شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C

Form No. (1-5)	نموذج رقم (1-5)
To: Jordan Securities Commission Amman Stock Exchange Date: 31/10/2018 Ref: 2/3/3/9049 Subject: Quarterly Report as of 30/9/2018	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2018/10/31 الرقم : 9049/3/3/2 الموضوع: التقرير ربع السنوي كما هي في 2018/9/30
Attached the Quarterly Report of (Union Investment Corp. P.L.C) as of 30/9/2018 in English	مرفق طيه نسخة من البيانات المالية ربع السنوية لشركة (الإتحاد للإستثمارات المالية م.ع.م)كما هي بتاريخ 2018/9/30 باللغة الإنجليزية
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 للإستثمارات المالية م.ع.م توقيع المدير المالي إياد يغمور

شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C.

٣١ تشرين الأول ٢٠١٨

الرقم المتسلسل: ٥٠٦٩

رقم الملف: ٢١٠٦٩

هاتف (٥٥١٤٧٥٧ ٦ ٩٦٢) فاكس (٥٥١٣٩٣٦ ٦ ٩٦٢) - ص.ب ١٤٤٠٦٤ عمان ١١٨١٤ الأردن info@unioninvestco.com
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UNION INVESTMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2018

Building a better working world

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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 September 2018, comprising of the interim consolidated statement of financial position as at 30 September 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 nine-months period then ended and explanatory information. The Board of Directors 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 September 2018 in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets". These intangible assets resulted from the acquisition of the subsidiary "Union Tobacco and Cigarettes Industries" and they represent trademarks for the production of cigarettes and tobacco products. We were unable to determine the impact of not applying the requirements of International Accounting Standard 36 on the interim condensed consolidated financial statements of the Group as of 30 September 2018.

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- 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 matters described in the basis of qualified conclusion paragraphs, 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 a 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 September 2018.

Other matters

Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 was qualified due to 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 its retained earnings on 1 January 2017.

Amman – Jordan
29 October 2018

Ernst & Young

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

ASSETS	Notes	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited, Restated, Note 13)	As of 1 January 2017 JD (Audited, Restated, Note 13)
Non-current assets -				
Property, plant and equipment	7	19,432,828	20,579,096	24,139,628
Projects under construction		3,069,281	3,063,443	3,053,488
Investment properties	8	59,770,614	56,951,133	63,450,842
Advances on investments	12	7,783,949	-	-
Advances on machine purchases		12,016	101,244	375,951
Intangible assets		3,647,535	3,647,535	3,647,535
Financial assets at fair value through other comprehensive income		1,938,379	1,968,677	3,276,396
		95,654,602	86,311,128	97,943,840
Current assets -				
Inventories		12,663,227	13,422,781	16,621,902
Trade receivables		15,974,062	23,343,804	26,720,076
Other current assets		4,719,766	3,451,003	3,101,339
Financial asset at fair value through profit or loss		45,991	38,932	34,226
Cash and bank balances		333,692	225,651	499,227
		33,736,738	40,482,171	46,976,770
Non-current assets held for sale	11	-	6,503,839	-
Total Assets		129,391,340	133,297,138	144,920,610
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		1,727,917	1,496,510	3,557
Accumulated losses		(33,610,414)	(29,461,030)	(26,674,189)
		29,295,692	33,161,165	32,943,847
Non-controlling interests		36,123,265	35,056,990	36,533,184
Net Equity		65,418,957	68,218,155	69,477,031
Liabilities				
Non-current liabilities -				
Long term loans	10	14,222,269	16,940,941	21,840,408
Current liabilities -				
Current portion of long term loans	10	8,428,497	8,998,926	8,809,055
Bank overdrafts		1,148,546	1,344,446	3,026,972
Payables and other current liabilities		39,172,134	36,794,885	41,067,186
Income tax provision	5	1,000,937	999,785	699,958
		49,750,114	48,138,042	53,603,171
Total liabilities		63,972,383	65,078,983	75,443,579
Total Equity and Liabilities		129,391,340	133,297,138	144,920,610

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

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

		For the three months ended 30 September		For the nine months ended 30 September	
	Notes	2018	2017	2018	2017
		JD	JD	JD	JD
Continuing Operations					
Sales	14	2,225,059	5,112,431	6,643,327	6,961,647
Cost of sales		(2,333,276)	(4,484,442)	(7,264,790)	(7,123,258)
Gross (loss) profit		(108,217)	627,989	(621,463)	(161,611)
(Loss) gain from sale of financial assets at fair value through profit or loss		(6,585)	1,922	(1,067)	4,643
Gain (loss) from sale of a subsidiary		-	72,634	-	(78,807)
Gain from sale of investment properties, net		-	25,000	-	51,483
Depreciation of investment properties		(106,494)	(88,982)	(316,520)	(296,361)
Dividends Income		-	-	3,600	-
Rental income, net		702,824	681,874	2,081,167	2,021,507
Other income (expenses), net		559,077	4,976	577,684	(29,809)
Administrative expenses		(1,254,568)	(616,184)	(2,753,265)	(2,303,792)
Marketing expenses		(448,032)	(149,887)	(775,291)	(778,064)
Finance costs		(768,388)	(697,864)	(2,319,877)	(2,452,791)
Provision for advances on machine purchases		-	-	(101,244)	-
Loss before income tax from continuing operations		(1,430,383)	(138,522)	(4,226,276)	(4,023,602)
Income tax expense for the period	5	-	(800)	(1,152)	(221,137)
Loss for the period after tax from continuing operations		(1,430,383)	(139,322)	(4,227,428)	(4,244,739)
Discontinued operations:					
Profit (loss) after tax for the period from discontinued operations	11	-	-	2,808,326	(3,760)
Loss for the period		(1,430,383)	(139,322)	(1,419,102)	(4,248,499)
Attributable to:					
Equity holders of the parent		(1,304,451)	(366,807)	(2,677,606)	(4,055,713)
Non-controlling interests		(125,932)	227,485	1,258,504	(192,786)
		(1,430,383)	(139,322)	(1,419,102)	(4,248,499)
		Fils / JD	Fils / JD	Fils / JD	Fils / JD
Basic and diluted loss per share for the period attributable to equity holders of the parent		(0/02)	(0/008)	(0/055)	(0/084)

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	JD	JD	JD	JD
Loss for the period	(1,430,383)	(139,322)	(1,419,102)	(4,248,499)
Add: other comprehensive income items not to be reclassified to profit and loss in subsequent periods:				
Net (losses) gains of financial assets at fair value through other comprehensive income	-	(10,073)	24,255	793,434
Total comprehensive income for the period	(1,430,383)	(149,395)	(1,394,847)	(3,455,065)
Attributable to:				
Equity holders of the parent	(1,304,451)	(372,838)	(2,653,351)	(3,262,279)
Non-controlling interests	(125,932)	223,443	1,258,504	(192,786)
	(1,430,383)	(149,395)	(1,394,847)	(3,455,065)

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

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

	Attributable to equity holders of the parent									
	Paid in capital	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve*	Other reserves	Accumulated losses	Total	Non – controlling interests	Net equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the nine months period ended 30 September 2018 -										
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
Loss (profit) for the period	-	-	-	-	-	-	(2,677,606)	(2,677,606)	1,258,504	(1,419,102)
Other comprehensive income items	-	-	-	-	24,255	-	-	24,255	-	24,255
Selling of treasury shares	-	-	-	28,249	-	231,407	-	259,656	-	259,656
Change in non-controlling interest, net	-	-	-	-	-	-	(1,471,778)	(1,471,778)	(192,229)	(1,664,007)
Balance at 30 September 2018	50,000,000	12,500,000	736,749	(1,634,628)	(423,932)	1,727,917	(33,610,414)	29,295,692	36,123,265	65,418,957
For the nine month period ended 30 September 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)	34,637,435	38,689,596	73,327,031
Prior years restatement (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	-	-	-	-	-	-	(4,055,713)	(4,055,713)	(192,786)	(4,248,499)
Other comprehensive income items	-	-	-	-	39,848	-	-	39,848	-	39,848
Gain from selling of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	753,586	753,586	-	753,586
Selling of treasury shares	-	-	-	1,398,981	-	1,239,439	-	2,638,420	-	2,638,420
Change in non-controlling interests, net	-	-	-	-	-	-	(126,836)	(126,836)	53,049	(73,787)
Balance at 30 September 2017	50,000,000	12,500,000	736,749	(1,738,286)	(445,155)	1,242,996	(30,103,152)	32,193,152	36,393,447	68,586,599

* An amount of JD 423,932 is restricted from use as at 30 September 2018, representing the negative balance of the fair value reserve.

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

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

	Notes	For the nine months ended 30 September 2018 JD	2017 JD
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(4,226,276)	(4,023,602)
Profit (loss) before tax from discontinued operations		2,808,326	(3,760)
Loss for the period before tax		(1,417,950)	(4,027,362)
Adjustments for:			
Depreciation		1,388,307	937,629
Provision for advances on machine purchases		101,244	-
Gain on sale of property, plant and equipment		(666,937)	(50,466)
Gain on sale of investment properties		-	(51,483)
Finance costs		2,319,877	2,452,791
Dividends income		(3,600)	-
Working capital changes:			
Inventories		759,554	3,443,248
Receivables and other current assets		4,806,362	5,710,122
Payables and other current liabilities		2,068,778	(5,653,541)
Financial assets at fair value through profit or loss		(7,059)	(4,706)
Income tax paid		-	(99,579)
Net cash flows from operating activities		9,348,576	2,656,653
INVESTING ACTIVITIES			
Purchases of investment properties		(99,717)	(128,059)
Purchases of property, plant and equipment		(8,582)	(1,678,598)
Proceeds from sale of property, plant and equipment		750,000	1,585,331
Proceed from the sale of a subsidiary	11	4,750,000	589,810
Proceeds from sale of financial assets at fair value through other comprehensive income		58,153	2,098,069
Net cash acquired from the acquistion of a subsidiary	4	156	-
Projects under construction		(5,838)	(7,510)
Advances on investments		(7,783,949)	-
Net cash flows (used in) from investing activities		(2,339,777)	2,459,043
FINANCING ACTIVITIES			
Finance costs paid		(2,011,406)	(1,482,746)
Proceeds from sale of treasury shares		259,656	2,638,420
Repayments of loans		(5,147,781)	(6,152,074)
Proceeds from loans		1,858,680	443,000
Acquisition of non-controlling interests		(1,664,007)	(73,787)
Net cash flows used in financing activities		(6,704,858)	(4,627,187)
Net increase in cash and cash equivalents		303,941	488,509
Cash and cash equivalents at 1 January		(1,118,795)	(2,427,044)
Cash and cash equivalents at 30 September	9	(814,854)	(1,938,535)

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

(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 29 October 2018.

2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

The interim condensed consolidated financial statements for the nine months period ended in 30 September 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 nine months period ended 30 September 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 consolidated 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 three 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 amortized 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 amortized cost; therefore, there was no material impact on the interim condensed consolidated financial statements from the adoption of 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.

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) Sale of goods

The Group contracts with customers for the sale of goods generally include performance obligations. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer generally on delivery of the goods.

Variable consideration

Some contracts for the sale of goods provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Rights of return

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.
Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

(b) Advances received from customers

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Group presented these advances as deferred revenue in the consolidated statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer is more than one year, the Group shall adjust the promised amount of consideration for the effects of the time value of money.

(c) Other adjustments:

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the period from discontinued operations, investments in associates and joint ventures, income tax expense, and retained earnings, were adjusted as necessary. Furthermore exchange differences on translation of foreign operations were also translated.

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

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 has not deducted legal reserves as required by Jordanian Companies Law as these financial statements are interim condensed consolidated financial statements.

(4) PURCHASE OF A SUBSIDIARY

On 17 May 2018 the Group acquired 100% of the paid in capital of "Taj Al-Madina For Housing LLC" which is a company specialized in the purchase and development of investment properties. The Group acquired this company in addition to receiving cash of JD 4,750,000 and an account receivable amounted to JD 1,600,000 in return of selling its subsidiary "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 (note 11)	3,036,440	
Cash paid	-	

Cash acquired from the subsidiary	156
Cash paid	-
Net cash acquired from the acquisition of the subsidiary	156

(5) INCOME TAX

Income tax provisions for the nine months period ended on 30 September 2018 and 2017 have been 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

(6) RELATED PARTIES

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

	Country	Paid In Capital	Main Activity	Percentage of Ownership
		JD		%
Al Failaq Housing LLC	Jordan	5,000	Land development	100
Union Tobacco and Cigarette Industries and its subsidiaries :	Jordan	15,083,657	Production of tobacco and cigarettes	80.43
- Al Aseel for Marketing of Ma'asel and Cigarettes	Jordan	100,000	Marketing	100
- Union Advanced Industries Company LLC	Jordan	100,000	Marketing	100
- Union Tobacco and Cigarettes Industries (Iraq)	Iraq	-	Marketing	100
Union Land Development Corporation and its subsidiaries:	Jordan	42,065,129	Property Investments	43.99
- Nibal Housing LLC	Jordan	30,000	Land development	100
- Paradise Contracting LLC	Jordan	50,000	Contracting	100
- Adam Investment LLC	Jordan	30,000	Property Investments	100
- Paradise Architectural Industries LLC	Jordan	100,000	Architecture	100
- Thiban Real Estate Investment LLC	Jordan	30,000	Land development	100
- Al Mahla Real Estate Investment LLC	Jordan	1,000	Land development	100
- Al Amiri Real Estate Investments LLC	Jordan	1,000	Land development	100
- Al Farait Real Estate Investments LLC	Jordan	1,000	Land development	100
- Al Ghazalian Real Estate Investments LLC	Jordan	1,000	Land development	100
- Dhaba'a Real Estate Investment LLC	Jordan	1,000	Land development	100
- Taj Al-Madina For Housing LLC (note 4)	Jordan	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:

Compensation of executive management personnel of the Group amounted to JD 296,880 for the nine months ended 30 September 2018 (30 September 2017: JD 375,866).

(7) PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2018, the Group acquired property, plant and equipment with a cost of JD 8,582 (30 September 2017: JD 1,678,598).

(8) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	30 September 2018	31 December 2017
	JD	JD
Cost -	(Unaudited)	(Audited)
Balance at 1 January	60,061,986	66,138,682
Additions	99,717	1,102,337
Acquisition of a subsidiary (note 4)	3,036,284	-
Transfer to assets held for sale	-	(6,665,516)
Disposals – lands	-	(513,517)
Ending balance for the period/ year	63,197,987	60,061,986
Accumulated depreciation-		
Balance at 1 January	(3,110,853)	(2,687,840)
Depreciation	(316,520)	(423,013)
Ending balance for the period/ year	(3,427,373)	(3,110,853)
Net book value-	59,770,614	56,951,133

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

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

(9) CASH AND CASH EQUIVALENTS

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

	30 September 2018	30 September 2017
	JD	JD
Cash and bank balances	333,692	595,322
Less: Due to banks*	(1,148,546)	(2,533,857)
	(814,854)	(1,938,535)

* Due to banks represent overdrafts facilities granted from local banks to the Group as at 30 September 2018 with a ceiling of JD 10,182,434 at an average annual interest rate of 7.75%.

(10) LOANS

		30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Currency	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Bank Al Etihad - Renewal loan (1)	JD	-	-	-	25,148	-	25,148
Bank Al Etihad - Renewal loan (2)	JD	200,000	-	200,000	443,000	-	443,000
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	244,000	1,364,000	1,120,000	1,084,000	2,204,000
Jordan Kuwait Bank	JD	1,900,000	1,288,663	3,188,663	1,900,000	2,044,801	3,944,801
Bank Al Etihad – Declining loan (1)	USD	2,288,652	12,689,606	14,978,258	2,288,652	13,812,140	16,100,792
		8,428,497	14,222,269	22,650,766	8,998,926	16,940,941	25,939,867

BANK AL ETIHAD - RENEWAL LOAN (1) – JD

During 2013, "Union Land Development PLC" (a subsidiary) obtained a renewal loan from Bank Al Etihad with an 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 was paid during the first quarter of 2018.

BANK AL ETIHAD - RENEWAL LOAN (2) – JD

On 29 September 2017, the Group signed an agreement with Bank Al Etihad to reschedule an installment amounted to JD 1,266,000 which was due on 30 June 2017. This loan is repayable in two installments to be repaid fully during the year 2018.

BANK AL ETIHAD - REVOLVING LOAN (1) - JD

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 Cigarette Industries PLC" (a subsidiary) obtained a revolving loan with an amount of USD 3,000,000 at an annual interest rate of 5.5% without commission. The loan was renewed during the nine months period ending 30 September 2018 to be fully repaid during the year 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 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 (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.

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.

(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 September 2018. The gain from the selling transaction amounted to JD 2,808,326.

The business results as of the loss of control date are as follows:

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

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

	Net book value on date of sale	31 December 2017
	JD	JD
Assets -		(Audited)
Cash on hand and at banks	3,229	3,954
Investments properties	6,740,516	6,665,516
Total assets	6,743,745	6,669,470
Liabilities -		
Other current liabilities	4,581	4,581
Due to related parties	161,050	161,050
Total liabilities	165,631	165,631
Net book value for the assets associated with the disposal	6,578,114	6,503,839

The details of the selling price of that company are as follows:	
Cash received	4,750,000
Account receivable	1,600,000
Net assets – Taj Al-Madina For Housing LLC (note 4)	3,036,440
	9,386,440
Net book value for the assets associated with the disposal	(6,578,114)
Gain from the sale of the subsidiary	2,808,326

(12) ADVANCES ON INVESTMENTS

The Group has established a branch in Iraq on 15 April 2018, under registration number 5252 according to the regulations of the Iraqi Foreign Companies Act number (2) of 2017 in which this branch established a factory in Iraq, under the name of 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. The Group has financed the factory for establishing purposes during the third quarter of 2018 with an amount of JD 1,779,699. According to that the total amount paid by the Group for the purpose of establishing that factory is JD 3,283,949.

During the third quarter of the year 2018, the Group has also contributed an amount of JD 4,500,000 to establish a new branch located in Baghdad under the name of Union Tobacco and Cigarettes Industries (Baghdad) in which the Group owns 100% of the share capital of that branch.

(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 the net equity for the year 2017.

Some of 2017 consolidated financial statements figures and prior years figures were restated after the Group has recognized an impairment loss of JD 3,850,000 related to its projects under construction.

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

	31 December 2017	1 January 2017
	JD (Audited)	JD (Audited)
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:

- Cigarettes and Tobacco
- 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.

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.

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

	Cigarettes and Tobacco	Investments in shares	Investment properties	Total
	JD	JD	JD	JD
For the nine months ended 30 September 2018 (Unaudited) -				
Revenues:				
Revenues	6,643,327	-	-	6,643,327
Business Results:				
(Loss) profit for the period from continuing operations	(3,961,646)	(1,174,465)	908,683	(4,227,428)
Profit for the period from discontinued operations	-	-	2,808,326	2,808,326
Other segment Information:				
Depreciation	(1,018,907)	(768)	(368,632)	(1,388,307)
Finance costs	(1,095,300)	(929,473)	(295,104)	(2,319,877)
For the nine months ended 30 September 2017 (Unaudited) -				
Revenues:				
Revenues	6,961,647	-	-	6,961,647
Business Results:				
(Loss) profit for the period from continuing operations	(3,765,699)	(1,271,238)	792,198	(4,244,739)
Loss for the period from discontinued operations	-	-	(3,760)	(3,760)
Other Segment Information:				
Depreciation	(582,623)	(58,645)	(296,361)	(937,629)
Finance costs	(1,061,890)	(1,003,192)	(387,709)	(2,452,791)
As of 30 September 2018 (Unaudited) -				
Segments assets	59,933,596	10,931,447	58,526,297	129,391,340
Segments liabilities	49,159,279	9,156,075	5,657,029	63,972,383
As of 31 December 2017 (Audited) -				
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