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السادة بورصة عمان



شركة الإتحاد للاستثمارات المالية م.ع.م

Union Investment Corp. P.L.C

هيئة الأوراق المالية

الدائرة الإدارية / الديوان

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الرقم المتسلسل ٤٧

الجهة المختصة ٤١١٤٤

نموذج رقم (5-1)

Form No. (1-5)

To: Jordan Securities Commission

Amman Stock Exchange

Date: 30/4/2020

Ref: 2/3/3/9331

Subject: Quarterly Report as of 31/3/2020

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ: 2020/8/11

الرقم: 9331/3/3/2

الموضوع: التقرير ربع السنوي كما هي في 2020/3/31

Attached the Quarterly Report of (Union Investment Corp. P.L.C) in English as of 31/3/2020

مرفق طيه نسخة من البيانات المالية ربع السنوية لشركة (شركة الإتحاد للاستثمارات المالية م.ع.م) باللغة الإنجليزية كما هي بتاريخ 2020/3/31

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)

31 MARCH 2020

**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 31 March 2020, comprising of the interim condensed consolidated statement of financial position as at 31 March 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month 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 Group's management did not perform impairment testing on the intangible assets valued at JD 3,647,535 as of 30 June 2020 related to the acquisition of the subsidiary "Union Tobacco and Cigarettes Industries Company – Public Shareholding Company" in accordance with the requirements of International Accounting Standard 36. We were unable to determine the impact, if any, on the interim condensed consolidated financial statements of the Group. Our conclusion on the interim condensed consolidated financial statements for the period ended 31 March 2019 and our audit report for the year ended 31 December 2019 were qualified for the same reason.

- The Group's management did not perform a comprehensive study for the provision for expected credit losses based on the historical credit loss experience adjusted for forward looking factors and the economic environment as of 31 March 2020 in accordance with the requirements of IFRS 9. We were unable to determine the impact on the interim condensed consolidated financial statements of the Group. Our audit report for the year ended 31 December 2019 was qualified for the same reason.

Qualified conclusion

Based on our review, except for the effect of the matters 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.

Material uncertainty related to going concern

Without further qualification in our conclusion, we draw attention to note (2-4) to the interim condensed consolidated financial statements. As stated therein, the accumulated losses of the group amounted to 57% of the paid-in capital as at 31 March 2020 and its current liabilities exceeded its current assets by JD 31,565,007 as at 31 March 2020, in addition to incurring a gross loss of JD 1,220,506 for the period then ended. These events and conditions in addition to the other matters related to the impact of coronavirus (Covid-19) outbreak as described in note (15) indicate that a material uncertainty exists that may cast doubt about the Group's ability to continue as a going concern.

Emphasis of matter

Without further qualification in our conclusion, and as disclosed in note (9) to the interim condensed consolidated financial statements, investment properties include land plots amounting to JD 2,785,399 that are not registered in the name of the Group as of 31 March 2020.

Amman – Jordan
5 August 2020

Ernst + Young

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Property, plant and equipment	6	16,985,104	17,341,537
Projects under construction	8	26,568,384	26,565,124
Investment properties	9	57,839,187	57,943,939
Intangible assets		3,721,220	3,647,535
Financial assets at fair value through other comprehensive income	7	166,798	152,866
		<u>105,280,693</u>	<u>105,651,001</u>
Current assets -			
Inventories		8,722,500	8,746,810
Trade receivables		7,609,079	6,011,574
Other current assets		4,221,880	3,688,287
Financial asset at fair value through profit or loss		54,333	61,820
Cash and bank balances	10	846,720	1,070,801
		<u>21,454,512</u>	<u>19,579,292</u>
Total Assets		<u>126,735,205</u>	<u>125,230,293</u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Equity attributable to equity holders of the parent-			
Paid in capital	1	50,000,000	50,000,000
Treasury shares		(11,297,887)	(11,246,493)
Fair value reserve	7	(2,231,605)	(2,245,537)
Accumulated losses		(28,616,186)	(26,579,135)
		<u>7,854,322</u>	<u>9,928,835</u>
Non-controlling interests		41,711,456	40,707,864
Net Equity		<u>49,565,778</u>	<u>50,636,699</u>
Liabilities -			
Non-current liability -			
Long term loans	11	24,149,908	23,769,673
Current liabilities -			
Current portion of long term loans	11	11,741,590	12,024,296
Bank overdrafts	10	714,868	344,350
Trade payables and other current liabilities		40,313,910	38,206,124
Income tax provision		249,151	249,151
		<u>53,019,519</u>	<u>50,823,921</u>
Total liabilities		<u>77,169,427</u>	<u>74,593,594</u>
Total Equity and Liabilities		<u>126,735,205</u>	<u>125,230,293</u>

The attached notes from 1 to 15 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 MONTHS ENDED IN 31 MARCH 2020 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2020 JD	2019 JD
Sales	13	1,307,579	1,332,670
Cost of sales		(2,528,085)	(2,235,350)
Gross loss		(1,220,506)	(902,680)
Loss on fair value of financial assets at fair value through profit or loss		-	(2,070,062)
Unutilized manufacturing capacity cost		(176,337)	(191,330)
Depreciation of investment properties		(104,752)	(104,520)
Amortization of intangible assets		(6,699)	-
Rental income, net		770,665	688,391
Gain on sale of property, plant, and equipment		710,000	-
Other expenses, net		(1,132)	(7,005)
Administrative expenses		(613,062)	(421,905)
Marketing expenses		(134,859)	(115,121)
Finance costs		(820,020)	(982,835)
Loss for the period		(1,596,702)	(4,107,067)
Prior period income tax		-	(228,074)
Loss for the period after tax		(1,596,702)	(4,335,141)
Attributable to:			
Equity holders of the Parent		(1,381,472)	(4,079,354)
Non-controlling interests		(215,230)	(255,787)
		(1,596,702)	(4,335,141)
		JD / Fils	JD / Fils
Basic and diluted loss per share attributable to equity holders of the Parent	12	(0/036)	(0/084)

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED IN 31 MARCH 2020 (UNAUDITED)

	For the three months ended 31 March	
	2020	2019
	JD	JD
Loss for the period	(1,596,702)	(4,335,141)
Add: other comprehensive income items not to be reclassified to profit and loss in subsequent periods, net of tax:		
Net gains (losses) of financial assets at fair value through other comprehensive income	13,932	(35,170)
Total comprehensive income for the period	<u>(1,582,770)</u>	<u>(4,370,311)</u>
Attributable to:		
Equity holders of the Parent	(1,367,540)	(4,114,524)
Non-controlling interests	<u>(215,230)</u>	<u>(255,787)</u>
	<u>(1,582,770)</u>	<u>(4,370,311)</u>

The attached notes from 1 to 15 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 THREE MONTHS ENDED IN 31 MARCH 2020 (UNAUDITED)

	Attributable to equity holders of the parent									
	Paid in capital					Non – controlling interests				
	JD	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Other reserve	Accumulated losses	Total	JD	JD
For the three months ended in 31 March 2020 -										
Balance as at 1 January 2020	50,000,000	-	-	(11,246,493)	(2,245,537)	-	(26,579,135)	9,928,835	40,707,864	50,636,699
Loss for the period	-	-	-	-	-	-	(1,381,472)	(1,381,472)	(215,230)	(1,566,702)
Other comprehensive income items	-	-	-	-	13,932	-	-	13,932	-	13,932
Total comprehensive income for the period	-	-	-	-	13,932	-	(1,381,472)	(1,367,540)	(215,230)	(1,582,770)
Purchase of treasury shares – net	-	-	-	(51,394)	-	-	-	(51,394)	-	(51,394)
Net change of non-controlling interests	-	-	-	-	-	-	(655,579)	(655,579)	1,218,822	566,243
Balance as at 31 March 2020	50,000,000	-	-	(11,297,887)	(2,231,605)	-	(28,616,186)	7,854,322	41,711,456	49,566,778
For the three months ended in 31 March 2019 -										
Balance as at 1 January 2019	50,000,000	12,500,000	736,749	(1,612,235)	(477,596)	1,503,418	(31,474,691)	31,175,645	38,991,014	70,166,659
Loss for the period	-	-	-	-	-	-	(4,079,354)	(4,079,354)	(255,787)	(4,335,141)
Other comprehensive income items	-	-	-	-	(35,170)	-	-	(35,170)	-	(35,170)
Total comprehensive income for the period	-	-	-	-	(35,170)	-	(4,079,354)	(4,114,524)	(255,787)	(4,370,311)
Sale of treasury shares - net	-	-	-	23,505	-	-	-	23,505	-	23,505
Net change of non-controlling interests	-	-	-	-	-	-	-	-	(154,938)	(154,938)
Balance as at 31 March 2019	50,000,000	12,500,000	736,749	(1,588,730)	(512,766)	1,503,418	(35,554,045)	27,084,626	38,580,289	65,664,915

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED IN 31 MARCH 2020 (UNAUDITED)

		For the three months ended 31 March	
	Note	2020 JD	2019 JD
<u>OPERATING ACTIVITIES</u>			
Loss for the period		(1,596,702)	(4,107,067)
Adjustments for -			
Depreciation		512,939	520,791
Amortization of intangible assets		6,699	-
Finance costs		820,020	982,835
Gain on sale of property, plant, and equipment		(710,000)	-
Working capital changes -			
Inventories		24,310	1,205,924
Trade receivables and other current assets		(1,421,098)	507,095
Trade payables and other current liabilities		2,183,338	(1,347,929)
Financial assets at fair value through profit or loss		7,487	5,990
Income tax paid		-	(1,126,934)
Net cash flows used in operating activities		(173,007)	(3,359,295)
<u>INVESTING ACTIVITIES</u>			
Purchases of property, plant and equipment		(51,754)	(2,585)
Purchase of intangible assets		(80,384)	-
Projects under construction		(3,260)	(1,031,260)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	(199,177)
Net cash flows used in investing activities		(135,398)	(1,233,022)
<u>FINANCING ACTIVITIES</u>			
Finance costs paid		(895,572)	(982,835)
Repayment of loans		(774,456)	(2,027,699)
Loans received		871,985	2,699,629
(Purchase) sale of treasury shares, net		(51,394)	23,505
Net change in non-controlling interests		563,243	(154,938)
Net cash flows used in financing activities		(286,194)	(442,338)
Net decrease in cash and cash equivalents		(594,599)	(5,034,655)
Cash and cash equivalents at 1 January	10	726,451	10,990,898
Cash and cash equivalents at 31 March	10	131,852	5,956,243

The attached notes from 1 to 15 form part of these interim condensed consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020 (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 and tourism sectors through 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 5 August 2020.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

The interim condensed consolidated financial statements for the three months period ended in 31 March 2020 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed 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 which are presented at fair value at the date of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements are presented in Jordanian Dinars ("JD") which represents the functional currency of the Group.

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 2019. In addition, the results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020 (UNAUDITED)

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

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

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

	Paid In Capital JD	Main Activity	Percentage Of Ownership %	Percentage Of Ownership %
			2020	2019
Al Failaq Housing LLC	5,000	Land Development	100	100
Union for Cigarettes and Tobacco and its subsidiaries:	15,083,657	Production of Tobacco and Cigarettes	78,94	83,05
Al Aseel for Marketing of Ma'asel and Cigarettes	100,000	Marketing	78,94	83,05
Union for Advanced Industries	100,000	Marketing	78,94	83,05
Union Land Development corporation and its Subsidiaries:	42,065,129	Property Investments	37,51	43,76
Nibal Housing LLC	30,000	Land Development	37,51	43,76
Paradise Contracting LLC	50,000	Contracting	37,51	43,76
Adam Investment LLC	30,000	Property Investments	37,51	43,76
Paradise Architectural Industries LLC	100,000	Architecture	37,51	43,76
Thiban Real Estate Investment LLC	30,000	Land Development	37,51	43,76
Al Mahla Real Estate Investment LLC	1,000	Land Development	37,51	43,76
Al Amiri Real Estate Investments LLC	1,000	Land Development	37,51	43,76
Al Farait Real Estate Investments LLC	1,000	Land Development	37,51	43,76
Al Ghazalian Real Estate Investments LLC	1,000	Land Development	37,51	43,76
Dhaba'a Real Estate Investment LLC	1,000	Land Development	37,51	43,76
Taj Al-Madina For Housing LLC	50,000	Land Development	37,51	43,76

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 used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group did not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments was for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Group was not be affected by these amendments on the date of transition and concluded that the uncertainty arising from IBOR reform is did not affect its hedge relationships to the extent that the hedge relationships need to be discontinued.

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

(2-4) GOING CONCERN

The accumulated losses of the Group amounted to 57% of the paid-in capital as of 31 March 2020 which conflicts with the provisions of Article (168) of Companies Law No. (22) for the year 1997 and its amendments. In addition, the current liabilities exceeded its current assets by JD 31,565,007 as at 31 March 2020, in addition to incurring a gross loss of JD 1,220,506 for the period then ended. Management believes that it is appropriate to use the going concern basis for the interim condensed consolidated financial statements based on the Group's future business plans. Management may maintain liquidity by rescheduling previously obtained financing, or by obtaining new financing from banks

(3) LEGAL RESERVES

The Group did not appropriate for legal reserves in accordance with the Jordanian Companies Law as these financial statements are interim financial statements.

(4) INCOME TAX

Income tax provision for the period ended 31 March 2020 and for the period ended 31 March 2019 was calculated in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

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

The Income Tax Department did not review the Group records for the years 2013, 2014, 2015, and 2017, up to the date of these interim condensed 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.

Union Land Development Corporation and its Subsidiaries –

The Company and its Subsidiaries have submitted tax returns for the years for which a final clearance has not yet been obtained.

Union Land Development Corporation - Public Shareholding Company –

The Company has received a final clearance from the Income and Sales Tax Department up to 2014.

Union Land Development Corporation – Aqaba Branch –

The Company has received a final clearance from the Income and Sales Tax Department up to 2013.

Nibal Housing Company LLC –

The Company has received a final clearance from the Income and Sales Tax Department up to 2018, except for the year 2017.

Thiban Real Estate LLC, Al Amiri Real Estate Investments LLC, Al Ghuzlanieh Real Estate Investments Company, Al Farait Real Estate Investments LLC, Al Mahila Real Estate LLC, Dhaba'a Real Estate Company –

These Companies are currently not fully operational and have received a final clearance from the Income and Sales Tax Department up to 2017.

Paradise Contracting LLC, Adam Investment Company LLC, Paradise Architectural Industries LLC –

These Companies are currently not fully operational and have received a final clearance from the Income and Sales Tax Department up to 2015.

Union Tobacco and Cigarette Industries

No income tax provision for the period ended 31 March 2020 and for the period ended 31 March 2019 in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

The Company reached a final settlement with the Income Tax Department up to the year 2012. The Income Tax Department reviewed the accounting records of the Company and its subsidiaries until the end of the year 2015 without issuing a final clearance yet until the date of these interim condensed financial statements.

The Income and Sales Tax Department did not review the Group's accounting records for the years 2016, 2017, and 2018 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
31 MARCH 2020 (UNAUDITED)

(5) RELATED PARTIES

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.

Management salaries and bonuses:

The key management salaries and bonuses amounted to JD 65,090 for the period ended in 31 March 2020 against JD 83,550 for the period ended in 31 March 2019.

(6) PROPERTY, PLANT AND EQUIPMENT

The Group had purchased property, plant and equipment in an amount of JD 51,754 for the three months ended 31 March 2020 (31 March 2019: JD 2,585). During the three months ended 31 March 2020, the Group sold machinery used in the production of cigarettes in the amount of JD 710,000 resulting in a gain of JD 710,000 (31 March 2019: nil)

This item includes Land owned by Union Tobacco and Cigarette Industries PLC, in the area of Al-Jizah, Jordan, which are mortgaged by a first-degree mortgage in the amount of JD 15,000,000 in the favour of Bank Al-Etihad (Note 11).

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

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

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Unquoted Shares / Inside Jordan		
Al-Karama for Financial Investments - PSC	80,000	80,000
Al-Tajamouat for Touristic Projects - PSC	87	101
	<u>80,087</u>	<u>80,101</u>
Quoted Shares / Outside Jordan		
Al Salam Bank – Sudan	86,711	72,765
	<u>166,798</u>	<u>152,866</u>

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020 (UNAUDITED)

Movement on fair value reserve is as follows:

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Balance at the beginning of the period/year	(2,245,537)	(477,596)
Change in fair value of financial assets at fair value through other comprehensive income	13,932	(1,767,941)
Balance at the end of the period/year	(2,231,605)	(2,245,537)

(8) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	Zara Project* JD	Iraq Factories Project** JD	Total JD
Balance at 1 January 2020	3,080,376	23,484,748	26,565,124
Additions	3,260	-	3,260
Balance at 31 March 2020	3,083,636	23,484,748	26,568,384
Balance at 1 January 2019	3,070,911	7,799,219	10,870,130
Additions	9,465	15,685,529	15,694,994
Balance at 31 December 2019	3,080,376	23,484,748	26,565,124

* The estimated cost to complete for the uncompleted portion of the projects under construction is JD 3,500,000 as at 31 March 2020. Management has not set a date for the completion of the project as of the date of these interim condensed consolidated financial statements.

** This item represents the cost of the Group's project which is a Tobacco factory in Iraq. It is expected that the projects under construction will be completed by the end of 2020, management has not determined the date these factories will start operating because the legal procedures were not completed yet.

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(9) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	31 March 2020 JD (Unaudited)	30 December 2019 JD (Audited)
Cost -		
Balance at 1 January	61,900,818	63,199,837
Additions	-	53,501
Disposals – lands	-	(1,352,520)
Balance at the end of the period/year*	61,900,818	61,900,818
Accumulated depreciation -		
Balance at 1 January	(3,956,879)	(3,533,866)
Depreciation	(104,752)	(423,013)
Balance at the end of the period/year	(4,061,631)	(3,956,879)
Net book value as at the end of the period/year	57,839,187	57,943,939

* This item includes properties secured by a first degree mortgage to Bank Al-Etihad in the amount of JD 17,000,000 on the plot of land number 266 and the IKEA building 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 (note 11).

Investment properties includes items that are not recorded in the name of the Group as follows:

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Lands	2,785,399	2,785,399

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(10) CASH AND CASH EQUIVALENTS

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

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Cash and bank balances	846,720	1,070,801
Less: bank overdrafts*	(714,868)	(344,350)
	<u>131,852</u>	<u>726,451</u>

* Bank overdrafts represent the facilities granted from local banks to the Group with a ceiling of JD 1,550,000 as at 31 March 2020 at an annual interest rate of 7.5%.

(11) LOANS

		Loans installments					
		31 March 2020 (Unaudited)			31 December 2019 (Audited)		
Currency		Current portion	Non current portion	Total	Current portion	Non current portion	Total
		JD	JD	JD	JD	JD	JD
Bank Al Etihad – Revolving loan (1)	JD	508,524	-	508,524	515,002	-	515,002
Bank Al Etihad – Revolving loan (2)	USD	2,827,947	-	2,827,947	3,148,825	-	3,148,825
Housing Bank of Trade and Finance	JD	988,229	-	988,229	1,029,564	-	1,029,564
BLOM Bank	JD	1,008,985	-	1,008,985	923,000	-	923,000
Bank Al Etihad – Reducing loan (1)	USD	2,288,652	11,861,463	14,150,115	2,288,652	11,778,899	14,067,551
Bank Al Etihad – Reducing loan (2)	JD	1,285,351	-	1,285,351	1,285,351	-	1,285,351
Invest Bank	JD	2,833,902	12,288,445	15,122,347	2,833,902	11,990,774	14,824,676
		<u>11,741,590</u>	<u>24,149,908</u>	<u>35,891,498</u>	<u>12,024,296</u>	<u>23,769,673</u>	<u>35,793,969</u>

BANK AL ETIHAD - REVOLVING LOAN (1) - JD

During 2018, "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 subject to the full repayment of the loan during that financial year. The Group reached an agreement with the bank to reschedule and fully pay off the loan during 2020. 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 that financial year. The Group reached an agreement with the bank to reschedule and fully pay off the loan during 2020. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

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. The loan is repayable in quarterly installments of JD 280,000 each except for the last installment which will be JD 240,000 and interest to 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).

The Group rescheduled the loan installments coming due to BLOM Bank in April, May, June, July, August, and September of 2020 until the end of the loan.

BANK AL ETIHAD REDUCING LOAN (1) – USD

"Union Tobacco and Cigarette Industries PLC" (a subsidiary) has obtained a reducing 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 to be paid starting from 2 February 2014 each except for the last installment which will be due on 1 January 2019 which represents the remaining balance of the loan.

The loan is guaranteed by the purchased shares of the Union Land Development Corporation – PLC and Union Investment Corporation - PLC and the resulting dividends, which are classified as financial assets at fair value though other comprehensive income. 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 48 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 except for 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.

BANK AL ETIHAD REDUCING LOAN (2) – JD

During the year 2019, the Company obtained a loan amounted to JD 1,500,000 from Bank Al Etihad with an annual interest rate of 9.5% without commission. The loan is repayable over 36 equal monthly installments of JD 41,666 each and interest to be settled on a monthly basis. This loan is guaranteed by 1,676,000 shares of "Union Land Development PLC" (a subsidiary) amounted to JD 3,000,000.

INVEST BANK – JD

During the year 2018, "Union Land Development PLC" (a subsidiary) received a declining loan amounting to JD 17,000,000 at an annual interest rate of 8%. The Group used the proceeds of the loan to repay loans granted from Jordan Kuwait Bank amounting to JD 3,200,000 and to settle the margin accounts of Union Land Development Corporation- PLC and its sister Companies and its parent company to the financial brokerage company in the amount of JD 12,000,000. The loan is repayable over 16 semi-annual installments payable on 30 May and 30 November of each year starting from 30 November 2018 until the full settlement in 2026. This loan is secured by a first degree mortgage of JD 17,000,000 on the land No. 266 and the buildings of IKEA

The Group rescheduled the loan installments coming due to Invest Bank on 30 May 2020 until 30 November 2020.

HOUSING BANK REDUCING LOAN - JD

During the year 2019 the Company obtained a loan from the Housing Bank for Trade and Finance in the amount of JD 1,017,716. This amount represents the balance of the Company's overdraft account that was due to the bank. The Company agreed with the bank to convert the balance of the account to a loan during September 2019. The interest on the amount due is calculated annually at the Prime Lending Rate (PLR%) based on the daily balance of the account, with the amount charged monthly. The loan is to be repaid over 60 equal monthly installments with each installment being JD 21,918, with the interest being paid monthly. The first installment will be due on 1 December 2019. This loan is secured by the mortgage of the shares of Union Tobacco and Cigarette Industries PLC.

The Group rescheduled the loan installments coming due to the Housing Bank in April, May, June, and July of 2020 until the end of the term of the loan.

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(12) BASIC AND DILUTED LOSS PER SHARE

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Loss for the period attributable to equity holders of the Parent (JD)	(1,381,472)	(4,079,354)
Weighted average number of shares (Share)	38,753,507	48,411,270
Basic loss per share attributable to equity holders of the Parent (JD / Fils)	(0/036)	(0/084)

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

(13) SALES

	31 March 2020 JD (Unaudited)	31 March 2019 JD (Unaudited)
Local sales	1,632,477	37,438
Foreign sales	679,549	1,295,232
Net Sales	2,313,026	1,332,670
Less: sales discounts	(1,004,447)	-
	1,307,579	1,332,670

Revenue from the sale of goods is recognized at point of time.

(14) OPERATING SEGMENTS

The presentation of key segments is determined on the basis that the risks and rewards related to the Group are materially affected by the difference in the products or services of those segments. These segments are organized and managed separately according to the nature of the services and products, each of which represents 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 three segments:

- Tobacco and cigarettes
- Investments in shares of companies: represented by investments in shares and associates.
- Investment properties: Purchase of land 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.

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A geographical segment is associated with the providing products or services in a specific economic environment that is subject to risks and rewards that differs from those related to business segments in other economic environments.

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

	Tobacco and cigarettes	Investments in shares	Investment in properties	Total
	JD	JD	JD	JD
For the three months ended in 31 March 2020				
(Unaudited) -				
<u>Revenues:</u>				
Revenues	1,307,579	-	-	1,307,579
<u>Segment results:</u>				
(Loss) profit for the period	(1,464,188)	(276,727)	144,213	(1,596,702)
<u>Other segment information:</u>				
Deprecation	(391,635)	-	(121,304)	(512,939)
Finance costs	(253,707)	(252,517)	(313,796)	(820,020)
For the three months ended in 31 March 2019				
(Unaudited) -				
<u>Revenues:</u>				
Revenues	1,332,670	-	-	1,332,670
<u>Segment results:</u>				
(Loss) profit for the period	(1,844,446)	(2,647,284)	156,589	(4,335,141)
<u>Other segment information:</u>				
Deprecation	(399,274)	(256)	(121,261)	(520,791)
Finance costs	(387,488)	(278,143)	(317,204)	(982,835)
As at 31 March 2019 (Unaudited)				
<u>Assets and liabilities:</u>				
Segment assets	50,738,904	22,771,593	53,224,708	126,735,205
Segment liabilities	41,926,013	15,227,472	20,015,942	77,169,427
As at 31 December 2019 (Audited)				
<u>Assets and liabilities:</u>				
Segment assets	50,115,790	22,145,526	52,968,977	125,230,293
Segment liabilities	39,388,711	15,060,971	20,143,912	74,593,594

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

The Coronavirus outbreak has impacted the global macroeconomy and caused significant disruption in the global economy and different business sectors. Accordingly, the cigarette manufacturing, investment in shares, and real estate investment and related industries and sectors, in addition to delays in the projects under construction, which have been affected by business closures including the delays in the projects under construction, imposed expanded quarantines, and other government measures taken against the virus.

The Prime Minister of Jordan resolved, on 17 March 2020, to enforce a mandatory curfew law and to suspend all business activity in Jordan until further notice as part of the precautions taken by the government to combat the spread of Coronavirus. The majority of the Jordan's business activities were impacted as a result of the resolution.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the spread rate of the coronavirus and the extent and effectiveness of the measures taken to contain it. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of approval of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition.

Pursuant to the Jordanian Defense Law and the facilities resulting therefrom, the Central Bank of Jordan authorized banking agents to grant facilities to support the industrial sectors by postponing the loan installments and interest payments due during the months affected by the outbreak of the Corona Virus until the end of the year 2020. In addition, the existing works in Iraq relating to the projects under have been suspended for a period of five months, which led to a rescheduling of the planned commencement of operations.