



Zara Investment Holding
شركة زارة للاستثمار القابضة

Sunday 28 April 2019
Ref: HH/MM/467/2019


Messrs. Amman Stock Exchange

Greetings and respect,

Subject: Interim Condensed Consolidated Financial Statements

Pursuant to the provisions of Article no. (43/a-2) of the prevailing Securities Law, enclosed herewith, please find the interim condensed consolidated financial statements for the three months ended 31 March 2019.

Zara Investment (Holding) Company


شركة زارة للاستثمار
القابضة


بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٤ إبر ٢٠١٩
الرقم المتسلسل: ٥٨٩٧
رقم الملف: ٧١٠٦٧
الجهة المختصة: المراجعة الخارجية

ZARA INVESTMENT HOLDING COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2019



Building a better
working world

Ernst & Young Jordan

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF
ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Zara Investment Holding Company Public Shareholding Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2019, comprising of the interim condensed consolidated statement of financial position as at 31 March 2019 and the related interim condensed consolidated statements of comprehensive income, interim condensed consolidated changes in equity and interim condensed consolidated cash flows for the three-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 ("Interim Financial Reporting"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
24 April 2019

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	3	158,106,354	159,347,569
Investment properties		5,533,074	5,569,551
Projects in progress	4	1,307,414	970,070
Financial assets at fair value through other comprehensive income		10,858,469	10,869,394
Advance payments for Land purchases		111,082	111,082
Deferred tax assets	7	1,720,882	1,720,882
Rights of use assets		1,269,074	-
Other non-current assets		1,339,107	1,339,107
		<u>180,245,456</u>	<u>179,927,655</u>
Current assets -			
Inventories		1,698,562	1,673,061
Accounts receivable		5,411,397	5,345,069
Other current assets		5,506,564	4,199,626
Cash on hand and at banks	5	17,580,369	15,260,439
		<u>30,196,892</u>	<u>26,478,195</u>
Total Assets		<u>210,442,348</u>	<u>206,405,850</u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Attributable to the equity owners of the parent -			
Paid-in capital	1	150,000,000	150,000,000
Statutory reserve	6	5,132,263	5,132,263
Voluntary reserve	6	689,496	689,496
Cumulative change in fair value		6,178,909	6,189,260
Retained earnings		3,263,621	3,255,018
		<u>165,264,289</u>	<u>165,266,037</u>
Non-controlling interests		21,582,630	21,532,731
Total Equity		<u>186,846,919</u>	<u>186,798,768</u>
Liabilities -			
Non-current liabilities -			
Long-term loans		-	212,400
Deferred tax liabilities	7	490,730	488,104
Lease liabilities		1,421,197	-
		<u>1,911,927</u>	<u>700,504</u>
Current liabilities -			
Current portion of long-term loans		424,800	424,800
Due to banks		6,412,987	6,714,441
Accounts payable		6,666,710	6,417,458
Other current liabilities		6,905,419	4,080,277
Other provisions		590,421	569,734
Provision for income tax	7	683,165	699,868
		<u>21,683,502</u>	<u>18,906,578</u>
Total Liabilities		<u>23,595,429</u>	<u>19,607,082</u>
Total Equity and Liabilities		<u>210,442,348</u>	<u>206,405,850</u>

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2019 JD	2018 JD
Operating revenues		15,248,318	13,844,143
Operating expenses		(12,207,528)	(11,045,058)
Net operating revenues	8	3,040,790	2,799,085
Interest income		129,608	89,997
Other income		189,588	227,044
Finance costs		(69,064)	(137,782)
Finance costs – lease liabilities		(30,640)	-
Depreciation		(2,009,686)	(1,973,616)
Depreciation – rights of use assets		(29,653)	-
Administrative expenses		(716,147)	(756,612)
Other provisions		(44,987)	(39,692)
Profit before income tax		459,809	208,424
Income tax expense	7	(158,127)	(122,254)
Profit for the period		301,682	86,170
Attributable to:			
Equity holders of the parent		243,773	(116,571)
Non-controlling interests		57,909	202,741
		301,682	86,170
		<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings (loss) per share attributable to the equity holders of the parent	9	0/002	(0/001)

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	For the three months ended 31 March	
	2019	2018
	JD	JD
Profit for the period	301,682	86,170
Other comprehensive income items after tax not to be reclassified to profit or loss subsequently:		
Change in fair value, net of deferred tax liabilities	(10,351)	6,920
Total comprehensive income for the period	291,331	93,090
Attributable to:		
Shareholders of the parent	233,422	(109,651)
Non-controlling interests	57,909	202,741
	291,331	93,090

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

	Attributable to the equity holders of the parent						
	Reserves		Cumulative change in fair value	Retained earnings	Total	Non-controlling interests	Total equity
Paid-in capital	Statutory	Voluntary	J D	J D	J D	J D	J D
	J D	J D	J D	J D	J D	J D	J D
For the three months ended 31 March 2019							
Balance as of 1 January 2019	150,000,000	5,132,263	689,496	6,189,260	165,266,037	21,532,731	186,798,768
Effect of IFRS 16 adoption	-	-	-	(235,170)	(235,170)	(8,010)	(243,180)
Restated balance as of 1 January 2019	150,000,000	5,132,263	689,496	3,019,848	165,030,867	21,524,721	186,555,588
Total comprehensive income for the period	-	-	-	243,773	233,422	57,909	291,331
Balance as of 31 March 2019	<u>150,000,000</u>	<u>5,132,263</u>	<u>689,496</u>	<u>3,263,621</u>	<u>165,264,289</u>	<u>21,582,630</u>	<u>186,846,919</u>
For the three months ended 31 March 2018							
Balance as of 1 January 2018	150,000,000	4,505,284	689,496	8,687,327	166,840,004	21,507,044	188,347,048
Total comprehensive income for the period	-	-	-	6,920	(109,651)	202,741	93,090
Balance as of 31 March 2018	<u>150,000,000</u>	<u>4,505,284</u>	<u>689,496</u>	<u>8,694,247</u>	<u>166,730,353</u>	<u>21,709,785</u>	<u>188,440,138</u>

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2019	2018
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit for the period before income tax		459,809	208,424
Adjustments for:			
Interest income		(129,608)	(89,997)
Gain on sale of property and equipment		(10,715)	-
Finance costs		69,064	137,782
Finance costs – lease liabilities		30,640	-
Depreciation		2,009,686	1,973,616
Depreciation – rights of use assets		29,653	-
Recovered from expected credit losses, net		(400)	(19,229)
Other provisions		44,987	39,692
Changes in working capital-			
Inventories		(25,501)	(19,513)
Accounts receivable		(65,928)	(410,585)
Other current assets		(1,156,305)	(1,180,624)
Accounts payable		249,252	(458,694)
Other current liabilities		2,554,830	632,731
Other provisions paid		(24,300)	(23,955)
Income tax paid		(171,630)	(263,924)
Net cash flows from operating activities		3,863,534	525,724
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(276,451)	(700,598)
Proceeds from sale of property and equipment		78,845	-
Purchase of investment properties		(580)	(399)
Projects in progress	4	(860,437)	(1,065,987)
Advance payments to suppliers and contractors		(270,632)	(157,741)
Contractors' accruals and retentions		270,312	44,552
Interest income received		129,608	89,997
Net cash flows used in investing activities		(929,335)	(1,790,176)
<u>FINANCING ACTIVITIES</u>			
Repayment of loan		(212,400)	(212,400)
Finance costs paid		(69,064)	(63,473)
Payment of lease liabilities		(31,351)	-
Net cash flows used in financing activities		(312,815)	(275,873)
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		2,621,384	(1,540,325)
		8,545,998	11,801,824
Cash and cash equivalents at the end of the period	5	11,167,382	10,261,499

he accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2019 (UNAUDITED)

(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.

The principal activities of the Company are to manage its subsidiaries (together, the "Group"), participate in other companies' management in which it is a principal owner, invest in stocks, bonds and financial instruments, and grant loans, 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 interim condensed consolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 24 April 2019.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-month period ended 31 March 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2018. In addition, the results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2019 (UNAUDITED)

CHANGES IN ACCOUNTING POLICIES

The accounting policies followed in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the interim consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
	(Unaudited)
Non-current assets	
Right of use assets	1,298,727
Current assets	
Prepaid (rent) expenses	(119,999)
Non-current liabilities	
Lease liabilities	1,421,908
Total equity	<u>(243,180)</u>

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various lands in the Kingdom's Central and South areas. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group

- Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	JD
Lease commitments as at 31 December 2018	2,132,870
Weighted average incremental borrowing rate as at 1 January 2019	9%
Discounted operating lease commitments at 1 January 2019	1,696,214
Less: Commitments relating to short-term leases	(274,306)
Less: Commitments relating to lease of low-value assets	-
Lease liabilities as at 1 January 2019	<u>1,421,908</u>

- b) Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right of use leased assets - lands	Lease liabilities
	JD	JD
At 1 January 2019	1,298,727	1,421,908
Amortization	(29,653)	-
Interest expense	-	30,640
Payments	-	(31,351)
At 31 March 2019 (Unaudited)	<u>1,269,074</u>	<u>1,421,197</u>

The Group recognised rent expense from short-term leases of JD 56,207 for the three months ended 31 March 2019.

- c) Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises 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 liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, 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 recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities 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 recognised 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of lands due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries (note 10) as at 31 March 2019.

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.

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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, and
- The 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:

- The contractual arrangement with the 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 parent of the Group 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 parent's share of components previously recognized in OCI to profit or loss.

The Company's subsidiaries and its ownership percentages are disclosed in note (10).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2019 (UNAUDITED)

(3) PROPERTY AND EQUIPMENT

Additions to property and equipment amounted to JD 276,451 during the three months ended 31 March 2019 (31 March 2018: JD 700,598).

(4) PROJECTS IN PROGRESS

Additions to projects in progress amounted to JD 860,437 during the three months ended 31 March 2019 (31 March 2018: JD 1,065,987).

The estimated cost to complete the projects in progress is approximately JD 6,000,000 as of 31 March 2019. Management expects to complete these projects during the upcoming two years.

(5) CASH ON HAND AND AT BANKS

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Cash on hand	125,577	110,530
Current accounts	6,842,004	6,261,722
Term deposits*	10,612,788	8,888,187
	<u>17,580,369</u>	<u>15,260,439</u>

* Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 1% to 6%.

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

	For the three months ended 31 March	
	2019	2018
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	17,580,369	16,202,204
Due to banks	(6,412,987)	(5,940,705)
	<u>11,167,382</u>	<u>10,261,499</u>

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(6) LEGAL RESERVES

The Group has made no transfers to statutory and voluntary reserves as per the Companies Law as these financial statements are interim condensed consolidated financial statements.

(7) INCOME TAX

Provision for income tax -

Movement on the provision for income tax is as follows:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Beginning balance for the period / year	699,868	850,714
Income tax for the period / year	154,927	609,934
Prior years' income tax	-	51,709
Income tax paid	(171,630)	(812,489)
Ending balance for the period / year	683,165	699,868

Income tax -

The income tax expense appears in the interim condensed consolidated statement of profit or loss represents the following:

	For the three months ended 31 March	
	2019 JD (Unaudited)	2018 JD (Unaudited)
Current period income tax	154,927	101,587
Prior years income tax	-	6,540
Deferred income tax	3,200	14,127
	158,127	122,254

The Income tax provision represents income tax due on the results of operations of some of the Company's subsidiaries in accordance with the Income Tax Law no. (38) of 2018 and the Income Tax Law no. (34) of 2014 and its amendments for the period ended 31 March 2019 and 2018 respectively, the Investment Law no. (30) of 2014, and Aqaba Special Economic Zone Law no. (32) of 2000 and its amendments.

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The Company and all of its subsidiaries have obtained a final clearance from the Income Tax Department up to 2014.

Nabatean Hotels Company, National Hotels and Tourism Company and Red Sea Hotels Company have obtained final clearances from the Income Tax Department up to 2015.

National Hotels and Tourism Company has obtained final clearances from the Income Tax Department up to 2016.

The Income Tax Department has reviewed the accounting records of the Company and Amman Tourism Investment Company for 2015 and 2016, but has not issued yet the final report up to the date of these interim condensed consolidated financial statements.

Management believes that the income tax provision recorded is sufficient to meet the tax obligations as of 31 March 2019.

Deferred tax assets -

Deferred tax assets represent the estimated tax effect of accumulated tax losses carried forward pertaining to Nabatean Hotels Company, Amman Tourism Investment Company and Zara South Cost Development Company expected to result in future tax benefits.

Movement on deferred tax assets is as follows:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Beginning balance for the period/ year	1,720,882	1,596,315
Tax effect of accumulated tax losses carried forward	-	1,055,878
Tax effect of accumulated tax losses released	-	(931,311)
Ending balance for the period/ year	<u>1,720,882</u>	<u>1,720,882</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.

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Movement on deferred tax liabilities is as follows:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Beginning balance for the period/ year	488,104	440,486
Change in fair value of financial assets	(574)	(13,592)
Depreciation differences related to machinery and equipment and computer hardware and software	3,200	61,210
Ending balance for the period/ year	<u>490,730</u>	<u>488,104</u>

(8) SEGMENT INFORMATION

This item represents the following:

	Hotels Segment *	Other Segments	Total
	JD	JD	JD
For the three months ended 31 March 2019 -			
Operating revenues	15,136,146	112,172	15,248,318
Operating expenses	<u>(11,872,362)</u>	<u>(335,166)</u>	<u>(12,207,528)</u>
Net operating revenues	<u>3,263,784</u>	<u>(222,994)</u>	<u>3,040,790</u>

Other information –

Interest income	129,059	549	129,608
Finance costs	-	69,064	69,064
Finance costs – lease liabilities	30,640	-	30,640
Depreciation	1,999,631	10,055	2,009,686
Depreciation – right of use assets	29,653	-	29,653

* Hotels' net operating revenues consist of the following:

	Hotel Intercontinental Jordan JD	Grand Hyatt Amman JD	Dead Sea Movenpick Hotel JD	Aqaba Movenpick Hotel JD	Petra Movenpick Hotel JD	Nabatean Castle Hotel JD	Tala Bay Movenpick Hotel JD	Total JD
Operating revenues	3,818,237	2,604,468	2,478,408	1,662,199	2,401,681	499,154	1,671,999	15,136,146
Operating expenses	<u>(2,922,874)</u>	<u>(2,227,086)</u>	<u>(2,088,772)</u>	<u>(1,401,168)</u>	<u>(1,308,038)</u>	<u>(346,890)</u>	<u>(1,577,534)</u>	<u>(11,872,362)</u>
Net operating revenues	<u>895,363</u>	<u>377,382</u>	<u>389,636</u>	<u>261,031</u>	<u>1,093,643</u>	<u>152,264</u>	<u>94,465</u>	<u>3,263,784</u>

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	Hotels Segment *	Other Segments	Total
For the three months ended 31 March 2018 -	JD	JD	JD
Operating revenues	13,739,239	104,904	13,844,143
Operating expenses	(10,957,556)	(87,502)	(11,045,058)
Net operating revenues	2,781,683	17,402	2,799,085

Other information –

Interest income	89,556	441	89,997
Finance costs	55,685	82,097	137,782
Depreciation	1,965,026	8,590	1,973,616

* Hotels' net operating revenues consist of the following:

	Hotel		Dead Sea	Aqaba	Petra		Tala Bay	
	Intercontinental	Grand	Movenpick	Movenpick	Movenpick	Nabatean	Movenpick	
	Jordan	Hyatt Amman	Hotel	Hotel	Hotel	Castle Hotel	Hotel	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	4,050,279	2,256,127	2,131,841	1,586,774	1,732,599	214,384	1,767,235	13,739,239
Operating expenses	(3,045,980)	(1,979,081)	(1,803,842)	(1,315,436)	(1,063,860)	(207,593)	(1,541,764)	(10,957,556)
Net operating revenues	1,004,299	277,046	327,999	271,338	668,739	6,791	225,471	2,781,683

Hotels	Other		
Segment	Segments	Eliminations	Total
JD	JD	JD	JD

Assets and Liabilities

As of 31 March 2019 (Unaudited)

Segment assets	205,657,910	61,084,178	(56,299,740)	210,442,348
Segment liabilities	58,251,818	21,643,351	(56,299,740)	23,595,429

As of 31 December 2018 (Audited)

Segment assets	201,807,180	61,732,554	(57,133,884)	206,405,850
Segment liabilities	54,858,438	21,882,528	(57,133,884)	19,607,082

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(9) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

	For the three months ended 31 March	
	2019 (Unaudited)	2018 (Unaudited)
Profit (loss) attributable to equity holders of the parent (JD)	243,773	(116,571)
Weighted average number of shares (Share)	150,000,000	150,000,000
	JD / Fils	JD / Fils
Basic earnings (loss) per share (JD/ Fils)	0/002	(0/001)

Basic and diluted earnings (loss) per share for the period are equal.

(10) RELATED PARTY TRANSACTIONS

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

	Paid-in Capital JD	Principal Activities	Ownership %
Jordan Hotels and Tourism Co. PSC	10,000,000	Hotel InterContinental Jordan	51.6
Jordan Himmeh Mineral Co. PSC	1,557,772	Himmeh Resort	71.6
Nabatean Hotels Co. LLC	3,300,000	Nabatean Castle Hotel and Petra Movenpick Hotel	100
Amman Tourism Investment Co. LLC	16,500,000	Grand Hyatt Amman Hotel, Hyatt Tower and Zara Center	100
Rum Hotels and Tourism Co. LLC	700,000	Tourism Project - Wadi Mousa	82.1
Oasis Hotels Co. LLC	1,600,000	Tourism Project - Dead Sea	92.2
National Hotels and Tourism Co. LLC	15,000,000	Dead Sea Movenpick Hotel	100
Jordan Hotel Supplies Trading Co. LLC	330,000	Gift Shops	100
Red Sea Hotels Co. LLC	17,000,000	Aqaba Movenpick Hotel	100
Zara Agricultural Co. LLC	100,000	Plants	54.3
South Coast Real Estate Development Co. LLC	10,050,000	Tourism Project - Aqaba	82
South Coast Hotels Co. LLC	4,800,000	Tourism Project - Aqaba	82
Zara South Coast Development Co. LLC	39,425,503	Tala Bay Movenpick Hotel - Aqaba	84.8
Zara Agricultural Services and Marketing Co. LLC	25,000	Plant maintenance	100
Himmeh Solar Power Co. LLC	1,000	Solar Energy	100

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.

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

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Bank balances – Arab Bank, Etihad Bank, and Cairo Amman Bank	17,442,348	15,135,838
Due to banks – Arab Bank, Etihad Bank, and Cairo Amman Bank	6,412,987	6,714,441
Amounts due to Astra Investment Company	-	50,000
Amounts due from Cairo Amman Bank	98,749	9,413

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

	For the three months ended 31 March	
	2019 JD (Unaudited)	2018 JD (Unaudited)
Salaries, compensation and other benefits of key management personnel of the Company	48,675	46,725
Finance costs – Arab Bank, Etihad Bank and Cairo Amman Bank	69,064	137,782
Rent expense – Astra Investment Company	129,608	89,997
Interest income – Cairo Amman Bank and Etihad Bank	36,882	37,152
Rent income – Cairo Amman Bank	122,028	93,564

(11) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees of JD 123,500 as at 31 March 2019 (31 December 2018: JD 123,500).

(12) LITIGATIONS AGAINST THE GROUP

In the normal course of business, the Group appears as a defendant in a number of lawsuits amounting to JD 79,510 as of 31 March 2019 (31 December 2018: JD 134,259). 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.

(13) COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 March 2018 have been reclassified in order to correspond with 31 March 2019 presentation with no effect on equity or loss for the period ended 31 March 2018.