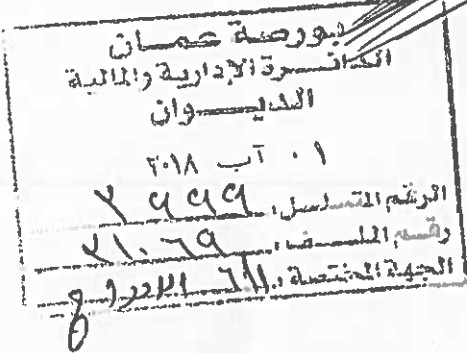




شركة الإتحاد للاستثمارات المالية م.ع.م
Union Investment Corp. P.L.C

نموذج رقم (5-1)
Form No. (1-5)

To: Jordan Securities Commission Amman Stock Exchange Date: 1/8/2018 Ref: 2/3/3/9035 Subject: Semi- Annual Report as of 30/06/2018	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/8/1 الرقم: 9035/3/3/2 الموضوع: <u>التقرير نصف السنوي كما هو في 2018/6/30</u>
Attached the company's Semi- Annual Report of (Union Investment Corp. plc) As of 30/06/2018	مرفق طيه نسخة من البيانات المالية نصف السنوية لشركة (الإتحاد للاستثمارات المالية م.ع.م) باللغة الإنجليزية كما هي بتاريخ 2018/6/30م
Kindly accept our highly appreciation and respect Union Investment Corp. P.L.C Financial Manager's Signature Iyad Yaghmour	وتفضلوا بقبول فائق الاحترام... شركة الإتحاد للاستثمارات المالية م.ع.م توقيع المدير المالي إياد يغمور



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

UNION INVESTMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

30 JUNE 2018

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Investment Corporation (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated statement of profit or loss, interim consolidated statement of other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-months period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis of qualified conclusion

- The Company did not perform impairment testing on the intangible assets amounted to JD 3,647,535 as of 30 June 2018 in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets". We were unable to determine the impact of this matter on the interim condensed consolidated financial statements of the Group as of 30 June 2018.
- 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 will remain in the Group's possession until the factory in Iraq is completed at which point the machinery and equipment will be shipped to the factory.

Qualified conclusion

Based on our review, except for the effect of the matter described in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

As disclosed in note (8) to the interim condensed 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 of 30 June 2018.

Other matters

Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 was qualified in relation to the facts that the Group did not perform impairment testing on its project under construction amounted to JD 6,913,443 as of 31 December 2017. The Group has restated the effect of the impairment on the opening balance of the retained earnings.

Amman – Jordan
31 July 2018



Ernst + Young

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited, Adjusted Note 13)	As of 1 January 2017 JD (Audited, Adjusted Note 13)
ASSETS				
Non-current assets -				
Property, plant and equipment	7	20,121,090	20,579,096	24,139,628
Projects under construction		3,068,333	3,063,443	3,053,488
Investment properties	8	59,877,888	56,951,133	63,450,842
Advance payments on investments	12	1,504,250	-	-
Advance payments on machine purchases		-	101,244	375,951
Intangible assets		3,647,535	3,647,535	3,647,535
Financial assets at fair value through other comprehensive income		1,940,968	1,968,677	3,276,396
		<u>90,160,064</u>	<u>86,311,128</u>	<u>97,943,840</u>
Current assets -				
Inventories		12,740,042	13,422,781	16,621,902
Trade receivables		21,500,262	23,343,804	26,720,076
Other current assets		2,608,075	3,451,003	3,101,339
Financial asset at fair value through profit or loss		45,349	38,932	34,226
Cash and bank balances		1,274,725	229,651	499,227
		<u>38,168,453</u>	<u>40,486,171</u>	<u>46,976,770</u>
Non-current assets available for sale		-	6,503,839	-
Total Assets		<u>128,328,517</u>	<u>133,297,138</u>	<u>144,920,610</u>
EQUITY AND LIABILITIES				
Equity -				
Equity attributable to equity holders of the parent				
Paid in capital	1	50,000,000	50,000,000	50,000,000
Statutory reserve	3	12,500,000	12,500,000	12,500,000
Voluntary reserve	3	736,749	736,749	736,749
Treasury shares		(1,634,628)	(1,662,877)	(3,137,267)
Fair value reserve		(423,932)	(448,187)	(485,003)
Other reserves		1,499,978	1,496,510	3,557
Accumulated losses		(32,159,182)	(29,461,030)	(26,674,189)
		<u>30,518,985</u>	<u>33,161,165</u>	<u>32,943,847</u>
Non-controlling interests		<u>35,977,168</u>	<u>35,056,990</u>	<u>36,533,184</u>
Net Equity		<u>66,496,153</u>	<u>68,218,155</u>	<u>69,477,031</u>
Liabilities				
Non-current liabilities -				
Long term loans	10	<u>15,379,161</u>	<u>16,940,941</u>	<u>21,840,408</u>
Current liabilities -				
Current portion of long term loans	10	7,853,567	8,998,926	8,809,055
Bank overdrafts		1,244,727	1,344,446	3,026,972
Trade payables and other current liabilities		36,353,972	36,794,885	41,067,186
Income tax provision	5	1,000,937	999,785	699,958
		<u>46,452,203</u>	<u>48,138,042</u>	<u>53,603,171</u>
Total liabilities		<u>61,832,364</u>	<u>65,078,983</u>	<u>75,443,579</u>
Total Equity and Liabilities		<u>128,328,517</u>	<u>133,297,138</u>	<u>144,920,610</u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
		JD	JD	JD	JD
Continuing Operations					
Sales	14	590,361	1,015,923	4,418,268	1,849,216
Cost of sales		(1,898,671)	(1,528,823)	(4,931,514)	(2,638,816)
Gross loss		(1,308,310)	(512,900)	(513,246)	(789,600)
Change in fair value of financial assets at fair value through profit or loss		3,861	1,224	5,518	2,721
Loss from sale of a subsidiary		-	(151,441)	-	(151,441)
Gain from sale of investment properties, net		-	26,483	-	26,483
Depreciation of investment properties		(105,506)	(109,579)	(210,026)	(207,379)
Dividends Income		-	-	3,600	-
Rental income, net		690,174	686,850	1,378,343	1,339,633
Other (loss) income, net		(319)	24,751	18,607	(34,785)
Net revenues		(720,110)	(34,612)	(682,796)	185,632
Administrative expenses		(594,690)	(735,334)	(1,498,697)	(1,687,608)
Marketing expenses		(199,087)	(504,718)	(327,259)	(628,177)
Finance costs		(801,379)	(937,694)	(1,551,489)	(1,754,927)
Provision for advance payments on machine purchases		(101,244)	-	(101,244)	-
Loss before income tax from continuing operations		(2,416,510)	(2,212,358)	(2,795,893)	(3,885,080)
Income tax	5	(1,152)	(220,337)	(1,152)	(220,337)
Loss for the period from continuing operations		(2,417,662)	(2,432,695)	(2,797,045)	(4,105,417)
Discontinued operations:					
Profit (loss) for the period from discontinued operations	11	2,808,326	(3,760)	2,808,326	(3,760)
Profit (loss) for the year		390,664	(2,436,455)	11,281	(2,436,455)
Attributable to:					
Equity holders of the Company		(925,474)	(2,182,587)	(1,373,155)	(3,688,906)
Non-controlling interests		1,316,138	(253,868)	1,384,436	(420,271)
		390,664	(2,436,455)	11,281	(4,109,177)
		Fils / JD	Fils / JD	Fils / JD	Fils / JD
Basic and diluted earnings per share from the profit (loss) for the period attributable to equity holders of the parent		0/008	(0/045)	0/0002	(0/076)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	JD	JD	JD	JD
Loss for the period	390,664	(2,436,455)	11,281	(4,109,177)
Add: other comprehensive income items not to be reclassified to profit and loss in subsequent periods:				
Gain from sale of financial assets at fair value through other comprehensive income	18,192	765,969	24,255	803,507
Total comprehensive income for the period	408,856	(1,670,486)	35,536	(3,305,670)
Attributable to:				
Equity holders of the Company	(907,282)	(1,420,660)	(1,348,900)	(2,889,441)
Non-controlling interests	1,316,138	(249,826)	1,384,436	(416,229)
	408,856	(1,670,486)	35,536	(3,305,670)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

	Attributable to equity holders of the Company									
							Non –			
	Paid in capital	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Other reserves	Accumulated losses	Total	controlling interests	Net equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the six month period ended 30 June 2018 -										
Restated balance as at 1 January 2018	50,000,000	12,500,000	736,749	(1,662,877)	(448,187)	1,496,510	(29,461,030)	33,161,165	35,056,990	68,218,155
Profit for the period	-	-	-	-	-	-	(1,373,155)	(1,373,155)	1,384,436	11,281
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	24,255	-	-	24,255	-	24,255
Sale of treasury shares	-	-	-	28,249	-	3,468	-	31,717	-	31,717
Change in non-controlling interest, net	-	-	-	-	-	-	(1,324,997)	(1,324,997)	(464,258)	(1,789,255)
Balance at 30 June 2018	50,000,000	12,500,000	736,749	(1,634,628)	(423,932)	1,499,978	(32,159,182)	30,518,985	35,977,168	66,496,153
For the six month period ended 30 June 2017 -										
As at 1 January 2017	50,000,000	12,500,000	736,749	(3,137,267)	(485,003)	3,557	(24,980,601)	34,637,435	38,689,596	73,327,031
Adjustments (note 13)	-	-	-	-	-	-	(1,693,588)	(1,693,588)	(2,156,412)	(3,850,000)
Restated balance as at 1 January 2017	50,000,000	12,500,000	736,749	(3,137,267)	(485,003)	3,557	(26,674,189)	32,943,847	36,533,184	69,477,031
Loss for the period	-	-	-	-	-	-	(3,688,906)	(3,688,906)	(420,271)	(4,109,177)
Change in fair value	-	-	-	-	34,558	-	-	34,558	4,160	38,718
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	764,907	764,907	(118)	764,789
Sale of treasury shares	-	-	-	1,414,982	-	1,239,439	-	2,654,421	-	2,654,421
Acquisition of non-controlling interests	-	-	-	-	-	-	449,929	449,929	(463,283)	(13,354)
Balance at 30 June 2017	50,000,000	12,500,000	736,749	(1,722,285)	1,242,996	(450,445)	(29,148,259)	33,158,756	35,653,672	69,812,428

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

Notes	For the six months ended 30 June	
	2018 JD	2017 JD
OPERATING ACTIVITIES		
Loss before tax from continued operations	(2,795,893)	(3,885,080)
Profit (Loss) before tax from discounted operations	<u>2,808,326</u>	<u>(3,760)</u>
Loss before tax	12,433	(3,888,840)
Adjustments for:		
Depreciation	674,211	673,851
Provision on Advance payments on machine purchases	101,244	-
Gain on sale of property, plant and equipment	-	(6,422)
Gain on sale of investment properties	-	(26,483)
Dividends income	(3,600)	-
Finance costs	1,551,489	1,754,927
Working capital changes:		
Inventories	682,739	401,136
Accounts receivable and other current assets	1,409,136	5,646,593
Accounts payable and other current liabilities	(418,206)	(4,622,675)
Financial assets at fair value through profit or loss	(6,417)	(2,780)
Income tax paid	-	(87,932)
Net cash flows (used in) from operating activities	<u>4,003,029</u>	<u>(158,625)</u>
INVESTING ACTIVITIES		
Purchase of investment properties	(100,497)	-
Purchases of property, plant and equipment	(6,179)	(57,772)
Projects under construction	(4,890)	(5,065)
Proceeds from sale of property, plant and equipment	-	1,404,815
Proceeds from sale of financial assets at fair value through other comprehensive income	55,564	2,113,449
Proceed from sale of subsidiary	4,750,000	-
Proceed from purchase of subsidiary	156	-
Advance payments on investments	(1,504,250)	-
Proceeds from sale of investment properties	-	1,088,474
Net cash flows from investing activities	<u>3,189,904</u>	<u>4,543,901</u>
FINANCING ACTIVITIES		
Finance costs paid	(1,574,352)	(1,064,172)
Proceeds from sale of treasury shares	31,717	2,654,421
Repayments of loans	(3,744,844)	(5,202,115)
Proceeds from loans	1,032,594	-
Acquisition of non-controlling interests	(1,789,255)	(13,354)
Net cash flows (used in) from financing activities	<u>(6,044,140)</u>	<u>(3,625,220)</u>
Net increase in cash and cash equivalents	<u>1,148,793</u>	<u>760,056</u>
Cash and cash equivalents at 1 January	(1,118,795)	(2,427,044)
Cash and cash equivalents at 30 June	<u>9 29,998</u>	<u>(1,666,988)</u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018 (UNAUDITED)

(1) GENERAL

Union Investment Corporation (the "Company") was established as a public shareholding company on 13 April 1994, with an authorized and 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 different economic, industrial, manufacturing, commercial, agricultural, tourism sectors through of investment projects or the participation in owning and investment in these projects in addition to investing in shares, bonds and securities inside and outside Jordan.

The interim condensed consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 31 July 2018.

2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

The interim condensed consolidated financial statements for the six months period ended in 30 June 2018 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual report as of 31 December 2017. In addition, the results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

(2-2) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS -

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. 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.

(2-3) CHANGES IN ACCOUNTING POLICIES -

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all six aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously 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.

IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments measured at amortization cost.

IFRS 9 (financial instruments) has eliminated the use of the incurred loss approach under IAS 39 (financial instrument: Recognition and measurement) by including a comprehensive model for the recognition and recording of forward looking expected credit loss, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 (financial instruments) has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has no debt instruments at amortization cost; therefore, there was no effect on changing the accounting policy as a result of implementing IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018 (UNAUDITED)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The impact of adopting IFRS 15 was not material on the interim condensed financial statements and impacted its accounting policy for revenue recognition as detailed below:

(a) Apartments sale

The Group has concluded that revenue from apartments sale should be recognized at the point in time when control of the asset is transferred to the customer generally on handing off the apartment. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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 non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

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.

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address six 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all six amendments and other criteria are met.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - measuring investees at fair value through profit or loss.

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

(3) STATUTORY RESERVE

The Group did not appropriate for statutory reserve in accordance with the Jordanian Companies Law as these financial statements are interim condensed consolidated financial statements.

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018 (UNAUDITED)

(4) PURCHASE OF A SUBSIDIARY

On 17 May 2018 the Group purchased 100% of the paid in capital of Taj Al-Madina For Housing LLC. A company specialized in the purchase and development of investment properties. The Group received this company as part of the sale of Al Tajamouat Real Estate LLC (note 12).

The fair value of the assets and liabilities of Taj Al-Madina For Housing LLC at the date of acquisition and the book values immediately before the acquisition date are as follows:

	Fair Value	Book Value
	JD	JD
Investment Properties (note 8)	3,036,284	3,662,740
Cash on hand and at banks	156	156
	3,036,440	3,662,896
Net assets	3,036,440	3,662,896
Net assets acquired	3,036,440	
Cash paid	-	
Net cash acquired from a subsidiary		156
Cash Paid		-
Net acquired cash		156

(5) INCOME TAX

Income tax provision for the six months ended in 30 June 2018 and 2017 was calculated in accordance with the Income Tax Law No. (34) of 2014.

The Income and Sales Tax Department reviewed the accounting records of the Company and its subsidiaries up to the year 2012.

The income and Sales Tax Department did not review the Group's accounting records for the years 2013, 2014, 2015, 2016 and 2017 up to the date of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018 (UNAUDITED)

(6) RELATED PARTIES

These interim condensed consolidated financial statements include the financial statements of the following subsidiaries:

	<u>Paid In Capital</u> JD	<u>Main Activity</u>	<u>Percentage Of Ownership</u> %
Al Failaq Housing LLC	5,000	Land Development	100
Union for Cigarettes and Tobacco and its subsidiaries:	15,083,657	Production of Tobacco and Cigarettes	80,43
Al Aseel for Marketing of Ma'asel and Cigarettes	100,000	Marketing	100
Union Advanced Industries Company LLC	100,000	Marketing	100
Union Tobacco and Cigarettes industries (Iraq)	-	Marketing	100
Union Land Development corporation and its Subsidiaries:	42,065,129	Property Investments	43,99
Nibal Housing LLC	30,000	Land Development	100
Paradise Contracting LLC	50,000	Contracting	100
Adam Investment LLC	30,000	Property Investments	100
Paradise Architectural Industries LLC	100,000	Architecture	100
Thiban Real Estate Investment LLC	30,000	Land Development	100
Al Mahla Real Estate Investment 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 Ghazalian Real Estate Investments LLC	1,000	Land Development	100
Dhaba'a Real Estate Investment LLC	1,000	Land Development	100
Taj Al-Madina For Housing LLC (note 4)	50,000	Land Development	100

Related parties include associates, major shareholders, board of directors members, executive management, as well as companies controlled or have a significant influence directly or indirectly, by those entities.

Key management salaries and bonuses:

The key management salaries and bonuses amounted to JD 307,920 for the six months ended 30 June 2018 (30 June 2017: JD 332,777).

(7) PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment were amounted to JD 6,179 for the six months ended 30 June 2017 (30 June 2016: JD 57,772).

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(8) INVESTMENT PROPERTIES

Movement on investment properties during the period is as follows:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Cost -		
Balance at 1 January	60,061,986	66,138,682
Additions	100,497	1,102,337
Purchase of a subsidiary (note 4)	3,036,284	-
Transfer to assets held for sale (note 11)	-	(6,665,516)
Disposals – lands	-	(513,517)
Ending balance for the period/ year	63,198,767	60,061,986
Accumulated depreciation-		
Balance at 1 January	(3,110,853)	(2,687,840)
Depreciation	(210,026)	(423,013)
Ending balance for the period/ year	(3,320,879)	(3,110,853)
Net book value-	59,877,888	56,951,133

Investment properties item include land plots not registered in the name of the Group as follows:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(audited)
Lands	2,785,399	2,785,399

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(9) CASH AND CASH EQUIVALENTS

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

	30 June 2018 JD	30 June 2017 JD
Cash and bank balances	1,274,725	1,419,680
Due to banks	(1,244,727)	(3,086,668)
	<u>29,998</u>	<u>(1,666,988)</u>

(10) LOANS

		Loan installments					
		30 June 2018 (Unaudited)			31 December 2017 (Audited)		
Currency		Current portion JD	Non current portion JD	Total JD	Current portion JD	Non current portion JD	Total JD
Bank Al Etihad - Renewal loan (1)	JD	200,00	-	200,000	468,148	-	468,148
Bank Al Etihad - Revolving loan (1)	JD	886,412	-	886,412	941,024	-	941,024
Bank Al Etihad - Revolving loan (2)	USD	2,033,433	-	2,033,433	2,122,324	-	2,122,324
Housing Bank of Trade and Finance	JD	-	-	-	158,778	-	158,778
BLOM Bank	JD	1,120,000	524,000	1,644,000	1,120,000	1,084,000	2,204,000
Jordan Kuwait Bank	JD	1,325,070	1,869,677	3,194,747	1,900,000	2,044,801	3,944,801
Bank Al Etihad - Declining loan (1)	USD	2,288,652	12,985,484	15,274,136	2,288,652	13,812,140	16,100,792
		<u>7,853,567</u>	<u>15,379,161</u>	<u>23,232,728</u>	<u>8,998,926</u>	<u>16,940,941</u>	<u>25,939,867</u>

BANK AL ETIHAD - RENEWAL LOAN (1) - JD

During 2013, "Union Land Development PLC" (a subsidiary) obtained a renewal loan from Bank Al Etihad in the amount of JD 3,500,000 at an annual interest rate of 9.25% without commission. The loan is repayable in quarterly installments of JD 264,000 each including interest. The first installment was paid on 1 January 2014 and the last installment is to be paid during the first quarter of 2018. This loan is secured by a first degree mortgage over the plot of land, number 2157 Shmeisani, plot No. 13.

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BANK AL ETIHAD - REVOLVING LOAN (1) - JD

During 2017, "Union Tobacco and Cigarette Industries PLC" (a subsidiary) has obtained a revolving loan in the amount of JD 1,000,000 at an annual interest rate of 5.5% without commission if the loan is paid off during 2018. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

BANK AL ETIHAD REVOLVING LOAN (2) – USD

During 2017, "Union Tobacco and Cigarette Industries PLC" (a subsidiary) has obtained a revolving loan in the amount of USD 3,000,000 at an annual interest rate of 5.5% without commission if the loan is paid off during 2018. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

HOUSING BANK FOR TRADE AND FINANCE- JD

The Company has obtained a bank facility in the form of a revolving 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% and for the loan to be fully repaid during 2012. The loan was reschedule to become an overdraft with a ceiling of JD 1,000,000 and a loan with a ceiling of JD 1,000,000 repayable on a quarterly basis. Those facilities are secured by a collateral of 1,400,000 of the "Union Tobacco and Cigarettes Industries PLC" (a subsidiary) shares in addition to 257,692 shares of the "Union Land Development PLC" (a subsidiary). The Group paid the full amount of the loan during 2018.

BLOM BANK - JD

During 2014, the Company obtained a loan from BLOM Bank with an amount of JD 5,000,000 at an annual interest rate of 10% without commission. Loan is repayable in quarterly installments of JD 280,000 each except for the last installment which will be JD 240,000 noting that the interest will be paid on a monthly basis. 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 PLC" (a subsidiary) and a collateral of 2,000,000 shares of the "Union Tobacco and Cigarettes Industries PLC" (a subsidiary), 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 form 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 (a subsidiary).

JORDAN KUWAIT BANK - JD

During 2014, "Union Land Development PLC" (a subsidiary) obtained a declining loan from the Jordan Kuwait Bank with an amount of JD 7,900,000 at an annual interest rate of 8% without commission for the purpose of selling the Jordan Commercial Bank debt. The loan is repayable in semi annual installments for a JD 950,000 per installment including interest. The first installment was due on 30 May 2015 and the final installment will be due on 30 November 2019. The client has pledged a first degree real estate mortgage over land number 266, Alnaajeyah plot sector number (8) of Al Yadodeh lands.

BANK AL ETIHAD DECLINING LOAN (1) – USD

"Union Tobacco and Cigarette Industries PLC" (a subsidiary) has obtained a declining loan 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.

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.

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(11) DISPOSAL OF A SUBSIDIARY

"Union Land Development Corporation PLC" (a subsidiary) sold 100% of its share in Al Tajamouat Real Estate LLC, (a subsidiary) during the period ended 30 June 2018. The gain from the transaction amounted to JD 2,808,326.

The business results as of the sale date are as follows:

	<u>30 June 2018</u>	<u>30 June 2017</u>
	JD	JD
Gain on sale of investments in properties	2,808,326	-
General and administrative expenses	-	(3,760)
Profit (loss) from discontinued operations	<u>2,808,326</u>	<u>(3,760)</u>

The book value of assets and liabilities that were recognized and derecognized on the date of sale are as follows:

	<u>Book value on date of sale</u>	<u>31 December 2017</u>
	JD	JD (Audited)
Assets -		
Cash on hand and at banks	3,229	3,954
Investments in land	6,740,516	6,665,516
Total assets	<u>6,743,745</u>	<u>6,669,470</u>
Liabilities -		
Other credit balances	4,581	4,581
Due to related parties	161,050	161,050
Total liabilities	<u>165,631</u>	<u>165,631</u>
Net assets	<u>6,578,114</u>	<u>6,503,839</u>
Less:		
Cash received	4,750,000	
Accounts receivable	1,600,000	
Net Assets – Taj Al-Madina For Housing LLC	<u>3,036,440</u>	
Gain	<u>2,808,326</u>	

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(12) ADVANCE PAYMENT ON INVESTMENTS

Union Tobacco and Cigarette Industries PLC (a subsidiary) established a branch in Iraq on 15 April 2018, under the registration number 5252 according to the regulations of the Iraqi Foreign Companies Act number (2) of 2017. Subsequently this branch established a factory in Iraq, Al-Fiddiya Tobacco and Cigarettes Industries LLC with a share capital of IQD 5,000,000,000 which is equivalent to JD 3,008,500. The Group's owns 50% of the share capital of Al-Fiddiya Tobacco and Cigarettes Industries LLC which is equivalent to JD 1,504,250. Noting that the group exerts majority control over Al-Fiddiya Tobacco and Cigarettes Industries LLC.

(13) RESTATEMENT OF PRIOR YEARS FIGURES

Some of 2017 consolidated financial statements figures have been reclassified in order to correspond with the presentation of 2018 interim condensed consolidated financial statements. The reclassification has had an effect on net equity for the year 2017.

Some of 2017 consolidated financial statements figures and prior years figures were restated as a result of the Group recognizing an impairment loss of JD 3,850,000 related to projects under construction.

The effects of the restatement on the Group's consolidated statements of financial position and changes in equity as at 31 December 2017 and 1 January 2017 are as follows:

	31 December 2017 JD	1 January 2017 JD
Equity-		
Accumulated losses	(3,850,000)	(3,850,000)
Non-current assets -		
Projects under construction	(3,850,000)	(3,850,000)

(14) 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 Cigarette.
- Investments in shares: represent investments in shares and associates.
- Investment properties: purchase of land for the purpose of increasing its value.

Group 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.

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Income, profit, assets and liabilities by business sector are as follows:

	Tobacco and cigarette	Investments in shares	Investment properties	Total
	JD	JD	JD	JD
For the period ended 30 June 2018 (Unaudited) -				
<u>Revenues:</u>				
Revenues	4,418,268	-	-	4,418,268
<u>Business Results:</u>				
(Loss) profit for the period	(2,574,178)	(785,902)	3,371,361	11,281
<u>Other Segment Information:</u>				
Depreciation	(428,889)	(512)	(244,810)	(674,211)
Finance costs	(728,551)	(211,897)	(611,041)	(1,551,489)
For the period ended 30 June 2017 (Unaudited) -				
<u>Revenues:</u>				
Revenues	1,849,216	-	-	1,849,216
<u>Business Results:</u>				
(Loss) profit for the period	(3,567,874)	(873,233)	331,930	(4,109,177)
<u>Other Segment Information:</u>				
Depreciation	(438,874)	(551)	(234,426)	(673,851)
Finance costs	(769,366)	(690,755)	(294,806)	(1,754,927)
As of 30 June 2018 (Unaudited)				
Segments assets	56,878,040	11,599,397	59,851,080	128,328,519
Segments liabilities	45,214,838	10,394,061	6,223,465	61,832,364
As of 31 December 2017 (Audited, restated note 13)				
Segments assets	59,761,484	24,741,302	48,794,352	133,297,138
Segments liabilities	45,404,274	9,862,809	9,811,900	65,078,983