax on unrealized gains from financial assets at fair value through other comprehensive income, which appear in the cumulative change in fair value in equity, as well as on depreciation differences related to machinery and equipment and computer hardware and software, which are depreciated for financial reporting purposes at rates lower than those used in the computation of the provision for income tax.

Movements on deferred tax liabilities were as follows:

	2021 JD	2020 JD
Beginning balance	301,522	439,382
Change in fair value of financial assets (Note 9)	3,809	(86,902)
Depreciation differences related to machinery and equipment and computer hardware and software, net	<u>3,642</u>	<u>(50,958)</u>
Ending balance	<u>308,973</u>	<u>301,522</u>

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(26) BASIC AND DILUTED LOSSES PER SHARE

	2021	2020
Loss attributable to equity owners of the Company (JD)	(6,127,622)	(14,102,860)
Weighted average number of shares (Share)	150,000,000	150,000,000
Basic losses per share (JD/Fils)	(0/041)	(0/094)

Basic and diluted losses per share for the year are equal.

(27) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees of JD 209,841 as at 31 December 2021 (2020: JD 135,201).

(28) LITIGATIONS

In the normal course of business, the Group appears as a defendant in a number of lawsuits amounting to JD 264,874 as of 31 December 2021 (2020: JD 130,713). 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. The Group is plaintiff in lawsuits against others in the amount of JD 725,688 as at 31 December 2021 (2020: JD 667,611).

(29) RELATED PARTY TRANSACTIONS

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (all are operating in Jordan):

	Paid-in Capital		Principal Activities	Ownership	
	2021	2020		2021	2020
	JD	JD		%	%
Jordan Hotels and Tourism Co. PLC	10,000,000	10,000,000	Hotel InterContinental Jordan	51.6	51.6
Jordan Himmeh Mineral Co. PLC	2,000,000	1,557,772	Himmeh Resort	77.9	71.6
			Nabatean Castle Hotel and Petra		
Nabatean Hotels Co. LLC	3,300,000	3,300,000	Movenpick Hotel	100	100
			Grand Hyatt Amman Hotel, Hyatt		
Amman Tourism Investment Co. LLC	16,500,000	16,500,000	Tower and Zara Center	100	100
Rum Hotels and Tourism Co. LLC	700,000	700,000	Tourism Project –Wadi Mousa	82.1	82.1
Oasis Hotels Co. LLC	1,600,000	1,600,000	Tourism Project - Dead Sea	92.2	92.2
National Hotels and Tourism Co. LLC	15,000,000	15,000,000	Dead Sea Movenpick Hotel	100	100
Jordan Hotel Supplies Trading Co. LLC	330,000	330,000	Gift Shops	100	100
Red Sea Hotels Co. LLC	17,000,000	17,000,000	Aqaba Movenpick Hotel	100	100
Zara Agricultural Co. LLC	100,000	100,000	Plants	54.3	54.3
South Coast Real Estate Development Co. LLC	10,050,000	10,050,000	Tourism Project - Aqaba	82	82
South Coast Hotels Co. LLC	4,800,000	4,800,000	Tourism Project - Aqaba	82	82
Zara South Coast Development Co. LLC	39,425,503	39,425,503	Tala Bay Movenpick Hotel - Aqaba	84.8	84.8
Zara Agricultural Services and Marketing Co. LLC	61,000	61,000	Plant maintenance	100	100
Himmeh Solar Power Co. LLC	14,000	1,000	Solar power electricity generation	93.6	93.6

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Related parties represent subsidiaries, major shareholders, and key management personnel of the Group. Pricing policies and terms of transactions with related parties are approved by the Group's management.

Balances of related parties included in the consolidated statement of financial position:

	Nature of the relationship	2021 JD	2020 JD
Non-current assets-			
Advance payments for land purchases (Note 10)	Chairman of Board of Directors	<u>111,200</u>	<u>111,200</u>
Current assets-			
Cash at banks - Arab Bank, Etihad Bank and Cairo Amman Bank	(Shareholders)	<u>15,202,368</u>	<u>9,557,221</u>
Accounts receivable- Amounts due from Cairo Amman Bank	(Shareholder)	<u>11,420</u>	<u>58,213</u>
Non-current liabilities -			
Loans - Cairo Amman Bank and Etihad Bank	(Shareholders)	<u>7,601,864</u>	<u>3,536,301</u>
Current liabilities -			
Due to banks - Cairo Amman Bank	(Shareholder)	<u>5,394,281</u>	<u>5,226,997</u>
Current portion of long-term loans - Cairo Amman Bank	(Shareholder)	<u>926,776</u>	<u>-</u>

Transactions with related parties included in the consolidated statement of profit or loss:

	Nature of the relationship	2021 JD	2020 JD
Interest income – Cairo Amman Bank and Etihad Bank	(Shareholders)	<u>111,005</u>	<u>170,286</u>
Rent income – Cairo Amman Bank	(Shareholder)	<u>253,912</u>	<u>228,713</u>
Finance costs – Cairo Amman Bank	(Shareholder)	<u>342,390</u>	<u>148,108</u>
Rent expense – Astra Investment Company	(Owned by Chairman and Vice Chairman of the Group)	<u>148,968</u>	<u>148,218</u>

Key management personnel compensation (Salaries, compensation and other benefits) is as follows:

	2021 JD	2020 JD
Salaries, compensation and other benefits	<u>182,700</u>	<u>194,700</u>
Board of Directors' remuneration and transportation	<u>131,073</u>	<u>112,465</u>

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(30) PARTIALLY OWNED SUBSIDIARIES

Below are the financial statements for subsidiaries (before elimination of transactions and inter-group balances) in which non-controlling interests own shares:

	Jordan Hotels & Tourism Co. PLC	Jordan Himmeh Mineral Co. PLC	Rum Hotels & Tourism Co. LLC	Oasis Hotels Co. LLC	Zara Agricultural Co. LLC	South Coast Real Estate Development Co. LLC	South Coast Hotels Co. LLC	Zara South Coast Development Co. LLC	Himmeh Solar Power Co. LLC
2021 -									
Group's ownership percentage	51.6%	77.9%	82.1%	92.2%	54.3%	82%	82%	84.8%	93.6%
Country of incorporation and operation	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan
Accumulated balance of non-controlling interests (JD)	11,735,908	436,350	69,511	47,936	63,463	1,738,069	721,167	3,560,860	134
Non-controlling interests share of (loss) profit (JD)	(873,377)	(2,086)	(424)	(249)	(497)	(881)	(762)	42,667	(189)
Condensed statement of financial position:									
Current assets	4,467,923	1,103,308	2,977	80,334	141,598	4,800,284	1,870,905	3,807,406	85,433
Non-current assets	27,455,408	2,658,326	611,651	534,788	-	4,856,662	2,137,403	22,486,419	578
Current liabilities	(3,264,004)	(380,171)	(225,366)	(1,519)	(2,851)	(1,006)	(1,828)	(2,107,055)	(83,899)
Non-current liabilities	(4,389,350)	(1,408,049)	-	-	-	-	-	(788,653)	-
Equity	24,269,977	1,973,414	389,262	613,603	138,747	9,655,940	4,006,480	23,398,117	2,112
Attributable to:									
Shareholders of the Company	12,534,069	1,537,064	319,751	565,667	75,284	7,917,871	3,285,313	19,837,257	1,978
Non-controlling interests	11,735,908	436,350	69,511	47,936	63,463	1,738,069	721,167	3,560,860	134
Condensed statement of profit or loss:									
Revenues	7,622,787	-	-	-	-	-	-	6,461,776	-
Expenses	(9,761,508)	(28,208)	(2,381)	(3,187)	(1,135)	(4,901)	(4,234)	(6,258,845)	(2,967)
Other revenues	91,644	18,774	4	3	49	4	3	22,700	-
Finance cost	(166,408)	-	-	-	-	-	-	(49,574)	(2)
(Loss) profit before income tax	(2,213,485)	(9,434)	(2,377)	(3,184)	(1,086)	(4,897)	(4,231)	176,057	(2,969)
Income tax expense	407,331	-	-	-	-	-	-	104,306	-
(Loss) profit for the year	(1,806,154)	(9,434)	(2,377)	(3,184)	(1,086)	(4,897)	(4,231)	280,363	(2,969)
Other comprehensive income	(1,806,154)	(9,434)	(2,377)	(3,184)	(1,086)	(4,897)	(4,231)	280,363	(2,969)
Attributable to non-controlling interests	(873,377)	(2,086)	(424)	(249)	(497)	(881)	(762)	42,667	(189)
Profit distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
Condensed statement of cash flows:									
Operating activities	303,691	298,576	(3,177)	(4,054)	(3)	(5,149)	(4,482)	830,154	(2,078)
Investing activities	(561,608)	(1,579,757)	4	3	49	4	(5,503)	(203,305)	-
Financing activities	2,301,023	1,632,848	241	238	-	2,261	6,549	586,207	45,792
Net increase (decrease) in cash and cash equivalents	2,043,106	351,667	(2,932)	(3,813)	46	(2,884)	(3,436)	1,213,056	43,714

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	Jordan Hotels & Tourism Co. PLC	Jordan Himmeh Mineral Co. PLC	Rum Hotels & Tourism Co. LLC	Oasis Hotels Co. LLC	Zara Agricultural Co. LLC	South Coast Real Estate Development Co. LLC	South Coast Hotels Co. LLC	Zara South Coast Development Co. LLC	Himmeh Solar Power Co. LLC
2020 -									
Group's ownership percentage	51.6%	71.6%	82.1%	92.2%	54.3%	82%	82%	84.8%	93.6%
Country of incorporation and operation	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan	Jordan
Accumulated balance of non-controlling interests (JD)	12,609,285	437,610	69,935	48,186	63,961	1,738,951	721,928	3,518,192	(494)
Non-controlling interests share of (loss) profit (JD)	(1,455,710)	(8)	(441)	(240)	2,194	(889)	(763)	(205,802)	(119)
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Condensed statement of financial position:									
Current assets	2,269,362	753,896	5,910	84,386	143,710	4,805,428	1,880,890	2,471,802	14,531
Non-current assets	26,855,603	1,060,760	611,651	534,788	-	4,856,662	2,131,896	23,007,328	810
Current liabilities	(2,263,714)	(52,809)	(225,922)	(2,386)	(3,877)	(1,252)	(2,075)	(1,788,655)	(10,110)
Non-current liabilities	(785,110)	(220,342)	-	-	-	-	-	(572,722)	-
Equity	26,076,141	1,541,505	391,639	616,788	139,833	9,660,838	4,010,711	23,117,753	5,231
Attributable to:									
Shareholders of the Company	13,466,856	1,103,895	321,704	568,602	75,873	7,921,887	3,288,783	19,599,561	4,898
Non-controlling interests	12,609,285	437,610	69,935	48,186	63,961	1,738,951	721,928	3,518,192	(494)
Condensed statement of profit or loss:									
Revenues	5,868,806	-	-	-	-	-	-	4,732,770	-
Expenses	(9,722,685)	(21,810)	(2,469)	(3,076)	(1,601)	(4,945)	(4,245)	(5,883,730)	(1,870)
Other revenues	155,782	21,782	5	4	6,394	3	5	31,425	-
Finance cost	(68,244)	-	-	-	-	-	-	(47,017)	-
(loss) profit before income tax	(3,766,341)	(28)	(2,464)	(3,072)	4,793	(4,942)	(4,240)	(1,166,552)	(1,870)
Income tax expense	755,915	-	-	-	-	-	-	(185,749)	-
(Loss) profit for the year	(3,010,426)	(28)	(2,464)	(3,072)	4,793	(4,942)	(4,240)	(1,352,301)	(1,870)
Other comprehensive income	(3,040,426)	(28)	(2,464)	(3,072)	4,793	(4,942)	(4,240)	(1,352,301)	(1,870)
Attributable to non-controlling interests	(1,470,217)	(8)	(441)	(240)	2,194	(889)	(763)	(205,802)	(119)
Profit distributions to non-controlling interests	-	-	-	-	-	-	-	-	-
Condensed statement of cash flows:									
Operating activities	(2,195,662)	(249,686)	(2,359)	(2,836)	(18)	(4,964)	(5,220)	295,113	3,413
Investing activities	(411,836)	(62,074)	5	4	116	3	(2,198)	(223,624)	-
Financing activities	(138,075)	175,823	5,335	5,038	-	7,240	8,841	240,460	(11,585)
Net (decrease) increase in cash and cash equivalents	(2,745,573)	(135,937)	2,981	2,206	98	2,279	1,423	311,949	(8,172)

(31) RISK MANAGEMENT

Interest rate risk -

Interest rate risk is a risk which arises from the fluctuations in the fair values or future cash flows of financial instruments due to the changes in interest rates on these instruments.

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

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates with all other variables held constant:

2021-

	Increase in interest rate <hr/> (Basis Points)	Effect on loss for the year before income tax <hr/> JD
Jordanian Dinar	75	79,735

2020-

	Increase in interest rate <hr/> (Basis Points)	Effect on loss for the year before income tax <hr/> JD
Jordanian Dinar	75	10,620

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

Equity price risk –

Equity price risk is the risk that may result from a change in Amman Stock Exchange index. The Group believes that it is not significantly exposed to 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 to reasonably possible changes in equity prices, with all other variables held constant:

2021-

	Increase in market index (%)	Effect on the consolidated statement of comprehensive income and equity JD
Amman Stock Exchange	10	432,004

2020-

	Increase in market index (%)	Effect on the consolidated statement of comprehensive income and equity JD
Amman Stock Exchange	10	429,455

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

Credit risk -

Credit risk is the risks that may results from the failure or inability of debtors or other parties to fulfil their obligations.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Group maintains its bank balances and deposits with reputable financial institutions.

The Group provides services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2021 and 2020.

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Liquidity risk –

Liquidity risk is represented by the possibility that the Group may not be able to meet its obligation when due. The Group manages its liquidity risk by seeking adequate funding from shareholders.

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

The following table summarises the maturities of the Group's undiscounted financial liabilities based on contractual payment dates and market interest rate:

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 December 2021	JD	JD	JD	JD	JD
Accounts payable and other liabilities	3,517,491	373,480	5,247,341	-	9,138,312
Due to banks	5,591,172	-	-	-	5,591,172
Lease obligations	329,791	1,243,278	7,302,548	6,039,276	14,914,893
Loans	-	978,484	8,204,772	477,681	9,660,937
Total	9,438,454	2,595,242	20,754,661	6,516,957	39,305,314
As at 31 December 2020					
Accounts payable and other liabilities	6,820,047	253,682	168,606	-	7,242,335
Due to banks	5,442,349	-	-	-	5,442,349
Lease obligations	-	633,871	1,145,358	2,203,106	3,982,335
Loans	-	-	3,447,396	636,927	4,084,323
Total	12,262,396	887,553	4,761,360	2,840,033	20,751,342

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). Accordingly, the Group is not exposed to significant currency risk.

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(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 due to banks, loans, accounts payable and some other current liabilities.

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

The fair of value of the quoted shares are measured at fair value determined using level one and three in the fair value hierarchy as follows:

31 December 2021			
Level 1	Level 2	Level 3	Total
JD	JD	JD	JD
Financial assets at fair value through other comprehensive income:			
Quoted	655,518	-	3,664,523
	655,518	-	3,664,523
31 December 2020			
Level 1	Level 2	Level 3	Total
JD	JD	JD	JD
Financial assets at fair value through other comprehensive income:			
Quoted	630,026	-	3,664,523
	630,026	-	3,664,523

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

(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-in capital, statutory reserve, voluntary reserve, cumulative change in fair value and accumulated losses and is measured at JD 141,260,237 as at 31 December 2021 (2020: JD 147,367,818).

(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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments is not applicable to the Group.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

(35) COMPARATIVE FIGURES

Some of 2020 figures have been reclassified in order to conform with the presentation of 2021 figures. Such reclassification did not affect previously reported loss or equity for the year 2020.

(36) THE OUTBREAK OF CORONAVIRUS (COVID-19) AND ITS IMPACT ON THE GROUP

The Coronavirus had an impact on the global economy and caused disruption in global markets. This led to a negative impact on the tourism and hospitality sector as a result of the restrictions put in place, also resulting in cancellations of conferences and reservations for guests.

During the previous period, the Jordanian Prime Minister issued the following defense orders under which have directly or indirectly affected the Resort's operations and performance:

1. Defense Order No. (14) on 14 June 2020 under Defense Law No. (13) for the year 1992, to introduce Hemayeh and Tamkeen programs (1) and Tamkeen (2) to protect the national economy and help it withstand its burdens, especially with regard to the sectors and economic activities most adversely affected and to support the recovery phase.
2. Defense Order No. (24) on 13 December 2020 under Defense Law No. (13) for the year 1992, to introduce Istidameh program in order to preserve job opportunities in the private sector through a collaboration between the Government of Jordan and the Social Security Corporation.

Other decisions were also issued by various Government agencies to assist in the continuity of various sectors of the Jordanian economy by reducing the financial burden to these sectors. Examples include the following:

1. The Central Bank of Jordan's resolution to compel all operating Jordanian banks to postpone loan installments payable by companies and individuals without imposing any penalties or additional financial burdens.
2. The Central Bank of Jordan's resolution to reduce the interest rates on credit facilities.
3. The Central Bank of Jordan's resolution to provide the financing needs for the public and private sectors at low interest rates to finance its operations.

The Central Bank of Jordan's resolution to reduce the costs associated with its sponsored programs to support the economic sectors.

The group have benefited from loans backed by the Jordanian Central Bank of Jordan. The utilized balance of loans was JD 9,365,178 as at 31 December 2021 and against unearned governmental amounting to JD 836,538 within other credit balances.

The Group implemented some programs offered by the Social Security Corporation, such as Estidameh, Hemayeh, Tamkeen and Ta'afi enabling the Group to realize operational savings during the period. The Group also benefited from the financing programs available through the Social Security Corporation which resulted in an increase in the other credit balances under non-current liabilities in the amount of JD 4,836,573 and unearned government grants income in the amount of JD 867,099.

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
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Some of the Group's operating activities were adversely affected by the current conditions, which had a negative impact on the Group's operating results for the year 2021 compared to the previous year and the Group's budget prepared for the year 2021. Below is the impact of COVID-19 pandemic on the Group's operations:

Hotel/Resort	Performance indicator	2021 (Actual)	2021 (Budget)	2020 (Actual)
Hotel Intercontinental Jordan	Percentage of occupancy (%)	23	37	28
	Average daily rate (JD)	92	99	78
	Revenue Per Available Room (JD)	24	36	21
Grand Hyatt Amman Hotel	Percentage of occupancy (%)	23	38	18
	Average daily rate (JD)	73	78	63
	Revenue Per Available Room (JD)	17	29	11
Movenpick Dead Sea Resort	Percentage of occupancy (%)	34	47	31
	Average daily rate (JD)	86	80	66
	Revenue Per Available Room (JD)	30	38	20
Movenpick Petra Resort	Percentage of occupancy (%)	12	21	13
	Average daily rate (JD)	128	107	127
	Revenue Per Available Room (JD)	15	23	17
Movenpick Aqaba Resort	Percentage of occupancy (%)	34	37	30
	Average daily rate (JD)	88	90	85
	Revenue Per Available Room (JD)	30	34	26
Movenpick Nabatean Castle Hotel	Percentage of occupancy (%)	18	-	10
	Average daily rate (JD)	60	-	71
	Revenue Per Available Room (JD)	11	-	7
Movenpick Tala Bay Resort	Percentage of occupancy (%)	38	40	31
	Average daily rate (JD)	105	99	94
	Revenue Per Available Room (JD)	40	39	29

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Some of the Group's companies benefited from the implementation of the abovementioned Defense Orders as follows:

	<u>Salaries, wages, social security and other benefits</u>		
	<u>2021 (Actual)</u>	<u>2021 (Budget)</u>	<u>2020 (Actual)</u>
	JD	JD	JD
Jordan Hotels and Tourism Co. PLC	2,884,684	4,860,986	3,707,935
Nabatean Hotels Co. LLC	1,224,887	1,692,028	1,607,868
Amman Tourism Investment Co. LLC	1,846,022	2,827,228	2,243,849
National Hotels and Tourism Co. LLC	2,300,003	2,733,187	2,757,684
Jordan Hotel Supplies Trading Co. LLC	146,026	153,122	135,899
Zara South Coast Development Co. LLC	2,094,646	2,305,426	2,540,015
Red Sea Hotels Co. LLC	1,894,722	2,027,166	2,251,056
Zara Investment (Holding) Co. PSC	530,891	518,121	383,399

Management continues to monitor the impact that the COVID-19 pandemic on the Group's operating activities and its financial performance regularly in order to take appropriate measures to enable it to carry out its activities given the current circumstances.