



شركة الإتحاد للاستثمارات المالية م.ع.م
Union Investment Corp. P.L.C

١٦ نيسان ٢٠١٨

نموذج رقم (2-1)

Form No. (1-2)

<p>To: Jordan Securities Commission Amman Stock Exchange Date: 16/4/2018 Ref: 2/3/3/8986 Subject Audited Financial Statements for the fiscal year ended of 31/12/2017</p>	<p>السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/4/16 الرقم: 8986/3/3/2 الموضوع: البيانات المالية السنوية المدققة كما هي في 2017/12/31</p>
<p>Attached the Audited Financial Statements of (Union Investment Corp. plc) As of 31/12/2017 in English.</p>	<p>مرفق طيه نسخة من البيانات المالية السنوية لشركة (الإتحاد للاستثمارات المالية م.ع.م) باللغة الإنجليزية كما هي بتاريخ 2017/12/31</p>
<p>Kindly accept our highly appreciation and respect Union Investment Corp. P.L.C Financial Manager's Signature Iyad Yaghmour</p>	<p>وتفضلوا بقبول فائق الاحترام... شركة الإتحاد للاستثمارات المالية م.ع.م توقيع المدير المالي إياد يغمور</p>

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شركة الإتحاد للاستثمارات المالية م.ع.م
Union Investment Corp. P.L.C

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UNION INVESTMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017



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Ernst & Young Jordan

P.O.Box 1140

Amman 11118

Jordan

Tel : 00 962 6580 0777/00 962 6552 6111

Fax: 00 962 6553 8300

www.ey.com/me

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Union Investment Corporation

Public Shareholding Company

Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Union Investment Corporation - Public Shareholding Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of other 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, except for the effect of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

- As disclosed in note (7) to the consolidated financial statements, the Company's management did not perform impairment testing on the indefinite intangible assets amounted to JD 3,647,535 as of 31 December 2017 in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets". This intangible asset is represented by a trade name for cigarettes and tobacco products which resulted from the acquisition of the subsidiary (Union Tobacco and Cigarettes Industries Company). We were unable to determine the impact of not applying the requirements of International Accounting Standard 36 on the consolidated financial statements of the Group as of 31 December 2017.
- The Group recognized a gain of JD 653,248 from a sale of machinery and equipment during 2017 after receiving an amount of JD 1,775,000, which represents 50% of the total sale price. The machinery and equipment is still in the Group's possession.



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- The Group's management did not perform impairment testing on its project under construction amounted to JD 6,913,443 as of 31 December 2017 in which there has been no additional work on that project since the year 2012. In accordance with International Financial Reporting Standards, if an indication exists that an asset may be impaired, the asset's recoverable amount should be estimated and where the carrying amount exceeds the asset's recoverable amount, the asset is considered impaired. We were not provided with a comprehensive study to assess the project's recoverable amount, and accordingly, we were unable to verify the related financial effect, if any, on the consolidated financial statements.

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 Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 qualified opinion.

Emphasis of matter

As disclosed in note (5) to the consolidated financial statements, investment properties include land plots with an amount of JD 2,785,399 that are not registered in the name of the Group as at 31 December 2017.

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 2017. 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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.



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1. Valuation of trade receivables

Disclosures that relate to the valuation of trade receivables are included in note (11) to the consolidated financial statements.

Key audit matter:

The determination as to whether trade receivables are collectable involves management judgement. The Group has large number of local and foreign customers, which increases the risk of having a difficulty of collecting these amounts. Management considers specific factors including the age of the balance, historical payment patterns and other available information concerning the credit worthiness of customers. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

How the key audit matter was addressed in the audit:

We tested aged balances to check that there were no indicators of impairment. This included verifying if payments had been received since year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received.

2. Provision for slow moving inventories

Disclosures that relate to the provision for slow moving inventories are included in note (10) to the consolidated financial statements.

Key audit matter:

At 31 December 2017, total inventories balance amounted to JD 13,422,781 representing 10% of total assets of the Group. Judgment is required to assess the appropriate level of provisioning for slow moving and obsolete items, which may be ultimately sold below cost or not in saleable conditions. One of the Group's major subsidiaries is mainly operating in the tobacco industry and trades in foreign markets in which inventories are stored in different local and foreign locations increasing the level of judgment involved in estimating the provision.

How the key audit matter was addressed in the audit:

For both finished goods and raw materials, we tested the methodology for calculating the provision, reviewed the appropriateness and consistency of judgments and assumptions used in estimating the provision, the accuracy and completeness of ageing profile of inventory, including the adequacy of provision for slow moving and obsolete items. Additionally, we have observed the inventories stock count process in order to identify the obsolete and damaged inventories.



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3. Valuation of investment properties

Disclosures that relate to the valuation of investment properties are included in note (5) to the consolidated financial statements

Key audit matter:

Investment properties make up 46% of the total assets of the Group as at 31 December 2017. Investment properties are measured at cost less accumulated depreciation and any impairment in value. The fair value of the investment property depends to a large extent on estimates, which is why this item is important for our audit. The Group has a process of internal and external valuations, with the value of the investment property being measured at least once a year. These valuations are based on, among other things, assumptions, such as future rents and occupation.

How the key audit matter was addressed in the audit:

Our audit work includes evaluating the quality and the objectivity of the valuation process and the independence and expertise of the internal and external surveyors. We also evaluated the accuracy of the property data provided by the Group's management to the independent external surveyors, which are used as input for the external survey. We analyzed the internal and external valuations, the underlying assumptions and the applied methods.

Other information included in the Group's 2017 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.



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Responsibilities of Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

Board of Directors 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.



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- 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 exists, 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, related safeguards.



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

Ernst & Young / Jordan
ERNST & YOUNG
Amman - Jordan
Mohammad Ibrahim Al-Karaki
License No. 882

Amman – Jordan
29 March 2018

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

ASSETS	Notes	2017 JD	2016 JD
Non-current assets -			
Property, plant and equipment	3	20,579,096	24,139,628
Projects under construction	4	6,913,443	6,903,488
Investment properties	5	63,616,649	63,450,842
Advance payments on machine purchases		101,244	375,951
Intangible assets	7	3,647,535	3,647,535
Financial assets at fair value through other comprehensive income	8	1,968,677	3,276,396
		<u>96,826,644</u>	<u>101,793,840</u>
Current assets -			
Inventories	10	13,422,781	16,621,902
Trade receivables	11	23,343,804	26,720,076
Other current assets	12	3,451,003	3,101,339
Financial asset at fair value through profit or loss	9	38,932	34,226
Cash and bank balances	13	229,605	499,227
		<u>40,486,125</u>	<u>46,976,770</u>
Total Assets		<u>137,312,769</u>	<u>148,770,610</u>
EQUITY AND LIABILITIES			
Equity -			
Equity attributable to equity holders of the parent			
Paid in capital	14	50,000,000	50,000,000
Statutory reserve	14	12,500,000	12,500,000
Voluntary reserve	14	736,749	736,749
Treasury shares	14	(1,662,877)	(3,137,267)
Fair value reserve	8	(448,187)	(485,003)
Other reserves		1,496,510	3,557
Accumulated losses		(27,767,442)	(24,980,601)
		<u>34,854,753</u>	<u>34,637,435</u>
Non-controlling interests	26	37,213,402	38,689,596
Net Equity		<u>72,068,155</u>	<u>73,327,031</u>
Liabilities			
Non-current liabilities -			
Long term loans	15	16,940,941	21,840,408
Current liabilities -			
Current portion of long term loans	15	8,998,926	8,809,055
Bank overdrafts	16	1,344,446	3,026,972
Trade payables and other current liabilities	17	36,960,516	41,067,186
Income tax provision	23	999,785	699,958
		<u>48,303,673</u>	<u>53,603,171</u>
Total liabilities		<u>65,244,614</u>	<u>75,443,579</u>
Total Equity and Liabilities		<u>137,312,769</u>	<u>148,770,610</u>

The attached notes from 1 to 33 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		<u>JD</u>	<u>JD</u>
<u>Continuing operations:</u>			
Sales		11,957,001	26,373,794
Cost of sales	18	(11,067,197)	(21,401,242)
Gross profit		889,804	4,972,552
Loss on sale of financial assets at fair value through profit or loss		(33,003)	(4,407)
Depreciation of investment properties	5	(423,013)	(423,013)
Gain on sale of property, plant and equipment		723,038	122,624
Impairment losses on investment in an associate		-	(50,000)
Gain (loss) on sale of investment properties, net		51,483	(444,603)
Commodore Hotel expenses		(21,790)	(53,274)
Rental income, net		2,773,743	2,756,720
Other (expenses) income, net		(116,778)	109,349
Administrative expenses	19	(3,353,443)	(3,833,539)
Selling and marketing expenses	20	(953,971)	(722,229)
Provision for doubtful debts	11	-	(1,019,121)
Provision for advance payments on machine purchases		-	(1,400,00)
Provision for slow moving inventories	10	-	(405,584)
Finance costs		(3,476,002)	(3,651,093)
Loss before tax from continuing operations		(3,939,932)	(4,035,618)
Income tax expense for the year	23	(39,268)	(70,402)
Prior years Income tax expense	23	(279,269)	(79,241)
Loss from continuing operations		(4,258,469)	(4,185,261)
<u>Discontinued operations:</u>			
Profit after tax for the year from discontinued operations	27	-	2,311,524
Loss for the year		(4,258,469)	(1,873,737)
<u>Attributable to:</u>			
Equity holders of the parent		(4,231,484)	(1,806,891)
Non-controlling interests	26	(26,985)	(66,846)
		(4,258,469)	(1,873,737)
		<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic and diluted earning per share from the loss for the year attributable to equity holders of the parent	21	(0/088)	(0/039)

The attached notes from 1 to 33 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	JD	JD
Loss for the year	(4,258,469)	(1,873,737)
Other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:		
Net of gains (losses) of financial assets at fair value through other comprehensive income	<u>36,816</u>	<u>(36,566)</u>
Total comprehensive income for the year	<u>(4,221,653)</u>	<u>(1,910,303)</u>
Attributable to:		
Equity holders of the parent	(4,194,668)	(1,843,457)
Non-controlling interests	<u>(26,985)</u>	<u>(66,846)</u>
	<u>(4,221,653)</u>	<u>(1,910,303)</u>

The attached notes from 1 to 33 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the parent							Non -	
								controlling interests	Net equity
	Paid in capital	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Other reserves	Accumulated losses		
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017-									
Balance as at 1 January 2017	50,000,000	12,500,000	736,749	(3,137,267)	(485,003)	3,557	(24,980,601)	38,689,596	73,327,031
Loss for the year	-	-	-	-	-	-	(4,231,484)	(26,985)	(4,258,469)
Other comprehensive Income Items	-	-	-	-	36,816	-	-	-	36,816
Gain on selling of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	764,999	-	764,999
Sale of treasury shares, net	-	-	-	1,474,390	-	1,492,953	-	-	2,967,343
Acquisition of non-controlling interests	-	-	-	-	-	-	679,644	(1,449,209)	(769,565)
Balance at 31 December 2017	50,000,000	12,500,000	736,749	(1,662,877)	(448,187)	1,496,510	(27,767,442)	37,213,402	72,068,155
2016-									
Balance as at 1 January 2016	50,000,000	12,500,000	736,749	(3,153,244)	(448,437)	3,557	(23,042,192)	38,951,081	75,547,514
Loss for the year from continuing operations	-	-	-	-	-	-	(3,727,709)	(457,552)	(4,185,261)
Profit for the year from discontinued operations	-	-	-	-	-	-	1,920,818	390,706	2,311,524
Other comprehensive Income Items	-	-	-	-	(36,566)	-	-	-	(36,566)
Sale of treasury shares, net	-	-	-	15,977	-	-	-	-	15,977
Acquisition of non-controlling interests	-	-	-	-	-	-	(131,518)	(194,639)	(326,157)
Balance at 31 December 2016	50,000,000	12,500,000	736,749	(3,137,267)	(485,003)	3,557	(24,980,601)	38,689,596	73,327,031

The attached notes from 1 to 33 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 JD	2016 JD
<u>OPERATING ACTIVITIES</u>			
Loss before tax from continuing operations		(3,939,932)	(4,035,618)
Profit before tax from discontinued operations	27	-	2,311,524
Loss for the year before tax		(3,939,932)	(1,724,094)
Adjustments for:			
Depreciation		1,425,584	1,484,432
Provision for doubtful debts		-	1,019,121
Provision for advance payments on machine purchases		-	1,400,000
Provision for slow moving inventories		-	405,584
(Gain) loss on sale of investment properties		(51,483)	444,603
Gain on sale of property, plant and equipment		(723,038)	(122,624)
Gain on sale of non-current assets held for sale	27	-	(3,826,146)
Finance costs		3,476,002	3,651,093
Impairment losses on investment in an associate		-	50,000
Working capital changes:			
Inventories		3,199,121	(4,607,523)
Trade receivables		3,376,272	(10,236,813)
Other current assets		344,284	175,989
Related parties		-	9,728,655
Financial assets at fair value through profit or loss		(4,706)	(2,012)
Trade payables and other current liabilities		(3,237,798)	9,747,305
Income tax paid		(18,710)	(148,924)
Net cash flows from operating activities		3,845,596	7,438,646
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of property, plant and equipment		3,763,956	1,003,187
Purchases of property, plant and equipment		(1,837,772)	(1,592,733)
Proceeds from sale of investment properties		565,000	1,861,266
Purchase of investment properties		(1,102,337)	(37,566)
Projects under construction		(9,955)	(86,602)
Proceeds from selling of financial assets at fair value through other comprehensive income		2,109,534	21,432
Net cash flows from investing activities		3,488,426	1,168,984
<u>FINANCING ACTIVITIES</u>			
Repayments of loans		(8,215,944)	(15,745,258)
Proceeds from loans		3,506,348	19,146,966
Acquisition of non-controlling interests		(769,565)	(326,157)
Interest paid		(3,409,300)	(3,751,458)
Net proceeds from sale of treasury shares		2,967,343	15,977
Net cash flows used in financing activities		(5,921,118)	(659,930)
Net increase in cash and cash equivalents		1,412,904	7,947,700
Cash and cash equivalents at 1 January		(2,527,745)	(10,475,445)
Cash and cash equivalents at 31 December	13	(1,114,841)	(2,527,745)

The attached notes from 1 to 33 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

(1) GENERAL

Union Investment Corporation (the "Company") was established as a public shareholding company on 13 April 1994, with a paid in capital of JD 11,000,000 divided into 11,000,000 shares at a par value of JD 1 each, which has been increased throughout the years to become JD 50,000,000 divided into 50,000,000 shares.

The Company's objectives are to invest in all economic, industrial, manufacturing, commercial, agricultural, tourism sectors through establishing, owning or participating in establishing of investment projects in additions to investing in stocks, bonds and financial securities inside and outside Jordan.

The consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 29 March 2018. The consolidated financial statements require the approval of the General Assembly.

(2-1) BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

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

(2-2) BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the Company's financial statements and its subsidiaries (together the "Group").

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.
- The ability to use its power over the investee to affect its returns.

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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, which includes:

- 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 on the date that the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or losses and all other comprehensive income items are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies of subsidiaries into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

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

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

The Company's subsidiaries along with percentage of ownership are disclosed in note (24).

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(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 2016 except for the followings:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's financial statements.

(2-4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Property, plant and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Cost represents the cost of replacement of property, plant and equipment and borrowing costs for long-term projects under construction, if recognition conditions are met. Maintenance and repair expenses are recognized in the consolidated statement of profit or loss. Depreciation (except for land) is calculated on a straight-line basis over the estimated useful lives of the assets using the following annual depreciation rates:

	<u>%</u>
Buildings	4
Machinery and equipment *	10
Laboratory and quality control equipment	15
Furniture and fixtures	12-25
Computers	20-25
Electronics and office equipment	12-25
Decorations	10-25
Tools	20
Vehicles	15
Others	15-20

* Some of the machinery and equipment are depreciated using the units of production method.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. Impairment losses are recognised in the consolidated statement of profit or loss.

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The 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

Gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

Projects under construction

Projects under construction are stated at cost, which include the cost of design, construction, equipment and other direct expenses. Projects under construction are not depreciated until they become ready for use.

Investment properties

Properties held to earn rental or for capital appreciation purposes or held for undetermined use are considered investment properties.

Investment properties are measured at cost less accumulated depreciation and any impairment in value. Depreciation (except for land) is calculated when ready for use on a straight-line basis over the estimated useful lives using annual rates that range from 2% to 20%.

Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

The investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Intangible assets

Intangible assets acquired as a result of acquisition of subsidiaries are measured at cost or fair value on the date of acquisition.

Useful lives of intangible assets are assessed as either finite or indefinite, intangible assets with finite lives are amortized over the useful economic life and is recognized in the consolidated statement of profit or loss, intangible assets with indefinite useful live are not amortized but are tested for impairment on the date of the consolidated financial statements and any impairment in value is recognized the consolidated statement of profit or loss.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of profit or loss.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at acquisition date fair value and the amount of any non-controlling interests in the acquire.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

The non-controlling interests in the acquiree is recorded at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statement of profit or loss.

Goodwill is measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed which is recorded after deducting any accumulated impairment losses.

The excess of the Group's share in the fair value of the net assets acquired over the acquisition cost represents negative goodwill and recorded in the consolidated statement of profit or loss. The Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Financial assets at fair value through other comprehensive income

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

These assets are not subject to impairment testing. Dividends are recognized in the consolidated statement of profit or loss.

Financial assets at fair value through profit and loss

These are the financial assets that are acquired by the Group for the purpose of sale in the near future and make short-term profits.

Recognition of financial assets

Sale and purchase of financial assets is recognized at transaction date.

Fair value measurement

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 to 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.

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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 financial statements are categorized 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 categorization (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 the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Raw inventories, work in progress and spare parts are stated using the weighted average cost.

Trade receivables

Trade receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, and other short-term highly liquid investments with original maturities of three months or less which do not include the risk of the change in fair value, net of outstanding bank overdrafts.

Loans

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognized in the consolidated statement of profit or loss when the liability is derecognized as well through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on a acquisition and fees or costs that forms an integral part of the effective interest rate.

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 asst. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Accounts payable and other current liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Income tax

Income tax for the years ended 2017 and 2016 was calculated in accordance with the Income Tax Law No. (34) of 2014.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated financial statement date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the financial position date. The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position 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 Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

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

Rental income arising leases is accrued for on a straight-line basis over the lease term and is included in other revenue in the consolidated statement of profit or loss.

Other revenues are recognized on the accrual basis.

Operating leases

The Group as a lessee: operating lease expenses are recognized in the consolidated statement of profit or loss on a straight-line basis over the lease terms.

The Group as a lessor: rental income arising from operating leases is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease terms and is included in other revenue.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date, based on the rates declared by the Central Bank of Jordan.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on transaction of non-monetary items measured at fair value is recognized in the consolidated statement of comprehensive income.

Transaction differences for items of non-monetary financial assets and liabilities denominated in foreign currencies (like shares) are recognized as part of the change in fair value.

Segment reporting

For the purpose of reporting to management and the decision makers in the Group, a business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

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A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for non-current assets held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations.
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or;
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

(2-5) USE ESTIMATES

The preparation of the consolidated financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of assets and liabilities and disclose potential liabilities. These estimates and judgments also affect the income, expenses and provisions and, in particular, require the Group's management to make judgments and judgments to estimate the amounts and timing of future cash flows arising from the circumstances and circumstances of those estimates in the future. These estimates are necessarily based on multiple hypotheses and factors that have varying degrees of estimation and uncertainty and actual results may differ from estimates as a result of future changes in the conditions and circumstances of those provisions.

The estimates and assumptions used in the consolidated financial statements are as follows:

- Provision for receivables is made on the basis and assumptions approved by the Group's management to estimate the provision to be taken.
- The fiscal year shall be charged for the income tax expense in accordance with the accounting regulations, laws and standards. The deferred tax assets and liabilities and tax provision are measured and recognized.
- The Group periodically recalculates the useful life of the property and equipment for the purpose of calculating annual depreciation based on the general condition of the asset and estimated future useful lives. Impairment losses are recognized as an expense in the consolidated statement of profit or loss.
- A provision is taken for legal cases raised against the Group based on legal studies prepared by the Group's legal advisors, under which future potential risks are identified these studies are reviewed on a periodic basis.
- The Group's consolidated financial statements include the financial statements of Union Land Development Company, in which the Group owns less than the majority of the voting rights. However, and as the Group owns the largest ownership percentage of 43.19%, the Group's management believes that control is achieved in accordance with IFRS 10.

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(3) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment**	Laboratory and quality control equipment	Furniture and fixtures	Computers	Electronics and office equipment	Decorations	Tools	Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017												
Cost:												
Balance at 1 January 2017	2,778,098	16,073,397	34,481,691	361,209	138,280	447,112	581,120	100,771	538,309	1,535,430	-	57,035,417
Additions	4,810	17,108	1,614,354	-	-	3,400	-	-	280	96,835	100,985	1,837,772
Disposals	(1,354,815)*	-	(6,330,390)	-	-	-	-	(2,381)	(30,368)	(455,133)	-	(8,173,087)
Balance at 31 December 2017	1,428,093	16,090,505	29,765,655	361,209	138,280	450,512	581,120	98,390	508,221	1,177,132	100,985	50,700,102
Accumulated depreciation:												
Balance at 1 January 2017	-	6,927,958	23,076,663	315,607	119,472	350,625	508,677	73,065	482,720	1,041,002	-	32,895,789
Charge for the year	-	570,900	206,250	13,391	4,838	11,111	23,909	6,177	31,623	134,372	-	1,002,571
Disposals	-	-	(3,434,531)	-	-	-	-	(2,381)	(30,368)	(310,074)	-	(3,777,354)
Balance at 31 December 2017	-	7,498,858	19,848,382	328,998	124,310	361,736	532,586	76,861	483,975	865,300	-	30,121,006
Net book value:												
As at 31 December 2017	1,428,093	8,591,647	9,917,273	32,211	13,970	88,776	48,534	21,529	24,246	311,832	100,985	20,579,096

* During the year ended 31 December 2017, the Group reduced the lands value by JD 1,354,815, representing a recovered amount relating to organizational fees previously paid to Greater Amman Municipality. The Group agreed with Greater Amman Municipality to recover part of these amounts and make an offsetting for another part which represents the Group's receivables from Greater Amman Municipality. It was also agreed that the remaining part of this amount will be considered as on property tax advances.

** This category includes machinery and equipment with a cost of JD 24,832,787 which were depreciated using the units of production method.

The depreciation charge for the year is allocated as follows:

	2017	2016
	JD	JD
Cost of sales (Note 18)	651,328	714,855
Administrative expenses (Note 19)	343,548	334,456
Selling and marketing expenses (Note 20)	7,695	12,108
	1,002,571	1,061,419

The cost of fully depreciated property, plant and equipment is amounted to JD 13,051,066 as at 31 December 2017.

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2016	Lands		Buildings		Machinery and equipment		Furniture and fixtures		Laboratory and quality control equipment		Computers		Electronics and office equipment		Decorations		Tools		Vehicles		Others		Total	
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD	
Cost:																								
Balance at 1 January 2016	2,778,098		16,062,349		34,219,625		361,209		136,153		446,403		617,356		770,794		846,447		1,651,241		-		57,889,675	
Additions	-		11,048		1,376,015		-		2,127		709		1,193		-		851		200,790		-		1,592,733	
Disposals	-		-		(1,113,949)		-		-		-		(37,429)		(670,023)		(308,969)		(316,601)		-		(2,446,991)	
Balance at 31 December 2016	2,778,098		16,073,397		34,431,691		361,209		138,280		447,112		581,120		100,771		538,309		1,535,430		-		57,035,417	
Accumulated depreciation:																								
Balance at 1 January 2016	-		6,373,227		23,382,400		302,216		98,696		342,847		515,810		601,809		622,778		1,161,015		-		33,400,798	
Charge for the year	-		554,731		278,260		13,391		20,776		7,778		29,743		6,507		52,181		98,052		-		1,061,419	
Disposals	-		-		(583,997)		-		-		-		(36,876)		(535,251)		(192,239)		(218,065)		-		(1,566,428)	
Balance at 31 December 2016	-		6,927,958		23,076,663		315,607		119,472		350,625		508,677		73,065		482,720		1,041,002		-		32,895,789	
Net book value:																								
As at 31 December 2016	2,778,098		9,145,439		11,405,028		45,602		18,808		96,487		73,443		27,706		55,589		494,428		-		24,139,628	

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(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	<u>2017</u> JD	<u>2016</u> JD
Balance as at 1 January	6,903,488	6,816,886
Additions	<u>9,955</u>	<u>86,602</u>
Balance as at 31 December	<u>6,913,443</u>	<u>6,903,488</u>

The estimated cost to complete the projects under construction is JD 3,500,000 as at 31 December 2017.

(5) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	<u>2017</u> JD	<u>2016</u> JD
Cost-		
Balance as at 1 January	66,138,682	68,418,897
Additions	1,102,337	37,566
Disposals – lands	<u>(513,517)</u>	<u>(2,317,781)</u>
Balance as at 31 December	<u>66,727,502</u>	<u>66,138,682</u>
Accumulated depreciation-		
Balance as at 1 January	2,687,840	2,264,827
Depreciation	<u>423,013</u>	<u>423,013</u>
Balance as at 31 December	<u>3,110,853</u>	<u>2,687,840</u>
Net book value-		
As at 31 December	<u>63,616,649</u>	<u>63,450,842</u>

The Group's management believes that the fair value of investment properties is approximately JD 89 millions as at 31 December 2017 (2016: JD 104 millions).

Investment properties include lands that are not registered in the Group's name as follows:

	<u>2017</u> JD	<u>2016</u> JD
Lands	<u>2,785,399</u>	<u>3,197,916</u>

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(6) INVESTMENT IN ASSOCIATES

	Country of incorporation	Nature of activity	Ownership percentage		2017	2016
			2017	2016	JD	JD
Al-Rafidain for Tobacco and Cigarettes Distribution Company*	Jordan	Services	50%	50%	-	-

Movement on investment in associates is as follows:

	31 December 2017 JD	31 December 2016 JD
Balance as at 1 January 2017	-	50,000
Impairment losses	-	(50,000)
	-	-

* The Group owns 50% of Al-Rafidain for Tobacco and Cigarettes Distribution Company, amounting to 100,000 shares. Al-Rafidain for Tobacco and Cigarettes Distribution Company is a limited liability company that was established on 6 November 2012.

The Board of Directors resolved to liquidate the company in its meeting held on 14 July 2016, accordingly, the investment carrying amount was written off.

(7) INTANGIBLE ASSETS

During 2012, the Company acquired approximately 82% of Union Tobacco and Cigarettes Industries – Public Shareholding Company (a subsidiary), which resulted in intangible assets representing a trade name for cigarettes and tobacco products. Management believes that the useful life of the trade name is indefinite; therefore it is not amortized, while it is subject to annual impairment testing or when such indicators exist.

The intangible assets details are as follows:

	2017 JD	2016 JD
Trade name	3,647,535	3,647,535

The Company did not perform impairment testing on the intangible assets as of 31 December 2017.

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

This amount represents the Group's investments in the following companies capital:

	<u>2017</u> JD	<u>2016</u> JD
Unquoted Shares / Inside Jordan		
Al-Karama for Financial Investments - PSC	80,000	80,000
Al-Sakher Al Massi Real Estate - PSC	-	1,335,379
Al-Mojama'at Real Estate - LTD	24,000	24,000
Al-Tajamouat for Touristic Projects - PSC	124	135
	<u>104,124</u>	<u>1,439,514</u>
 Quoted Shares / Inside Jordan		
Al-Dira Real Estate - PLC	-	6,540
 Quoted Shares / Outside Jordan		
Al-Quds Real Estate Investments - PLC - Palestine	18,438	21,042
Al Salam Bank – Sudan	106,115	69,300
	<u>124,553</u>	<u>90,342</u>
 Financial Assets – Others / Outside Jordan		
Investment funds – Capital Towers	1,740,000	1,740,000
	<u>1,968,677</u>	<u>3,276,396</u>

Unquoted financial assets are stated at cost, the Group's management believes that the fair values of these financial assets are not materially different from their cost.

Movement on fair value reserve is as follows:

	<u>2017</u> JD	<u>2016</u> JD
Balance at 1 January	(485,003)	(448,437)
Change in fair value of financial assets at fair value through other comprehensive income	36,816	(36,566)
Balance at 31 December	<u>(448,187)</u>	<u>(485,003)</u>

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(9) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	JD	JD
Quoted Shares / Inside Jordan		
Methaq Real Estate - PLC	38,932	34,226

(10) INVENTORIES

	2017	2016
	JD	JD
Raw materials	5,775,061	5,258,677
Work in progress	1,135,043	1,024,132
Finished goods	6,444,152	10,316,552
Spare parts	2,356,475	2,354,724
Inventory in transit	101,411	57,178
	15,812,142	19,011,263
Provision for slow moving inventories	(2,389,361)	(2,389,361)
	13,422,781	16,621,902

Movement on provision for slow moving inventories is as follows:

	2017	2016
	JD	JD
Balance at 1 January	2,389,361	1,983,777
Provision for the year	-	405,584
Balance at 31 December	2,389,361	2,389,361

(11) ACCOUNTS RECEIVABLE

	2017	2016
	JD	JD
Accounts receivable	26,384,605	29,760,877
Provision for doubtful debts	(3,040,801)	(3,040,801)
	23,343,804	26,720,076

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Movement on provision for doubtful debts is as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance at 1 January	3,040,801	2,021,680
Provision for the year	-	1,019,121
Balance at 31 December	<u>3,040,801</u>	<u>3,040,801</u>

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

	<u>Past due but not impaired</u>		
	<u>1-180</u>	<u>More than</u>	
	days	180 days	Total
	JD	JD	JD
2017	9,140,053	14,203,751	23,343,804
2016	18,302,756	8,417,320	26,720,076

The management of the Group believes that unimpaired receivable are expected to be fully recoverable. The Group does not obtain any guarantees against these receivables, and thus they are unsecured.

(12) OTHER CURRENT ASSETS

	<u>2017</u>	<u>2016</u>
	JD	JD
Refundable deposits	255,147	277,024
Governmental deposits	1,544,369	1,513,974
Advances to suppliers	791,473	663,138
Employees receivables	111,242	133,213
Prepaid expenses	719,396	504,287
Others	29,376	9,703
	<u>3,451,003</u>	<u>3,101,339</u>

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(13) CASH AND BANK BALANCES

	<u>2017</u>	<u>2016</u>
	JD	JD
Cash on hand	20,691	243,870
Bank current accounts	208,914	255,357
	<u>229,605</u>	<u>499,227</u>

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

	<u>2017</u>	<u>2016</u>
	JD	JD
Cash and bank balances	229,605	499,227
Bank overdrafts (Note 16)	(1,344,446)	(3,026,972)
	<u>(1,114,841)</u>	<u>(2,527,745)</u>

(14) SHAREHOLDERS' EQUITY

Authorized and paid in capital -

The authorized and paid in capital amounted to JD 50,000,000 divided into 50,000,000 shares at a par value of JD 1 per share as at 31 December 2017 and 2016.

Statutory reserve -

As required by the Jordanian Companies Law 10% of the annual profit before tax is to be transferred to statutory reserve. Transfers cannot be stopped before the statutory reserve reaches 25% of the Company's authorized capital. This reserve is not available for distribution to the shareholders. However, the Board of Directors decided to stop this transfer to the statutory reserve because it reached 25% of the Company's authorized capital.

Voluntary reserve -

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of annual profit before tax. This reserve is available for distribution to the shareholders.

Treasury shares -

Treasury shares represent the cost of the Company's re-acquired shares by its subsidiaries. Number of these shares was 1,917,273 shares with a total value of JD 1,662,877 as at 31 December 2017.

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(15) LOANS

		Loan Installments					
		2017			2016		
Currency		Current portion	Non current portion	Total	Current portion	Non current portion	Total
		JD	JD	JD	JD	JD	JD
Bank Al Etihad - Renewal loan (1)	JD	-	-	-	2,088,585	-	2,088,585
Bank Al Etihad - Renewal loan (2)	JD	468,148	-	468,148	1,635,028	-	1,635,028
Bank Al Etihad - Revolving loan (1)	JD	941,024	-	941,024	-	-	-
Bank Al Etihad - Revolving loan (2)	USD	2,122,324	-	2,122,324	-	-	-
Housing Bank of Trade and Finance	JD	158,778	-	158,778	339,426	70,000	409,426
BLOM Bank	JD	1,120,000	1,084,000	2,204,000	557,364	2,202,636	2,760,000
Jordan Kuwait Bank	JD	1,900,000	2,044,801	3,944,801	1,900,000	3,519,258	5,419,258
Bank Al Etihad - Declining loan (1)	USD	2,288,652	13,812,140	16,100,792	2,288,652	16,048,514	18,337,166
		<u>8,998,926</u>	<u>16,940,941</u>	<u>25,939,867</u>	<u>8,809,055</u>	<u>21,840,408</u>	<u>30,649,463</u>

BANK AL ETIHAD - RENEWAL LOAN (1) - JD

The Company obtained renewal loan credit facilities with a ceiling of JD 17,500,000 at an annual interest rate of 7.75% without commission, the Company rescheduled and decreased the loan repeatedly, the last was in 2011, where the Company signed an appendix to the agreement to decrease the loan ceiling to become JD 3,000,000 at an annual interest rate of 9.25%.

These facilities are guaranteed by mortgage of 2,180,000 shares of the Company's shares in Union Tobacco and Cigarettes Industries (subsidiary), in addition to 3,290,691 shares of the Company's shares in Union Land Development Company (subsidiary).

On 5 May 2011, the Company signed a loan agreement with Bank Al Etihad, in which the bank overdraft amount was transferred to a loan with a ceiling amounted to JD 9,130,000 at an annual interest rate of 9%, repayable over semiannual installments, provided that the distributed dividends related to the mortgaged shares in Union Tobacco and Cigarettes Industries (subsidiary) and Union Land Development Company (subsidiary) amounted to 2,180,000 shares and 3,290,691 shares respectively, shall be deposited in the loan account.

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On 27 September 2016, the Company signed a rescheduling agreement with Bank Al Etihad for the loan amounted to JD 2,427,374, the loan is repayable over two annual installments, the first installment amount is JD 1,206,000 excluding interest which was due on 30 June 2017 and the second installment which represents the remaining balance of the loan was due on 30 June 2017 under the same conditions and collaterals mentioned earlier.

On 29 September 2017, the Company signed a rescheduling agreement with Bank Al Etihad on 30 June 2017 installment amounted to JD 1,266,000, to be settled through two installments the first was due upon signature of the rescheduling agreement amounted to JD 400,000 and the second installment amounted to JD 866,000 become due on 5 December 2017 under the same conditions and collaterals mentioned earlier. The Company has repaid the whole loan balance during the year 2017.

BANK AL ETIHAD - RENEWAL LOAN (2) - JD

During 2013, Union Land Development Company (subsidiary) obtained a loan from Bank Al Etihad with an amount of JD 3,500,000 at an annual interest rate of 9.25% without commission. This loan is repayable over a quarterly installments of JD 264,000 each including interest. The first installment was paid on 1 January 2014 and the last installment will be due during the first quarter of the year 2017. This loan is secured by a first-degree mortgage on land number 2157 Shmeisani No. 13.

BANK AL ETIHAD – REVOLVING LOAN (1) - USD

During 2017, Union Tobacco and Cigarettes Industries Company (subsidiary) obtained a revolving loan with a ceiling of JD 1,000,000, and an annual interest rate of 5.5% with no commission if the loan is fully paid off in 2018. The guarantees on this loan are same as those related to the declining loan from Bank Al Etihad, which is mentioned below in that disclosure.

BANK AL ETIHAD – REVOLVING LOAN (2) - USD

During 2017, Union Tobacco and Cigarettes Industries Company (subsidiary) obtained a revolving loan with a ceiling of JD 3,000,000, and an annual interest rate of 5.5% with no commission if the loan is fully paid off in 2018. The guarantees on this loan are same as those related to the declining loan from Bank Al Etihad, which is mentioned below in that disclosure.

HOUSING BANK FOR TRADE AND FINANCE- JD

The Company obtained a bank facility in the form of a renewal cash loan with a ceiling of JD 8,000,000 at an annual interest rate of 8% without commission. The Company has reduced the loan ceiling more than once to become JD 2,750,000 at an annual interest rate of 9.25%. The loan was rescheduled to become an overdraft facility with a ceiling of JD 1,000,000 and a loan with a ceiling of JD 1,000,000 repayable over a quarterly basis. Those facilities are secured by a collateral of 1,400,000 of the Union Tobacco and Cigarettes Industries Company (subsidiary) shares in addition to 257,692 shares of Union Land Development Company (subsidiary).

BLOM BANK - JD

During 2014, the Company obtained a loan from BLOM Bank with an amount of JD 5,000,000 at a monthly interest rate of 10% without commission. The loan is repayable over a quarterly installments of JD 280,000 each except for the last installment which will be JD 240,000. Interest was amended on 12 July 2015 to become 9.5% and without commission. This loan is secured against a collateral of 4,000,000 shares of the Union Land Development Company (subsidiary), and a collateral of 2,000,000 shares of the Union Tobacco and Cigarettes Industries, in addition to a first degree mortgage with an amount of JD 6,000,000 over land No. 34 plot number 11, Hanno Sweifieh, Wadi Al-Seer from the lands of western Amman, which is registered under the name of Adam for Real Estate Investment and Project Management Company owned by Union Land Development Company (subsidiary).

JORDAN KUWAIT BANK - JD

During 2014, Union Land Development Company (subsidiary) obtained a declining loan from the Jordan Kuwait Bank amounted to JD 7,900,000 at an annual interest rate of 8% without commission for the purposes of repaying the Jordan Commercial Bank debt. The loan is repayable over semiannual installments of JD 950,000 each including interest. The first installment was due on 30 May 2015 and the last installment is due on 30 November 2019. The loan is secured by a mortgage of the first degree on a plot of land number 266 Alnaajeyah plot sector number (8) of Al Yadodeh lands.

BANK AL ETIHAD – DECLINING LOAN (1) – USD

Union Tobacco and Cigarette Industries Company (subsidiary) has obtained a declining loan in US Dollars amounted to USD 14,000,000 at an annual interest rate of 5.5% without commission repayable over 48 equal monthly installments of USD 326,000 each except for the last installment which will be due on 1 December 2018 which represents the remaining balance of the loan, and the first installment was due on 2 February 2014 and the last installment will be due on 1 January 2018.

The loan is guaranteed by the purchased shares of the Union Land Development Company (subsidiary) and the resulting dividends. The loan is also secured by a first degree real estate mortgage with an amount of JD 15,000,000 and endorsement of insurance policy in favor of the bank in the amount of JD 21,000,000.

On 12 August 2015, the declining loan was increased to become USD 17,000,000 at an annual interest rate of 5.5% less a margin of 0.25% without commission. The loan is repayable over equal monthly installments of USD 394,000 each, the first installment was due on 30 September 2015 and the last installment which represents the remaining balance the loan will be due on 30 August 2019 under the same conditions and collaterals mentioned above.

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On 28 April 2016, the declining loan was increased to become USD 26,900,00 at an annual interest rate of 5.5% without commission repayable over 100 equal monthly installments of USD 269,000 each, the first installment was due on 30 May 2016 and the last installment which represents the remaining balance of the loan will be due on 30 September 2024 under the same conditions and collaterals mentioned above.

The amounts of annual principal maturities of bank loans are as follows:

	JD
2018	8,998,926
2019	5,417,453
2020	2,288,652
2021	2,288,652
2022 - 2024	6,946,184
	<u>25,939,867</u>

(16) BANK OVERDRAFTS

Financing party	Currency	Interest rate	Ceiling amount JD	Utilized balance JD
The Housing Bank for Trade and Finance – Union Investment Corporation	JD	9%	1,000,000	1,015,543
Jordan Kuwait Bank – Union Land Development Company	JD	8%	300,000	63,058
Bank Al Etihad – Union Tobacco and Cigarettes Industries Company	JD	5.50%	250,000	265,845
				<u>1,344,446</u>

The Group exceeded the granted ceilings as of 31 December 2017 mainly due to accrued interest.

THE HOUSING BANK FOR TRADE AND FINANCE - UNION INVESTMENT CORPORATION -

This facility is guaranteed by a mortgage of 1,400,000 shares of the Union Tobacco and Cigarettes Industries Company (subsidiary) and 257,692 shares of the Union Land Development Company (subsidiary).

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JORDAN KUWAIT BANK - UNION LAND DEVELOPMENT COMPANY -

This facility is guaranteed with the same guarantees mentioned in (note 15) Jordan Kuwait Bank-JD.

BANK AL ETIHAD - UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY -

This facility is guaranteed with the same guarantees mentioned in (note 15) Bank al Etihad – Declining loan (1) – USD.

(17) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	<u>2017</u>	<u>2016</u>
	JD	JD
Accounts payable	20,843,106	25,662,317
Financial brokers payables*	8,654,790	8,119,040
Deferred revenues	1,304,219	1,268,459
Shareholders deposits	1,548,089	1,533,990
Accrued expenses	1,010,564	913,645
Sales tax deposits	622,630	608,158
Miscellaneous provisions	2,470,714	2,483,628
Accrued interest	361,615	338,157
Employee payables	106,716	123,722
Others	38,073	16,070
	<u>36,960,516</u>	<u>41,067,186</u>

* The financial broker's payables bears interest rate ranging from 10.5% to 12.25% annually.

(18) COST OF SALES

	<u>2017</u>	<u>2016</u>
	JD	JD
Cost of materials used in production	8,223,533	17,832,691
Direct salaries, wages and others	1,352,412	1,594,875
Depreciation (Note 3)	651,328	714,855
Maintenance	76,363	118,117
Electricity, water and fuel	214,901	244,765
Employees' meals and hospitality	41,396	52,140
Vehicles expenses	48,308	67,543
Damaged materials	451	3,713
Fees and licenses	43,293	16,683
Cleaning	13,786	17,284
Insurance	339,283	411,024
Samples	-	10,762
Stationery and printing	4,015	4,883
Others	58,128	311,907
	<u>11,067,197</u>	<u>21,401,242</u>

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(19) ADMINISTRATIVE EXPENSES

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries, wages and others	1,647,882	1,483,235
Depreciation (Note 3)	343,548	334,456
Professional fees and consultancy	145,749	228,657
Fees and licenses	508,172	1,069,265
Postage and telephone	48,946	33,193
Advertisements	3,275	2,594
General Assembly meeting expenses	10,277	12,468
Rent	136,782	60,729
Water and electricity	78,654	139,717
Transportation	45,031	26,980
Stationery and printings	18,956	69,263
Vehicles expenses	54,025	36,694
Insurance	107,793	135,665
Maintenance	14,035	5,746
Cleaning	2,272	4,463
Hospitality	20,360	14,525
Gifts and donations expenses	1,756	3,193
Others	165,930	162,696
	<u>3,353,443</u>	<u>3,823,539</u>

(20) SALES AND MARKETING EXPENSES

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries and wages	92,493	104,681
Export expenses	777,718	549,343
Trademark expenses	1,467	1,828
Depreciation (Note 3)	7,695	12,108
Others	74,598	54,269
	<u>953,971</u>	<u>722,229</u>

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(21) BASIC AND DILUTED LOSS PER SHARE

	<u>2017</u> JD	<u>2016</u> JD
Loss for the year attributable to equity holders of the Parent (JD)	(4,231,484)	(1,806,891)
Weighted average number of shares (Share)	48,337,123	46,613,595
Basic loss per share attributable to equity holders of the Parent (JD / Fls)	<u>(0/088)</u>	<u>(0/039)</u>

The diluted loss per share equals the basic loss per share.

(22) NON-CONTROLLING INTERESTS

This item represents the subsidiaries net shareholders equity after deducting the direct shares of the parent company and the indirect shares through its subsidiaries.

During 2017, the Company acquired non-controlling interests of 769,565 shares for JD 770,259.

(23) INCOME TAX

Income tax -

Income tax presented in the consolidated statement of profit or loss is as follows:

	<u>2017</u> JD	<u>2016</u> JD
Income tax expense for the year	39,268	70,402
Prior years income tax expense	279,269	79,241
	<u>318,537</u>	<u>149,643</u>

Movement on provision for income tax is as follows:

	<u>2017</u> JD	<u>2016</u> JD
At 1 January	699,958	699,239
Income tax expense for the year	39,268	70,402
Prior years income tax expense	279,269	79,241
Income tax paid	<u>(18,710)</u>	<u>(148,924)</u>
At 31 December	<u>999,785</u>	<u>699,958</u>

Income tax provision for the years ended at 31 December 2017 and 2016 was calculated in accordance with the Income Tax Law No. (34) of 2014.

The Income Tax Department reviewed the accounting records of the Group and its subsidiaries until the year 2012.

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The Income Tax Department did not review the Group records for the years 2013, 2014, 2015 and 2016 up to the date of these consolidated financial statements except for the subsidiary (Union Tobacco and Cigarettes Industries Company) in which the Income Tax Department reviewed its records until the year 2015 without issuing a final clearance yet.

(24) RELATED PARTIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries:

	Paid In capital JD	Major activity	Percentage of ownership %
Al Failaq Housing LLC	5,000	Land development	100
Union Tobacco and Cigarettes Industries and its subsidiaries:	15,083,657	Production of tobacco and cigarettes	83.1
- Al Aseel for Marketing of Masel and Cigarettes	100,000	Marketing	100
- Union for Advanced Industries	100,000	Marketing	100
- Union Tobacco and Cigarettes Industries Company – Iraqi Branch	-	Marketing	100
Union Land Development Company and its subsidiaries:	42,065,129	Investment properties	44.05
- Nibal Housing Company LLC	30,000	Land development	100
- Paradise Contracting LLC	50,000	Contracting	100
- Adam Investment Company LLC	30,000	Investment properties	100
- Paradise Architectural Industries LLC	100,000	Architecture	100
- Thiban Real Estate LLC	30,000	Land development	100
- Al Mahila Real Estate LLC	1,000	Land development	100
- Al Amiri Real Estate Investments LLC	1,000	Land development	100
- Al Farait Real Estate Investments LLC	1,000	Land development	100
- Al Ghuzlanieh Real Estate Investments LLC	1,000	Land development	100
- Dhaba'a Real Estate LLC	1,000	Land development	100
- Al Tajamouat Real Estate LLC	150,000	Land development	97.5

Related parties include associates, major shareholders, Board of Directors members, executive management, as well as companies controlled or significantly influenced directly or indirectly, by those entities.

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The following is a summary of the benefits (salaries, bonuses and other benefits) of the key management of the Group:

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries, bonuses and other benefits	<u>465,174</u>	<u>665,553</u>

(25) OPERATING SEGMENTS

The presentation of key segments is determined on the basis that the risks and rewards relating to the Group are materially affected by the difference in the products or services of those segments. These segments are organized and managed separately by the nature of the services and products, each of which is a separate unit and is measured according to reports used by the Group's Chief Executive Officer and Chief Decision Maker.

The Group is organized for administrative purposes through the following sectors:

- Tobacco and Cigarettes.
- Carton Production.
- Investments in shares: represent investments in shares and associates.
- Real Estates: Purchase of lands for the purpose of increasing its value.

The Group's management monitors the results of business segments separately for performance evaluation purposes. Segment performance is evaluated based on operating profit or loss for each segment.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those in other economic environments. All operating segments are linked in one geographical sector.

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Revenues, profits, assets and liabilities by business sector are as follows:

	Tobacco and cigarettes	Carton production	Investments in shares	Real estates	Total
	JD	JD	JD	JD	JD
For the year ended 31 December 2017-					
<u>Revenues:</u>					
Revenues	11,957,001	-	-	3,381,465	15,338,466
<u>Results:</u>					
(Loss) profit for the year	(3,677,419)	-	(1,747,916)	1,166,866	(4,258,469)
<u>Other segment information:</u>					
Deprecation	(915,020)	-	(1,103)	(509,461)	(1,425,584)
Finance costs	(1,668,064)	-	(1,312,155)	(495,783)	(3,476,002)
As at 31 December 2017-					
<u>Segment assets and liabilities</u>					
Segment assets	59,927,115	-	24,741,302	52,644,352	137,312,769
Segment liabilities	45,569,905	-	9,862,809	9,811,900	65,244,614
For the year ended 31 December 2016-					
<u>Revenues:</u>					
Revenues from continuing operations	26,373,794	-	-	4,609,125	30,982,919
Revenues from discontinued operations	-	327,798	-	-	327,798
<u>Results:</u>					
Loss for the year from continuing operations	(2,349,032)	-	(1,695,167)	(141,062)	(4,185,261)
Profit for the year from discontinued operations	-	2,311,524	-	-	2,311,524
<u>Other segment information:</u>					
Deprecation	(1,009,980)	-	(1,106)	(473,346)	(1,484,432)
Finance costs	(1,497,043)	-	(1,377,876)	(776,174)	(3,651,093)
As at 31 December 2016-					
<u>Segment assets and liabilities</u>					
Segment assets	66,623,589	-	24,719,950	57,427,071	148,770,610
Segment liabilities	49,698,806	-	14,574,541	11,170,232	75,443,579

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(26) MATERIAL PARTIALLY OWNED SUBSIDIARIES

The financial information of partly owned subsidiaries in which the non-controlling interests are significant are as follows:

	Country of incorporation	Nature of activity	Non-controlling interests share	
			2017 JD	2016 JD
Union Land Development Company	Jordan	Services	56.81%	55.9%
Union Tobacco and Cigarettes Industries Company	Jordan	Industrial	18.76%	16.9%

Cumulative balance of non-controlling interests is as follows:

	2017 JD	2016 JD
Union Land Development Company	30,914,968	30,885,914
Union Tobacco and Cigarettes Industries Company	6,298,434	7,803,682
Total	37,213,402	38,689,596

Non-controlling interests share of profit (loss) are as follows:

	2017 JD	2016 JD
Union Land Development Company	662,839	(60,506)
Union Tobacco and Cigarettes Industries Company	(689,824)	(6,340)
Total	(26,985)	(66,846)

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Below is a summary of financial information of subsidiaries (before elimination of transactions and balances with subsidiaries) which the non-controlling interests own significant rights in:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Summary of statement of profit or loss for 2017		
Net sales	11,957,001	3,381,465
Cost of sales	(11,067,197)	(979,252)
Selling and distribution expenses	(953,971)	-
Administrative expenses	(2,312,671)	(638,014)
Other revenues (expenses), net	646,752	(62,282)
Finance costs	(1,668,064)	(495,783)
(Loss) profit before tax	(3,398,150)	1,206,134
Income tax expense for the year	-	(39,268)
Prior years income tax expense	(279,269)	-
(Loss) profit for the year	(3,677,419)	1,166,866
Attributable to:		
Equity holders of the parent	(2,987,595)	504,027
Non-controlling interests	(689,824)	662,839
	(3,677,419)	1,166,866

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	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Summary of statement of profit or loss for 2016		
Net sales	26,373,794	4,609,125
Cost of sales	(21,401,242)	(2,778,955)
Selling and distribution expenses	(718,209)	(4,020)
Administrative expenses	(2,457,384)	(946,649)
Other expenses, net	(2,648,948)	(94,746)
Finance costs	(1,497,043)	(776,174)
(Loss) profit before tax from continuing operations	(2,349,032)	8,581
Income tax expense for the year	-	(70,402)
Prior years income tax expense	-	(79,241)
Loss for the year from continuing operations	(2,349,032)	(141,062)
Profit after tax for the year from discontinued operations	2,311,524	-
Loss for the year	(37,508)	(141,062)
Attributable to:		
Equity holders of the parent	(31,168)	(80,556)
Non-controlling interests	(6,340)	(60,506)
	(37,508)	(141,062)

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Summary of statement of financial position as of 31 December 2017:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Current assets	43,104,864	5,674,003
Non-current assets	27,659,371	58,533,970
Current liabilities	(31,757,765)	(7,767,099)
Non-current liabilities	(13,812,140)	(2,044,801)
Total equity	25,194,330	54,396,073
Attributable to:		
Equity holders of the parent	20,457,796	23,499,104
Non-controlling interests	4,736,534	30,896,969
	25,194,330	54,396,073

Summary of statement of financial position as of 31 December 2016:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Current assets	49,043,730	1,276,590
Non-current assets	30,064,531	62,697,179
Current liabilities	(33,729,461)	(7,899,589)
Non-current liabilities	(16,048,514)	(3,519,257)
Total equity	29,330,286	52,554,923
Attributable to:		
Equity holders of the parent	24,373,468	23,176,721
Non-controlling interests	4,956,818	29,378,202
	29,330,286	52,554,923

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Summary of statement of cash flows for the year ended 31 December 2017:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Operating activities	614,929	197,360
Investing activities	1,477,434	3,028,932
Financing activities	(841,090)	(3,115,497)
Net Increase in cash and cash equivalents	1,251,273	110,795

Summary of statement of cash flows for the year ended 31 December 2016:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Operating activities	3,238,875	1,947,221
Investing activities	(405,889)	70,834
Financing activities	4,839,720	(1,727,253)
Net Increase in cash and cash equivalents	7,672,706	290,802

(27) NON-CURRENT ASSETS HELD FOR SALE

On 29 November 2016, the Group signed an agreement to sell carton production segment for an amount of JD 7,525,000. The selling price is divided into the following:

- 1) Cash of JD 5,267,000
- 2) Inventories with an amount of JD 2,258,000

During January 2017, an amount of JD 5,267,000 was received after deducting the sales tax of JD 361,280, applicable on inventories to be received.

Inventories will be supplied in accordance with the agreement signed on 26 January 2017 over the following periods:

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- 1) An amount of JD 1,800,000 for the period from the date of signing the agreement until 1 February 2018.
- 2) An amount of JD 458,000 after 1 February 2018.

The Group has recognized a gain from the sale of non-current assets held for sale amounted to JD 3,826,146.

The results of the carton production segment are as follow:

	<u>2017</u>	<u>2016</u>
	JD	JD
Sales	-	327,798
Cost of sales	-	<u>(1,590,473)</u>
Gross loss	-	<u>(1,262,675)</u>
Gain on sale of property, plant and equipment	-	3,826,146
Administrative expenses	-	<u>(251,947)</u>
Profit for the year from discontinued operations	-	<u>2,311,524</u>

(28) CONTINGENT, CONTRACTUAL AND CAPITAL COMMITMENTS

At the date of the consolidated financial statements, the Group has letters of credit amounted to JD 2,118,074 (2016: JD 2,132,244).

(29) LAWSUITS AGAINST THE GROUP

As at 31 December 2017, the Group was defendant in number of lawsuits in its normal course of business amounted to JD 18,029,735 (2016: JD 14,315,381). The Group's management and its legal counsel believe that the Group will not have any material obligations in respect of these lawsuits.

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(30) RISK MANAGEMENT

Interest rate risk -

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

The following table demonstrates the sensitivity of the consolidated statement of profit or loss reasonable possible changes in interest rates as of 31 December, with all other variables held constant.

2017	Increase in interest rate	Effect on loss for the year before tax
	(Basis points)	JD
Currency		
JD	50	33,010
USD	50	91,116
2016	Increase in Interest rate	Effect on loss for the year before tax
	(Basis points)	JD
Currency		
JD	50	48,923
USD	50	91,686

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

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Equity price risk -

The following table demonstrates the sensitivity of the consolidated statement of profit or loss, fair value reserve, consolidated statement of other comprehensive income and shareholders' equity due to the possible reasonable changes in share prices, with all other variables held constant:

2017-

<u>Index</u>	<u>Change in Index</u> (%)	<u>Effects on loss</u> <u>before tax</u> JD	<u>Effect on</u> <u>consolidated</u> <u>statement of other</u> <u>comprehensive</u> <u>income, fair value</u> <u>reserve and</u> <u>shareholders'</u> <u>equity</u> JD
Dubai Stock Exchange	15	-	15,917
Amman Stock Exchange	15	5,840	-
Palestine Stock Exchange	15	-	2,766

2016-

<u>Index</u>	<u>Change in index</u> (%)	<u>Effects on loss</u> <u>before tax</u> JD	<u>Effect on</u> <u>consolidated</u> <u>statement of other</u> <u>comprehensive</u> <u>income, fair value</u> <u>reserve and</u> <u>shareholders'</u> <u>equity</u> JD
Dubai Stock Exchange	15	-	10,395
Amman Stock Exchange	15	5,134	981
Palestine Stock Exchange	15	-	3,156

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

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Credit risk -

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

Liquidity risk -

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
31 December 2017 -	JD	JD	JD	JD	JD
Loans	5,627,961	4,941,265	14,427,506	4,207,067	29,203,799
Trade payable and other current liabilities	-	36,960,516	-	-	39,960,516
Bank overdrafts	1,455,511	-	-	-	1,455,511
Total	7,083,472	41,901,781	14,427,506	4,207,067	67,619,826

31 December 2016 -

Loans	4,450,784	6,607,607	18,047,830	6,784,184	35,890,405
Trade payable and other current liabilities	-	41,067,186	-	-	41,067,186
Bank overdrafts	3,238,169	-	-	-	3,238,169
Total	7,688,953	47,674,793	18,047,830	6,784,184	80,195,670

Currency risk -

Most of the Group's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US \$1.41 for JD 1), and accordingly the Group is not exposed to significant currency risk.

(31) Fair Value of FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

Financial assets comprise cash and bank balances, trade receivables, financial assets at fair value through other comprehensive income, due from related parties and some other current assets.

Financial liabilities comprise of trade payables, loans, due to related parties, bank overdrafts and some other current liabilities.

The following table illustrates the fair value measurement of financial assets and liabilities of the Group.

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

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
2017 -				
Financial assets at fair value through other comprehensive income	124,553	-	1,844,124	1,968,677
2016 -				
Financial assets at fair value through other comprehensive income	96,882	-	3,179,514	3,276,396

(32) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a credit rating and capital ratios in order to support its business and maximise shareholders 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 procedures during the current year and the prior year.

Capital comprises of paid in capital, statutory reserve, voluntary reserve, treasury shares, fair value reserve, other reserves and accumulated losses, and is measured at JD 34,854,753 as at 31 December 2017 (2016: JD 34,637,435)

(33) 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 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group plans to adopt the remaining phases on the effective date and will not restate comparative information.

(a) Classification and Measurement

The Group does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

During 2017, the Group has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 15, whereas, the Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

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.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard 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. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

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.

(34) COMPARATIVE FIGURES

Some of 2016 balances were reclassified to correspond with those of 2017 presentation. The reclassification has no effect on the loss and equity of the year 2016.