شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C

نموذج رقم (1-2)

Form No. (1-2)

To: Jordan Securities Commission Amman Stock Exchange Date: 2/7/2020 Ref: 2/3/3/9300 Subject Audited Financial Statements for the fiscal year ended of 31/12/2019	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2020/7/2 الرقم : 9300/3/3/2 الموضوع: البيانات المالية السنوية المدققة كما هي في 2019/12/31
Attached the Audited Financial Statements of (Union Investment Corp. plc) As of 31/12/2019 in English.	مرفق طيه نسخة من البيانات المالية السنوية لشركة (الإتحاد للإستثمارات المالية م.ع.م) باللغة الإنجليزية كما هي بتاريخ 2019/12/31
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 للإستثمارات المالية م.ع.م توقيع المدير المالي إياد يغمور

بورصة عمان
الدائرة الإدارية والمالية
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الجهة المختصة:

شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C

UNION INVESTMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Union Investment Corporation
Public Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Union Investment Corporation - Public Shareholding Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

- As disclosed in note (7) to the consolidated financial statements, the Group's management did not perform impairment testing on the intangible assets amounted to JD 3,647,535 as of 31 December 2019 resulted from the acquisition of the subsidiary "Union Tobacco and Cigarettes Industries Company – Public Shareholding Company" in accordance with the requirements of International Accounting Standard 36 which represents a trade name for cigarettes and tobacco products. We were unable to determine the impact, if any, on the consolidated financial statements of the Group. Our audit report for the year ended 31 December 2018 was qualified for the same reason.

- As disclosed in note (10) to the consolidated financial statements, 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 December 2019 in accordance with the requirements of IFRS 9. We were unable to determine the impact, on the consolidated financial statements of the Group.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

Without further qualification in our opinion, and as disclosed in note (5) to the consolidated financial statements, investment properties include land plots with an amount of JD 2,785,399 that were not registered in the name of the Group as at 31 December 2019.

Material uncertainty related to going concern

Without further qualification in our opinion, we draw attention to note (2-6) to the consolidated financial statements, the accumulated losses of the group amounted to 53% of the paid-in capital as at 31 December 2019 and its current liabilities exceeded current assets by JD 31,427,112 as at 31 December 2019, in addition to incurring a total losses of JD 752,207 for the year then ended. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. **Provision for slow moving inventories** Disclosures that relate to the provision for slow moving inventories are included in note (9) to the consolidated financial statements.	
Key audit matter: At 31 December 2019, total inventories balance amounted to JD 8,746,810 representing 7.03% of total assets of the Group. Judgment is required to assess the appropriate level of provisioning for slow moving items, which may be ultimately sold below cost or not in saleable conditions. The Group is mainly operating in the tobacco industry and trades in foreign markets in which inventories are stored in different local and foreign locations increasing the level of judgment involved in estimating the provision.	**How the key audit matter was addressed in the audit:** For both finished goods and raw materials, we tested the methodology for calculating the provision, reviewed the appropriateness and consistency of judgments and assumptions used in estimating the provision, the accuracy and completeness of ageing profile of inventory, including the adequacy of provision for slow moving and obsolete items. Additionally, we have observed the inventories stock count process in order to identify the obsolete and damaged inventories.

2. **Valuation of investment properties** Disclosures that relate to investment properties are included in note (5) to the consolidated financial statements	
Key audit matter: Investment properties represent 46.57% of the Group's total assets as at 31 December 2019. Investment properties are measured at cost less accumulated depreciation and any impairment in value. The fair value of the investment property depends to a large extent on estimates, which is why this item is a key audit matter. The Group evaluates investment properties through internal and external valuers at least once a year. These valuations are based on, among other things, assumptions, such as future rents and occupation.	**How the key audit matter was addressed in the audit:** Our audit work includes evaluating the experience of the internal and external valuers. We also evaluated the accuracy of the data provided by the Group's management which are used as input for the valuers. We also reviewed the key assumptions used in the investment property testing prepared by the Group's management including evaluating the objectivity of the valuers taking into consideration management bias.

Other information included in the Group's 2019 annual report.
Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors and Those Charged with Governance for the Consolidated Financial Statements
Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements, taking into consideration the matters described in the Basis for Qualified Opinion paragraph and the material uncertainty related to going concern paragraph.

The partner in charge of the audit resulting in this auditor's report was Waddah Issam Barkawi, license number 591.

Amman – Jordan
15 June 2020

Ernst + Young

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018
ASSETS		JD	JD
Non-current assets -			
Property, plant and equipment	3	17,341,537	18,998,658
Projects under construction	4	26,565,124	10,870,130
Investment properties	5	57,943,939	59,665,971
Advances on machinery purchases		2,981	12,389
Intangible assets	6	3,647,535	3,647,535
Financial assets at fair value through other comprehensive income	7	152,866	1,933,522
		105,653,982	95,128,205
Current assets -			
Inventories	9	8,746,810	10,759,079
Trade receivables	10	6,011,574	17,716,256
Other current assets	11	3,685,306	3,283,612
Financial asset at fair value through profit or loss	8	61,820	57,328
Cash and bank balances	12	1,070,801	12,253,036
		19,576,311	44,069,311
Total Assets		125,230,293	139,197,516
EQUITY AND LIABILITIES			
Equity -			
Equity attributable to equity holders of the parent -			
Paid in capital	13	50,000,000	50,000,000
Statutory reserve	13	-	12,500,000
Voluntary reserve	13	-	736,749
Treasury shares	13	(11,246,493)	(1,612,235)
Fair value reserve	7	(2,245,537)	(477,596)
Other reserves		-	1,503,418
Accumulated losses		(26,579,135)	(31,474,691)
		9,928,835	31,175,645
Non-controlling interests	21	40,707,864	38,991,014
Net Equity		50,636,699	70,166,659
Liabilities			
Non-current liabilities -			
Long term loans	14	23,769,673	25,915,724
Current liabilities -			
Current portion of long term loans	14	12,024,296	9,077,376
Bank overdrafts	15	344,350	1,262,138
Payables and other current liabilities	16	38,206,124	31,750,609
Income tax provision	22	249,151	1,025,010
		50,823,921	43,115,133
Total liabilities		74,593,594	69,030,857
Total Equity and Liabilities		125,230,293	139,197,516

The attached notes from 1 to 35 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
Continuing operations:		JD	JD
Sales		5,389,076	4,016,340
Cost of sales	17	(6,141,283)	(2,615,171)
Gross profit		(752,207)	1,401,169
Loss on sale of financial assets at fair value through profit or loss		(4,313,546)	(3,430,838)
Unutilized manufacturing capacity cost		(2,353,256)	(2,550,273)
Depreciation of investment properties	5	(423,013)	(423,013)
Gain on sale of property, plant and equipment		84,851	666,937
Gain on sale of investment properties, net		444,699	4,164,208
Rental income, net		2,772,241	2,771,960
Other expenses, net		(139,975)	(273,479)
Administrative expenses	18	(2,330,294)	(2,628,127)
Selling and marketing expenses	19	(826,019)	(1,396,881)
Provision for expected credit losses	10	-	(50,000)
Provision for advance payments on machinery purchases		-	(101,244)
Dividends income		-	3,600
Finance costs		(3,707,716)	(3,815,248)
Loss before tax from continuing operations		(11,544,235)	(5,661,229)
Income tax expense for the year	22	(116,924)	(41,423)
Prior years Income tax expense	22	(228,074)	(112,624)
Loss from continuing operations		(11,889,233)	(5,815,276)
Discontinued operations:			
Profit after tax for the year from discontinued operations	24	2,988,910	3,899,345
Loss for the year		(8,900,323)	(1,915,931)
Attributable to:			
Equity holders of the parent		(8,066,863)	(1,248,868)
Non-controlling interests	27	(833,460)	(667,063)
		(8,900,323)	(1,915,931)
		JD/ Fils	JD/ Fils
Basic and diluted earning per share from the loss for the year attributable to equity holders of the parent	20	(0/21)	(0/026)

The attached notes from 1 to 35 form part of these consolidated financial statements

	Note	2019	2018
		JD	JD
Loss for the year		(8,900,323)	(1,915,931)
Other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:			
Net losses of financial assets at fair value through other comprehensive income	7	(1,767,941)	(29,409)
Total comprehensive income for the year		(10,668,264)	(1,945,340)
Attributable to:			
Equity holders of the parent		(9,834,804)	(1,496,604)
Non-controlling interests		(833,460)	(448,736)
		(10,668,264)	(1,945,340)

The attached notes from 1 to 35 form part of these consolidated financial statements

Union Investment Corporation - Public Shareholding Company
Consolidated Statement Of Changes in Equity
For The Year Ended 31 December 2019

	Attributable to shareholders 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
2019-										
Balance as at 1 January 2019	50,000,00	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 year	-	-	-	-	-	-	(8,066,863)	(8,066,863)	(833,460)	(8,900,323)
Other comprehensive Income Items (Note 7)	-	-	-	-	(1,767,941)	-	-	(1,767,941)	-	(1,767,941)
Total comprehensive income for the year	-	-	-	-	(1,767,941)	-	(8,066,863)	(9,834,804)	(833,460)	(10,653,264)
Accumulated losses write off (Note 13)	-	(12,500,000)	(736,749)	-	-	(1,503,418)	14,740,167	-	-	-
Purchase of treasury shares, net	-	-	-	(9,634,258)	-	-	-	(9,634,258)	-	(9,634,258)
Acquisition of non-controlling interests (Note 21)	-	-	-	-	-	-	(1,777,748)	(1,777,748)	2,550,310	772,562
Balance at 31 December 2019	50,000,000	-	-	(11,246,493)	(2,245,537)	-	(26,579,135)	9,928,835	40,707,864	50,636,699
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 for the year	-	-	-	-	-	-	(1,248,868)	(1,248,868)	(667,063)	(1,915,931)
Other comprehensive Income Items (Note 7)	-	-	-	-	(29,409)	-	-	(29,409)	-	(29,409)
Total comprehensive income for the year	-	-	-	-	(29,409)	-	(1,248,868)	(1,278,277)	(667,063)	(1,945,340)
Sale of treasury shares, net	-	-	-	50,642	-	6,908	-	57,550	-	57,550
Acquisition of non-controlling interests	-	-	-	-	-	-	(764,793)	(764,793)	4,601,087	3,836,294
Balance at 31 December 2018	50,000,00	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

The attached notes from 1 to 35 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
OPERATING ACTIVITIES		JD	JD
Loss before tax from continuing operations		(11,544,235)	(5,661,229)
Profit before tax from discontinued operations	24	2,988,910	3,899,345
Loss for the year before tax		(8,555,325)	(1,761,884)
Adjustments for:			
Depreciation	3,5	2,158,355	1,931,121
Provision for expected credit losses		-	50,000
Provision for advance payments on machinery purchases		-	101,244
(Gain) loss on sale of investment properties	5	(444,699)	(4,164,208)
Gain on sale of property, plant and equipment		(84,951)	(666,937)
Finance costs		3,707,716	3,815,248
Dividends Income		-	(3,600)
Working capital changes:			
Inventories		2,012,269	2,663,702
Trade receivables		11,704,682	5,476,304
Other current assets		(401,694)	256,246
Financial assets at fair value through profit or loss		(4,492)	(18,396)
Trade payables and other current liabilities		6,455,515	(4,620,683)
Income tax paid		(344,998)	(128,822)
Net cash flows from operating activities		16,202,378	2,929,335
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		101,487	750,001
Purchases of property, plant and equipment		(85,096)	(10,734)
Proceeds from sale of investment properties	5	1,797,219	1,127,924
Purchase of investment properties		(53,501)	(101,567)
Projects under construction		(15,694,994)	(7,806,687)
Net cash acquired from the disposal of a subsidiary	24	-	4,750,000
Proceeds from selling of financial assets at fair value through other comprehensive income		12,715	5,746
Net cash flows used in investing activities		(13,922,170)	(1,285,317)
FINANCING ACTIVITIES			
Repayments of loans		(3,407,393)	(10,888,153)
Proceeds from loans		4,896,430	19,982,608
Acquisition of non–controlling interests	21	772,562	3,836,294
Finance costs paid		(3,668,578)	(2,522,624)
Sale (purchase) of treasury shares		(11,137,676)	57,550
Net cash flows (used in) from financing activities		(12,544,655)	10,465,675
Net (decrease) increase in cash and cash equivalents		(10,264,447)	12,109,693
Cash and cash equivalents at 1 January		10,990,898	(1,118,795)
Cash and cash equivalents at 31 December	12	726,451	10,990,898

The attached notes from 1 to 35 form part of these consolidated financial statements

(1) GENERAL

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

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

The consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 15 June 2020. The consolidated financial statements require the approval of the General Assembly.

2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

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

The consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through other comprehensive income which have been measured at fair value.

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

(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") as of 31 December 2019.

	Paid In capital	Major activity	Percentage of ownership	Percentage of ownership
	JD		2019	2018
			%	%
Al Failaq Housing LLC	5,000	Land development	100	100
Union Tobacco and Cigarettes Industries and its subsidiaries:	15,083,657	Production of tobacco and cigarettes	81.80	76.93
- Al Aseel for Marketing of Masel and Cigarettes	100,000	Marketing	100	100
- Union for Advanced Industries	100,000	Marketing	100	100
Union Land Development Corporation and its subsidiaries:	42,065,129	Investment properties	46,50	44.55
- Nibal Housing Company LLC	30,000	Land development	100	100
- Paradise Contracting LLC	50,000	Contracting	100	100
- Adam Investment Company LLC	30,000	Investment properties	100	100
- Paradise Architectural Industries LLC	100,000	Architecture	100	100
- Thiban Real Estate LLC	30,000	Land development	100	100
- Al Mahila Real Estate LLC	1,000	Land development	100	100
- Al Amiri Real Estate Investments LLC	1,000	Land development	100	100
- Al Farait Real Estate Investments LLC	1,000	Land development	100	100
- Al Ghuzlanieh Real Estate Investments LLC	1,000	Land development	100	100
- Dhaba'a Real Estate LLC	1,000	Land development	100	100
- Taj Al-Madina For Housing LLC (note 25)	50,000	Land development	100	100

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 control over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, which includes:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2019 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2019 except that the Group has applied the following amandments starting 1 January 2019:

IFRS 16 Leases

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

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

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

This standard does not have any impact on the Group's consolidated statement of financial position.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

This interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

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

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

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

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

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

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

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

(2-4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Property, plant and equipment

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

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

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

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

The useful lives and methods of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment

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

Projects under construction

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

Investment properties

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

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

Investments in associates

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

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

Intangible assets

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

Financial assets at fair value through profit and loss

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

Recognition of financial assets

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

* Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
* Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
* Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value.

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

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

Trade receivables

Accounts receivable are stated at original invoice amount less any provision for expected credit loss. The Group applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

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

Loans

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asst. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Accounts payable and other current liabilities

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

Provisions

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

Income tax

Income tax for the years ended 2019 and 2018 was calculated in accordance with the Jordanian Income Tax Law No. (34) of 2014.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated financial statement date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the financial position date. The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Revenue Recognition

Revenue is recognized in accordance with IFRS 15 using the fair value of the consideration received or receivable, and it is probable that it will be collected.

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

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

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

Other revenues are recognized on the accrual basis.

Operating leases

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

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

Foreign currencies

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

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

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

Segment reporting

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

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

Offsetting

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

Discontinued operations

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

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

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

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

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

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

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

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

(2-5) USE OF ESTIMATES

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

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

- The Group periodically recalculates the useful life of the property and equipment for the purpose of calculating annual depreciation based on the general condition of the asset and estimated future useful lives. Impairment losses are recognized as an expense in the consolidated statement of profit or loss.

- A provision is taken for legal cases raised against the Group based on legal studies prepared by the Group's legal advisors, under which future potential risks are identified these studies are reviewed on a periodic basis.

- The Group's consolidated financial statements include the financial statements of Union Land Development Company, in which the Group owns less than the majority of the voting rights. However, and as the Group owns the largest ownership percentage of 46.5%, the Group's management believes that control is achieved in accordance with IFRS 10.

(2-6) GOING CONCERN

The accumulated losses of the Group amounted to 53% of the paid-in capital as of 31 December 2019 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 current assets by JD 31,247,610, as at 31 December 2019, in addition to incurring a total losses of JD 752,207 for the year then ended. Management believes that it is appropriate to use the going concern basis for the 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) PROPERTY, PLANT AND EQUIPMENT

2019	Land*	Buildings	Machinery and equipment**	Laboratory and quality control equipment	Furniture and fixtures	Computers	Electronics and office equipment	Decorations	Tools	Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:												
Balance at 1 January 2019	1,428,093	16,100,234	27,082,378	361,209	138,280	450,947	581,140	98,390	508,635	1,177,132	101,121	48,027,559
Additions	-	9,360	916	-	380	400	65	-	375	73,600	-	85,096
Disposals	-	-	-	-	-	-	-	-	-	(59,280)	-	(59,280)
Balance at 31 December 2019	1,428,093	16,109,594	27,083,294	361,209	138,660	451,347	581,205	98,390	509,010	1,191,452	101,121	48,053,375
Accumulated depreciation:												
Balance at 1 January 2019	-	8,069,761	18,005,079	342,389	127,076	366,307	553,116	82,855	506,645	955,614	20,059	29,028,901
Charge for the year	-	570,903	962,165	13,342	1,404	2,853	2,585	5,548	2,365	158,165	16,012	1,735,342
Disposals	-	-	-	-	-	-	-	-	-	(52,405)	-	(52,405)
Balance at 31 December 2019	-	8,640,664	18,967,244	355,731	128,480	369,160	555,701	88,403	509,010	1,061,374	36,071	30,711,833
Net book value:												
As at 31 December 2019	1,428,093	7,468,930	8,116,050	5,478	10,180	82,187	25,504	9,987	-	130,078	65,050	17,341,537

* This item includes land owned by the subsidiary, Union Tobacco and Cigarette Industries PLC, in the area of Al-Jizah, Jordan, which are secured by a first degree mortgage in the favour of Bank Al-Etihad.

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

The deprecation charge for the year is allocated as follows:

	2019	2018
	JD	JD
Cost of sales (Note 17)	1,395,721	1,200,934
Administrative expenses (Note 18)	329,738	297,223
Selling and marketing expenses (Note 19)	9,883	9,951
	1,735,342	1,508,108

2018	Land	Buildings	Machinery and equipment	Laboratory and quality control equipment	Furniture and fixtures	Computers	Electronics and office equipment	Decorations	Tools	Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:												
Balance at 1 January 2018	1,428,093	16,090,505	29,765,655	361,209	138,280	450,512	581,120	98,390	508,221	1,177,132	100,985	50,700,102
Additions	-	9,729	-	-	-	435	20	-	414	-	136	10,734
Disposals	-	-	(2,683,277)	-	-	-	-	-	-	-	-	(2,683,277)
Balance at 31 December 2018	1,428,093	16,100,234	27,082,378	361,209	138,280	450,947	581,140	98,390	508,635	1,177,132	101,121	48,027,559
Accumulated depreciation:												
Balance at 1 January 2018	-	7,498,858	19,848,382	328,998	124,310	361,736	532,586	76,861	483,975	865,300	-	30,121,006
Charge for the year	-	570,903	756,910	13,391	2,766	4,571	20,530	5,994	22,670	90,314	20,059	1,508,108
Disposals	-	-	(2,600,213)	-	-	-	-	-	-	-	-	(2,600,213)
Balance at 31 December 2018	-	8,069,761	18,005,079	342,389	127,076	366,307	553,116	82,855	506,645	955,614	20,059	29,028,901
Net book value:												
As at 31 December 2018	1,428,093	8,030,473	9,077,299	18,820	11,204	84,640	28,024	15,535	1,990	221,518	81,062	18,998,658

(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	Zara Project*	Iraq Factories Project**	Total
	JD	JD	JD
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
Balance at 1 January 2018	3,063,443	-	3,063,443
Additions	7,468	7,799,219	7,806,687
Balance at 31 December 2018	3,070,911	7,799,219	10,870,130

* The estimated cost to complete for the uncompleted portion of the projects under construction is JD 3,500,000 as at 31 December 2019. Management has not set a date for the completion of the project as of the date of these consolidated financial statements.

** For the purposes of providing the necessary liquidity to complete the projects under construction, "Al Fiddiyah for the Production of Cigarettes, Limited Liability Company, and Union Tobacco and Cigarettes Factory Baghdad, an amount of JD 4,225,000 and JD 4,750,000, respectively, was transferred from the cash received from the sale of the subsidiary, Union Tobacco and Cigarettes - Iraq which took place during the last quarter of the year ending on 31 December 2019 as disclosed in note 24 (Disposal of a subsidiary).

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 also contributed IQD 4,500,0000 for the for the purpose of establishing a branch in Iraq in 2018 in the name of "Union Tobacco and Cigarettes Factory – Baghdad" where the Group owns 100% of the capital of the factory. An amount of JD 6,680,529 was transferred in 2019 to "Union Tobacco and Cigarettes Factory – Baghdad"

Management expects that the projects under construction will be completed during the third quarter of 2020. No specific date has been set as the legal procedures for operations to begin have not yet been fully completed.

(5) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	2019	2018
	JD	JD
Cost -		
Balance at 1 January*	63,199,837	60,061,986
Additions	53,501	101,567
Acquisition of a subsidiary (note 25)	-	3,036,284
Disposals – lands	(1,352,520)	-
Balance at 31 December	61,900,818	63,199,837
Accumulated depreciation -		
Balance at 1 January	(3,533,866)	(3,110,853)
Depreciation	(423,013)	(423,013)
Balance at 31 December	(3,956,879)	(3,533,866)
Net book value as at 31 December -	57,943,939	59,665,971

* 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.

During the year ended 31 December 2019, the Group sold a plot of land, number 2050, block 8 - Shmeisani. The group received an amount of JD 1,797,219 against a cost of JD 1,352,520 to achieve a total gain of JD 444,699 as a result of the sale transaction.

The Group's management believes that the fair value of investment properties is approximately JD 104 million as at 31 December 2019 (2018: JD 104 million). Management determines the fair value of these investments based upon based upon the real estate market for similar properties.

Investment properties include lands that are registered in the name of a third party where the Group obtained the right to use it as follows:

	2019	2018
	JD	JD
Lands	2,785,399	2,785,399

(6) INTANGIBLE ASSETS

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

The intangible assets details are as follows:

	2019 JD	2018 JD
Trade name	3,647,535	3,647,535

Management believes that there is no impairment as of 31 December 2019.

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

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

	2019 JD	2018 JD
Unquoted Shares / Inside Jordan		
Al-Karama for Financial Investments - PSC	80,000	80,000
Al-Mojama'at Real Estate - LTD	-	24,000
Al-Tajamouat for Touristic Projects - PSC	101	90
	80,101	104,090
Quoted Shares / Outside Jordan		
Al-Quds Real Estate Investments - PLC - Palestine	-	12,726
Al Salam Bank – Sudan	72,765	76,706
	72,765	89,432
Financial Assets – Others / Outside Jordan		
Investment funds – Capital Towers	-	1,740,000
	152,866	1,933,522

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

Movement on fair value reserve is as follows:

	2019	2018
	JD	JD
Balance at 1 January	(477,596)	(448,187)
Change in fair value of financial assets at fair value through other comprehensive income	(1,767,941)	(29,409)
Balance at 31 December	(2,245,537)	(477,596)

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

	2019	2018
	JD	JD
Quoted Shares / Inside Jordan		
Methaq Real Estate - PLC	61,820	57,328

(9) INVENTORIES

	2019	2018
	JD	JD
Raw materials	4,955,183	3,552,060
Work in progress	1,035,387	952,537
Finished goods	2,739,585	6,417,924
Spare parts	2,108,699	2,053,930
Inventory in transit	401,236	95,908
	11,240,090	13,072,359
Provision for slow moving inventories	(2,493,280)	(2,313,280)
	8,746,810	10,759,079

Movement on provision for slow moving inventories is as follows:

	2019	2018
	JD	JD
Balance at 1 January	2,313,280	2,389,361
Written off during the year	180,000	(76,081)
Balance at 31 December	2,493,280	2,313,280

(10) TRADE RECEIVABLES

	2019	2018
	JD	JD
Accounts receivable	8,919,504	20,804,186
Provision for expected credit losses	(2,907,930)	(3,087,930)
	6,011,574	17,716,256

Movement on provision expected credit losses is as follows:

	2019	2018
	JD	JD
Balance at 1 January	3,087,930	3,040,801
Provision for the year	-	50,000
Written off during the year	(180,000)	(2,871)
Balance at 31 December	2,907,930	3,087,930

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

	Past due but not impaired		
	1-180 days	More than 180 days	Total
	JD	JD	JD
2019	2,398,655	3,612,919	6,011,574
2018	6,936,638	10,779,618	17,716,256

The management of the Group believes that unimpaired receivable are expected to be fully recoverable. The Group does not obtain any guarantees against these receivables, and thus they are unsecured. The Group 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 at 31 December 2019.

(11) OTHER CURRENT ASSETS

	2019	2018
	JD	JD
Refundable deposits	267,198	259,137
Governmental deposits	1,129,900	1,616,775
Advance payments	1,010,000	-
Advances to suppliers	626,321	615,592
Employees receivables	111,836	81,002
Prepaid expenses	537,419	679,791
Others	2,632	31,315
	3,685,306	3,283,612

(12) CASH AND BANK BALANCES

	2019	2018
	JD	JD
Cash on hand	682,157	375,227
Bank current accounts	388,644	11,877,809
	1,070,801	12,253,036

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

	2019	2018
	JD	JD
Cash and bank balances	1,070,801	12,253,036
Bank overdrafts (Note 15)	(344,350)	(1,262,138)
	726,451	10,990,898

(13) SHAREHOLDERS' EQUITY

Authorized and paid in capital -

The authorized and paid in capital amounted to JD 50,000,000 divided into 50,000,000 shares at a par value of JD 1 per share as at 31 December 2019 and 2018.

Statutory reserve -

As required by the Jordanian Companies Law 10% of the annual profit before tax is to be transferred to statutory reserve. Transfers cannot be stopped before the statutory reserve reaches 25% of the Company's authorized capital. This reserve is not available for distribution to the shareholders.

Voluntary reserve -

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

Treasury shares -

Treasury shares represent the cost of the Company's re-acquired shares by its subsidiaries. Number of these shares was 8,096,015 shares with a total value of JD 9,634,258 as at 31 December 2019.

Accumulated Losses –

The Company's General Assembly decided at its extraordinary meeting held on 26 August 2019 to write off its accumulated losses in the amount of JD 14,740,167 as at 31 December 2018 against the statutory reserve, voluntary reserve, and the other reserves with an amount of JD 12,500,000 from the statutory reserve, JD 736,749 from the voluntary reserve account, and JD 1,503,418 from the other reserves account. The Companies Control Department approved this decision on 28 August 2019.

(14) LOANS

This item represents loans obtained from the following parties:

		Loan installments					
		2019			2018		
	Currency	Current portion	Non current portion	Total	Current portion	Non current portion	Total
		JD	JD	JD	JD	JD	JD
Bank Al Etihad – Renewal loan (2)	JD	-	-	-	6,806	-	6,806
Bank Al Etihad – Revolving loan (1)	JD	515,002	-	515,002	830,730	-	830,730
Bank Al Etihad – Revolving loan (2)	USD	3,148,825	-	3,148,825	2,134,912	-	2,134,912
Housing Bank of Trade and Finance	JD	1,029,564	-	1,029,564	-	-	-
BLOM Bank	JD	923,000	-	923,000	1,535,000	-	1,535,000
Bank Al Etihad – Reducing loan (1)	USD	2,288,652	11,778,899	14,067,551	2,288,652	12,143,478	14,432,130
Bank Al Etihad – Reducing loan (2)	JD	1,285,351	-	1,285,351	-	-	-
Invest Bank	JD	2,833,902	11,990,774	14,824,676	2,281,276	13,772,246	16,053,522
		12,024,296	23,769,673	35,793,969	9,077,376	25,915,724	34,993,100

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. The Group paid the full amount of the loan in the first quarter of 2019.

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 guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure. The Group reached an agreement with the bank to fully pay off the loan during 2020.

BANK AL ETIHAD REVOLVING LOAN (2) – USD

During 2018, "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 guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure. The Group reached an agreement with the bank to fully pay off the loan during 2020.

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 requested that BLOM Bank reschedule the loan installments coming due 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 requested Invest Bank to reschedule the loan installments coming due 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 requested that Housing Bank reschedule the loan installments coming due in April, May, June, and July of 2020 until the end of the term of the loan.

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

	JD
2021	4,388,652
2022	4,388,652
2023	4,388,652
2024 and beyond	10,603,717
	23,769,673

(15) BANK OVERDRAFTS

Financing party	Currency	Interest rate	Ceiling amount	2019	2018
			JD	JD	JD
The Housing Bank for Trade and Finance – Union Investment Corporation	JD	9%	1,000,000	275,378	1,018,269
Jordan Kuwait Bank – Union Land Development Corporation*	JD	8%	300,000	-	-
Bank Al Etihad – Union Tobacco and Cigarettes Industries Company	JD	5.50%	250,000	68,972	243,869
				344,350	1,262,138

* The Subsidiary did not utilize the balance of their overdrafts during the year.

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

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

JORDAN KUWAIT BANK - UNION LAND DEVELOPMENT COMPANY –

This facility is guaranteed with the same guarantees mentioned in (note 14) Jordan Kuwait Bank-JD.

BANK AL ETIHAD - UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY -

This facility is guaranteed with the same guarantees mentioned in (note14) Bank al Etihad – Redcuing loan (1) – USD.

(16) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2019	2018
	JD	JD
Accounts payable	18,736,503	15,421,257
Financial brokers payables*	9,248,586	10,147,964
Deferred revenues	1,516,137	1,022,442
Shareholders deposits	1,576,526	882,126
Accrued expenses	2,448,172	1,142,569
Sales tax deposits	3,327,205	1,108,352
Miscellaneous provisions	948,176	1,631,418
Accrued interest	303,985	275,254
Employee payables	70,179	110,664
Others	30,655	8,563
	38,206,124	31,750,609

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

(17) COST OF SALES

	2019	2018
	JD	JD
Cost of materials used in production	5,851,500	1,967,480
Salaries, wages and others	640,574	1,148,101
Depreciation (Note 3)	1,395,721	1,200,934
Maintenance	39,710	345,666
Electricity, water and fuel	117,623	101,934
Employees' meals and hospitality	19,216	185,645
Vehicles expenses	47,937	27,995
Damaged materials	4,867	59,996
Fees and licenses	12,804	3,360
Cleaning	4,595	35,106
Insurance	290,743	13,317
Samples	1,968	4,206
Stationery and printing	1,062	4,146
Others	66,219	67,558
Total Cost of Sales	8,494,539	5,165,444
Less: Unutilized manufacturing capacity cost	(2,353,256)	(2,550,273)
	6,141,283	2,615,171

(18) ADMINISTRATIVE EXPENSES

	2019	2018
	JD	JD
Salaries, wages and others	760,888	1,477,271
Depreciation (Note 3)	329,738	297,223
Professional fees and consultancy	107,741	142,511
Fees and licenses	369,879	251,517
Postage and telephone	22,876	41,119
Advertisements	1,100	1,075
General Assembly meeting expenses	12,442	2,459
Rent	22,872	23,575
Water and electricity	63,728	115,225
Transportation	24,010	28,081
Stationery and printings	53,267	1,704
Vehicles expenses	17,242	34,925
Insurance	114,336	78,342
Maintenance	9,269	8,906
Cleaning	2,400	3,183
Bank charges	5,004	-
Hospitality	350,016	16,276
Gifts and donations expenses	121	1,473
Others	63,365	103,262
	2,330,294	2,628,127

(19) SELLING AND MARKETING EXPENSES

	2019	2018
	JD	JD
Salaries and wages	292,488	77,248
Export expenses	426,920	1,202,256
Trademark expenses	3,542	5,790
Depreciation (Note 3)	9,883	9,951
Others	93,186	101,636
	826,019	1,396,881

(20) BASIC AND DILUTED LOSS PER SHARE

	2019	2018
Loss for the year attributable to equity holders of the Parent (JD)	(8,066,863)	(1,248,868)
Weighted average number of shares (Share)	38,753,507	48,387,765
Basic loss per share attributable to equity holders of the Parent (JD / Fils)	(0/21)	(0/026)

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

(21) NON-CONTROLLING INTERESTS

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

During 2019, the Company acquired non-controlling interests in the amount of JD 1,777,748 for 1,493,906 shares.

(22) INCOME TAX

Income tax -

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

	2019	2018
	JD	JD
Income tax expense for the year	116,924	41,423
Prior years income tax expense	228,074	112,624
	344,998	154,047

Movement on provision for income tax is as follows:

	2019	2018
	JD	JD
At 1 January	350,432	999,785
Income tax expense for the year	116,924	41,423
Prior years income tax expense	228,074	112,624
Income tax paid	(446,279)	(128,822)
At 31 December	249,151	1,025,010

Income tax provision for the year ended at 31 December 2019 in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

Income tax provision for the year ended at 2018 was calculated in accordance with the Income Tax Law No. (34) of 2014.

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

The Income Tax Department did not review the Group records for the years 2013, 2014, 2015, and 2017, up to the date of these consolidated financial statements except for the subsidiary (Union Tobacco and Cigarettes Industries Company) in which the Income Tax Department reviewed its records until the year 2015 without issuing a final clearance yet.

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 year ended at 31 December 2019 in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

No income tax provision for the year ended at 2018 was calculated in accordance with the Income Tax Law No. (34) of 2014.

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 consolidated 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 consolidated financial statements.

The reconciliation between the accounting and taxable profit for the subsidiary company, Union Land Development Corporation PSC is as follows:

	2019	2018
	JD	JD
Accounting profit from continuing operations	922,764	843,911
Add: Non-deductible expenses		
Property taxes	(158,623)	(178,115)
Other Expenses	(6,280)	(96,111)
Profit subject to tax:	1,087,667	1,118,137
Income tax due	116,924	41,423
Prior year's income tax	-	112,624
Statutory Tax Rate	20%	14%
Effective Tax Rate	11%	4%

In addition, the Company, Union Investment Corporation PSC, recognized prior year's income tax for the profit earned in the year ended 31 December 2012.

(23) RELATED PARTIES

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

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

	2019	2018
	JD	JD
Salaries, bonuses and other benefits	314,050	339,370

(24) DISPOSAL OF A SUBSIDIARY

The subsidiary "Union Land Development Corporation" sold 100% of its share in its subsidiary "Al Tajamouat Real Estate LLC 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:

	31 December 2019	31 December 2018
	JD	JD
Gain on sale of investment properties	-	2,808,326
Profit from discontinued operations	-	2,808,326

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 2018
	JD	JD
Assets -		
Cash on hand and at banks	3,229	3,954
Investment 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 disposals	6,578,114	6,503,839
Less:		
Cash received	4,750,000	
Account receivable	1,600,000	
Net Assets of Taj Al-Madina For Housing LLC	3,036,440	
Gain	2,808,326	

The subsidiary "Union Tobacco and Cigarettes Industries" and its subsidiaries sold "Union Tobacco and Cigarettes Company – Iraq". Which used to own 100% before the sale transaction. The gain on the sale amounted to JD 2,988,910

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

	2019	2018
	JD	JD
Gain on sale of investment properties	2,988,910	1,091,019
Profit from discontinued operations	2,988,910	1,091,019

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
	JD
Assets -	
Accounts Receivable	12,780,627
Property and Equipment	58,980
Other Current Assets	27,995
Total assets	12,867,602
Liabilities -	
Due to related parties	6,851,512
Total liabilities	6,851,512
Net assets	6,016,090
The details of the selling price of that company are as follows:	
Cash transferred to construction in progress (note 4)	9,005,000
	9,005,000
Net book value for the assets associated with the disposals	(6,016,090)
Gain on sale of the subsidiary	2,988,910

(25) 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 24).

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 JD	Previous Book value JD
Investment properties (note 5)	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	-	

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

(26) OPERATING SEGMENTS

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

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

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

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

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

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

	Tobacco and cigarettes	Investments in shares	Real estates	Total
	JD	JD	JD	JD
For the year ended 31 December 2019-				
Revenues:				
Revenues	5,389,076	-	-	5,389,076
Results:				
(Loss) profit for the year	(3,998,965)	(5,807,065)	905,707	(8,900,323)
Other segment information:				
Deprecation	(1,668,525)	-	(489,830)	(2,158,355)
Finance costs	(1,433,563)	(1,022,473)	(1,251,680)	(3,707,716)
For the year ended 31 December 2018-				
Revenues:				
Revenues	4,016,340	70,454	2,833,127	6,919,921
Results:				
(Loss) profit for the year	(4,550,143)	(4,961,332)	3,498,190	(6,013,285)
Other segment information:				
Deprecation	(1,438,081)	(683)	(492,357)	(1,931,121)
Finance costs	(1,764,545)	(1,258,781)	(791,922)	(3,815,248)
As at 31 December 2019-				
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
As at 31 December 2018-				
Segment assets	55,337,607	24,262,181	59,597,728	139,197,516
Segment liabilities	45,610,357	6,951,872	16,468,628	69,030,857

(27) MATERIAL PARTIALLY OWNED SUBSIDIARIES

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

	Country of incorporation	Nature of activity	Non–controlling interests share	
			2019	2018
			JD	JD
Union Land Development Corporation	Jordan	Services	53.50%	55.45%
Union Tobacco and Cigarettes Industries Company	Jordan	Industrial	18.20%	23.07%

Cumulative balance of non–controlling interests is as follows:

	2019	2018
	JD	JD
Union Land Development Corporation	27,946,987	27,936,416
Union Tobacco and Cigarettes Industries Company	12,760,877	11,054,598
Total	40,707,864	38,991,014

Non–controlling interests share of loss are as follows:

	2019	2018
	JD	JD
Union Land Development Corporation	431,124	382,530
Union Tobacco and Cigarettes Industries Company	(1,264,584)	(1,049,593)
Total	(833,460)	(667,063)

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

Summary of the statement of profit or loss for 2019

Continuing Operations	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
	JD	JD
Net sales	5,389,076	2,822,862
Cost of sales	(6,141,283)	(494,756)
Unutilized manufacturing capacity cost	(2,353,256)	-
Gain on sale of investment property	-	444,699
Selling and distribution expenses	(826,019)	-
Administrative expenses	(1,474,118)	(592,081)
Other expenses, net	(109,102)	(6,280)
Finance costs	(1,433,563)	(1,251,680)
(Loss) profit before tax	(6,948,265)	922,764
Income tax expense for the year	-	(116,924)
(Loss) profit for the year	(6,948,265)	805,840
Discontinued Operations		
Profit for the year from discontinued operations	2,988,910	-
Loss (profit) for the year	(3,959,355)	805,840
Attributable to:		
Equity holders of the parent	(2,694,771)	374,716
Non-controlling interests	(1,264,584)	431,124
	(3,959,355)	805,840

Summary of the statement of profit or loss for 2018

	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
Continuing Operations	JD	JD
Net sales	4,016,340	2,833,127
Cost of sales	(2,615,171)	(519,074)
Unutilized manufacturing capacity cost	(2,550,273)	
Selling and distribution expenses	(1,396,881)	-
Administrative expenses	(1,632,730)	(618,336)
Other expenses, net	302,098	(59,884)
Finance costs	(1,764,545)	(791,922)
(Loss) profit before tax	(5,641,162)	843,911
Income tax expense for the year	-	(41,423)
Prior years income tax expense	-	(112,624)
(Loss) profit for the year	(5,641,162)	689,864
Discontinued Operations		
Profit for the year from discontinued operations	1,091,019	2,808,326
Loss (profit) for the year	(4,550,143)	3,498,190
Attributable to:		
Equity holders of the parent	(3,500,426)	2,691,158
Non-controlling interests	(1,049,717)	807,032
	(4,550,143)	3,498,190

Summary of statement of financial position as of 31 December 2019:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
	JD	JD
Current assets	17,596,374	18,488,232
Non-current assets	47,162,553	51,406,254
Current liabilities	(37,835,013)	(6,148,007)
Non-current liabilities	(11,832,074)	(11,990,774)
Total equity	15,091,840	51,755,705
Attributable to:		
Equity holders of the parent	12,345,125	24,066,403
Non-controlling interests	2,746,715	27,689,302
	15,091,840	51,755,705

Summary of statement of financial position as of 31 December 2018:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
	JD	JD
Current assets	34,548,054	20,224,228
Non-current assets	32,217,242	51,085,408
Current liabilities	(35,531,013)	(4,760,515)
Non-current liabilities	(12,143,478)	(13,772,246)
Total equity	19,090,805	52,776,875
Attributable to:		
Equity holders of the parent	14,686,556	23,512,098
Non-controlling interests	4,404,249	29,264,777
	19,090,805	52,776,875

Summary of statement of cash flows for the year ended 31 December 2019:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
	JD	JD
Operating activities	17,452,605	(6,992,697)
Investing activities	(15,675,243)	(2,365,164)
Financing activities	(1,201,308)	(2,315,155)
Net increase in cash and cash equivalents	576,054	(11,673,016)

Summary of statement of cash flows for the year ended 31 December 2018:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Corporation
	JD	JD
Operating activities	10,577,566	(2,248,490)
Investing activities	(6,890,733)	3,292,480
Financing activities	(3,530,913)	10,930,522
Net increase in cash and cash equivalents	155,920	11,974,512

(28) CONTINGENT, CONTRACTUAL AND CAPITAL COMMITMENTS

At the date of the consolidated financial statements, the Group has letters of guarantee amounted to JD 2,132,244 (2018: JD 2,132,244).

(29) LAWSUITS RAISED BY AND AGAINST THE GROUP

As at 31 December 2019, the Group was defendant in number of lawsuits in its normal course of business amounted to JD 18,029,735 (2018: JD 18,029,735). The Group's management and its legal counsel believe that the Group will not have any material obligations in respect of these lawsuits.

As at 31 December 2019, the Group was a claimant in number of lawsuits in its normal course of business amounted to JD 68,041 (2018: JD 68,041). Which represents receivables that arose in the normal course of business.

(30) RISK MANAGEMENT

Interest rate risk -

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

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

2019 Currency	Increase in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	86,461
USD	50	85,425

2018 Currency	Increase in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	92,040
USD	50	82,835

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

Equity price risk -

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

2019-

Index	Change in index	Effects on loss before tax	Effect on consolidated statement of comprehensive income, fair value reserve and shareholders' equity
	(%)	JD	JD
Dubai Stock Exchange	15	-	10,915
Amman Stock Exchange	15	-	12,000

2018-

Index	Change in index	Effects on loss before tax	Effect on consolidated statement of comprehensive income, fair value reserve and shareholders' equity
	(%)	JD	JD
Dubai Stock Exchange	15	-	11,506
Amman Stock Exchange	15	8,099	1,909

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

Credit risk -

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

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

Liquidity risk -

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

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

	Less Than 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
31 December 2019 -	JD	JD	JD	JD	JD
Loans	3,330,037	9,990,110	20,683,952	5,938,082	39,942,181
Payables and other current liabilities	-	38,206,124	-	-	38,206,124
Bank overdrafts	344,350	-	-	-	344,350
Total	3,674,387	48,196,234	20,683,952	5,938,082	78,492,655
31 December 2018 -					
Loans	3,777,289	6,169,353	22,730,723	6,514,315	39,191,680
Payables and other current liabilities	-	38,335,613	-	-	38,335,613
Bank overdrafts	1,262,138	-	-	-	1,262,138
Total	5,039,427	44,504,966	22,730,723	6,514,315	78,789,431

Currency risk -

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

(31) Fair Value of FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Level 1	Level 3	Total
	JD	JD	JD
2019 -			
Financial assets at fair value through other comprehensive income	72,765	80,101	152,866
2018 -			
Financial assets at fair value through other comprehensive income	89,432	1,844,090	1,933,522

(32) CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or procedures during the current year and the prior year.

Capital comprises of paid in capital, statutory reserve, voluntary reserve, treasury shares, fair value reserve, other reserves and accumulated losses, and is measured at JD 9,928,835 as at 31 December 2019 (2018: JD 31,175,645)

(33) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts
IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's 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 is 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.

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 has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

(34) COMPARATIVE FIGURES

Some of 2018 balances were reclassified to correspond with those of 2019 presentation. The reclassification has no effect on the profit and equity of the year 2018.

(35) SUBSEQUENT EVENTS

Subsequent to year-end, 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 have been affected by business closures, 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 ending 31 December 2019. 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.