

To: Jordan Securities Commission

Amman Stock Exchange

Date: 2/7/2020

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ:- 2020/7/2

**Subject Audited Financial Statements for the fiscal
year ended of 31/12/2019**

الموضوع: البيانات المالية السنوية المدققة كما هي في
2019/12/31

**Attached the Audited Financial Statements of
(Union Land Development Corp. plc) As of
31/12/2019 in English.**

مرفق طيه نسخة من البيانات المالية السنوية لشركة
(الإتحاد لتطوير الأراضي م.ع.م) باللغة الإنجليزية كما هي
بتاريخ 2019/12/31

Kindly accept our highly appreciation and respect

Union Development Land. P.L.C

Board Chairman

Mohammad Al-Shawawreh

وتفضلوا بقبول فائق الاحترام...

شركة الإتحاد لتطوير الأراضي م.ع.م

رئيس مجلس الإدارة

محمد الشواورة

د. سید احمد

شركة الاتحاد
المساهمة العامة
عمان

٠٢ تموز ٢٠٢٠
 رقم التسلسل: ٢٢٠٧٢
 صف: ٢٢٠٧٢
 الحب المختصة بالادارة

UNION LAND DEVELOPMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Union Land Development Corporation
Public Shareholding Company
Amman – Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Union Land Development 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 other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 Opinion

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

Emphasis of Matters

- Without qualifying 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 are not registered in the name of the Group as of 31 December 2019.

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. 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. Valuation of investment properties

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

Key audit matter:

Investment properties make up 58.4% of the total assets of the Group 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 important for our audit. The Group has a process of internal and external valuations, with the value of the investment property being measured at least once a year. These valuations are based on, among other things, assumptions, such as future rents and occupation.

How the key audit matter was addressed in the audit:

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

Other information included in the Group's 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.

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.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker, license number 592.

Amman – Jordan

15 June 2020



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

	Notes	31 December 2019 JD	31 December 2018 JD
<u>ASSETS</u>			
Non-current assets -			
Property, plant and equipment	3	2,506,128	2,562,830
Projects under construction	4	3,080,376	3,070,911
Investment properties	5	40,820,060	42,542,092
Financial assets at fair value through other comprehensive income	6	4,999,690	2,909,575
		<u>51,406,254</u>	<u>51,085,408</u>
Current Assets -			
Inventories	7	18,022	18,022
Trade receivables	8	209,581	124,351
Other current assets	9	336,048	418,351
Due from related parties	16	17,677,195	7,743,102
Cash and bank balances	10	247,386	11,920,402
		<u>18,488,232</u>	<u>20,224,228</u>
Total Assets		<u>69,894,486</u>	<u>71,309,636</u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Attributable to equity holders of the parent -			
Paid in capital	11	42,065,129	42,065,129
Share premium	11	4,253,659	4,253,659
Statutory reserve	11	2,174,694	2,082,418
Voluntary reserve	11	1,495,745	1,495,745
Other reserves		1,309,287	1,309,287
Fair value reserve	6	(1,771,859)	(1,060,182)
Retained earnings		2,229,050	2,630,819
Net Equity		<u>51,755,705</u>	<u>52,776,875</u>
Liabilities			
Non-Current liabilities -			
Long term loans	12	11,990,774	13,772,246
Current Liabilities -			
Current portion of long-term loans	12	2,833,902	2,288,082
Trade and other payables	17	3,071,031	2,128,078
Income tax provision	15	243,074	344,355
		<u>6,148,007</u>	<u>4,760,515</u>
Total Liabilities		<u>18,138,781</u>	<u>18,532,761</u>
Total Equity and Liabilities		<u>69,894,486</u>	<u>71,309,636</u>

The attached notes from 1 to 29 form part of these consolidated financial statements

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

	<u>Notes</u>	<u>2019</u> JD	<u>2018</u> JD
<u>Continuing Operations</u>			
Rental revenue		2,822,862	2,833,127
Total revenues		<u>2,822,862</u>	<u>2,833,127</u>
Rental costs		(473,634)	(484,180)
Commodore Hotel operating expenses		(21,122)	(34,894)
Gross profit		<u>2,328,106</u>	<u>2,314,053</u>
Gain on sale of property	5	444,699	-
Administrative expenses	13	(592,081)	(618,336)
Finance costs		(1,251,680)	(791,922)
Provision for expected credit losses		-	(50,000)
Other expenses, net		(6,280)	(9,884)
Profit for the year, before income tax from continuing operations		<u>922,764</u>	<u>843,911</u>
Income tax expense for the year	15	(116,924)	(41,423)
Prior years income tax expense	15	-	(112,624)
Profit for the year, after income tax from continuing operations		<u>805,840</u>	<u>689,864</u>
<u>Discontinued Operations</u>			
Profit after tax from discontinued operations	22	-	2,808,326
Profit for the year		<u>805,840</u>	<u>3,498,190</u>
		JD/ Fils	JD/ Fils
Basic and diluted earnings per share from the profit for the year attributable to equity holders of the parent	20	<u>0/019</u>	<u>0/083</u>

The attached notes from 1 to 29 form part of these consolidated financial statements

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>Note</u>	<u>2019</u>	<u>2018</u>
		JD	JD
Profit for the year		805,840	3,498,190
Add: 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	6	(1,827,010)	(1,265,525)
Total other comprehensive income for the year		<u>(1,021,170)</u>	<u>2,232,665</u>

The attached notes from 1 to 29 form part of these consolidated financial statements

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to shareholders of the parent							Non-controlling interests		Total Equity
	Paid in capital	Share premium	Statutory reserve	Voluntary reserve	Other reserves	Fair value reserve	Retained earnings	Total		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2019										
Balance at 1 January 2019	42,065,129	4,253,659	2,082,418	1,495,745	1,309,287	(1,060,182)	2,630,819	52,776,875	-	52,776,875
Profit for the year	-	-	-	-	-	-	805,840	805,840	-	805,840
Change in fair value (note 6)	-	-	-	-	-	(1,827,010)	-	(1,827,010)	-	(1,827,010)
Total comprehensive income for the year	-	-	-	-	-	(1,827,010)	805,840	(1,021,170)	-	(1,021,170)
Loss on sale of financial assets at fair value through other comprehensive income (note 6)	-	-	-	-	-	1,115,333	(1,115,333)	-	-	-
Transfers	-	-	92,276	-	-	-	(92,276)	-	-	-
Balance at 31 December 2019	42,065,129	4,253,659	2,174,694	1,495,745	1,309,287	(1,771,859)	2,229,050	51,755,705	-	51,755,705
For the year ended 31 December 2018										
Balance at 1 January 2018	42,065,129	4,253,659	1,717,194	1,495,745	1,309,287	(137,770)	(159,034)	50,544,210	1,863	50,546,073
Profit for the year	-	-	-	-	-	-	3,498,190	3,498,190	-	3,498,190
Change in fair value (note 6)	-	-	-	-	-	(1,265,525)	-	(1,265,525)	-	(1,265,525)
Total comprehensive income for the year	-	-	-	-	-	(1,265,525)	3,498,190	2,232,665	-	2,232,665
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,863)	(1,863)
Loss on sale of financial assets at fair value through other comprehensive income (note 6)	-	-	-	-	-	343,113	(343,113)	-	-	-
Transfers	-	-	365,224	-	-	-	(365,224)	-	-	-
Balance at 31 December 2018	42,065,129	4,253,659	2,082,418	1,495,745	1,309,287	(1,060,182)	2,630,819	52,776,875	-	52,776,875

The attached notes from 1 to 29 form part of these consolidated financial statements

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

	Notes	2019 JD	2018 JD
<u>OPERATING ACTIVITIES</u>			
Profit for the period before tax from continuing operations		922,764	843,911
Profit for the period before tax from discontinued operations	22	-	2,808,326
		<u>922,764</u>	<u>3,652,237</u>
Adjustments for -			
Depreciation	3	66,817	69,344
Depreciation of investment properties	5	423,013	423,013
Gain on sale of investment properties	5	(444,699)	-
Finance costs		1,251,680	791,922
Provision for expected credit losses	8	-	50,000
Working capital changes-			
Inventories		-	7,589
Trade receivables and other current assets		(2,927)	319,142
Trade and other payables		942,951	(4,413,458)
Income tax paid		<u>(218,205)</u>	<u>(128,822)</u>
Net cash flows from operating activities		<u>2,941,394</u>	<u>770,967</u>
<u>INVESTING ACTIVITIES</u>			
Purchases of property, plant and equipment	3	(10,115)	(9,976)
Purchase of investment properties	5	(53,501)	(101,567)
Proceeds from sale of investment properties	5	1,797,219	-
Net cash acquired from the acquisition of a subsidiary	21	-	156
Purchase of financial assets at fair value through other comprehensive income		(5,417,914)	(3,824,778)
Proceeds from sale of financial assets at fair value through other comprehensive income		1,328,612	2,486,113
Cash proceeds from sale of a subsidiary	22	-	4,750,000
Projects under construction		<u>(9,465)</u>	<u>(7,468)</u>
Net cash flows (used in) from investing activities		<u>(2,365,164)</u>	<u>3,292,480</u>
<u>FINANCING ACTIVITIES</u>			
Due from related parties		(9,934,093)	(3,019,456)
Repayments of loans		(1,063,473)	(5,311,400)
Proceeds from loans	12	-	17,000,000
Finance costs paid		<u>(1,251,680)</u>	<u>(758,079)</u>
Net cash flows (used in) from financing activities		<u>(12,249,246)</u>	<u>7,911,065</u>
Net (decrease) increase in cash and cash equivalents		<u>(11,673,016)</u>	<u>11,974,512</u>
Cash and cash equivalents at 1 January		11,920,402	(54,110)
Cash and cash equivalents at 31 December	10	<u>247,386</u>	<u>11,920,402</u>

The attached notes from 1 to 29 form part of these consolidated financial statements

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

(1) GENERAL

Union Land Development Corporation (the "Company") was established as a public shareholding company on 1 August 1995, under registration number (288) with paid in capital of JD 42,065,129 divided into 42,065,129 shares at a par value of JD 1 per share.

The Company was registered as an entity in Aqaba Special Economic Zone Authority under No. 1101032808 dated 28 March 2001, and the Consolidated Financial Statements includes the assets, liabilities, and results of operations are included in this Company.x'

The Company's main activity is the establishment and management of tourism enterprises and the investment of their funds in shares, bonds, land and real estate development, in addition to the establishment, ownership, operation, management and investment of hotels.

The consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 15 June 2020 and they are subject to the approval of the General Assembly of the Shareholders.

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.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

(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.

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

	Paid In capital JD	Major activity	Percentage of ownership 2019 %	Percentage of ownership 2018 %
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 Company	1,000	Land development	100	100
Dhaba'a Real Estate Company	1,000	Land development	100	100
Taj Al-Madina For Housing LLC	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.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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 2018 except that the Group has applied the following amendments 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.

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 1 January 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.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
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(2-4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

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

	<u>%</u>
Buildings	2
Machinery and equipment	12-15
Furniture and fixtures	9-12
Computers	15
Electronics and office supplies	15
Decorations	15
Tools	15
Vehicles	15

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.

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 recognized 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

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.

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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%.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

- 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 groups 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.

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Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value when the 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 subjected to the impairment test. Dividends are recognized in the consolidated statement of profit or loss.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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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 recognized 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.

Trade receivables

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or 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.

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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 asset. 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.

Trade 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

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

In accordance with IFRS (15), revenue recognized from sales is measured at the fair value of the consideration received or receivable when it is probable to collect such consideration.

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.

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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.

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Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale to equity holders of the parent 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 coordinated 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 statement of profit or loss

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(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:

- Provision for expected credit losses is made on the basis and assumptions approved by the Group's management to estimate the provision to be taken in line with IFRS 9.
- The fiscal year shall be charged for the income tax expense in accordance with the accounting regulations, laws and standards. The deferred tax assets and liabilities and tax provision are measured and recognized.
- The Group periodically recalculates the useful life of the property and equipment for the purpose of calculating annual depreciation based on the general condition of the asset and estimated future useful lives. Impairment losses are recognized as an expense in the consolidated statement of profit or loss.
- A provision is taken for legal cases raised against the Group based on legal studies prepared by the Group's legal advisors, under which future potential risks are identified these studies are reviewed on a periodic basis.

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(3) PROPERTY, PLANT AND EQUIPMENT

2019-

Cost -	Lands	Buildings	Machinery and equipment	Furniture and fixtures	Computers	Electronics and office supplies	Decorations	Tools	Vehicles	Total
Balance as of 1 January 2019	913,874	2,946,240	196,318	83,900	104,598	58,052	95,502	34,879	100,406	4,533,769
Additions	-	9,360	-	380	-	-	-	375	-	10,115
Balance as of 31 December 2019	913,874	2,955,600	196,318	84,280	104,598	58,052	95,502	35,254	100,406	4,543,884
Accumulated Depreciation -										
Balance as of 1 January 2019	-	1,369,254	196,318	78,116	102,685	55,067	80,107	34,499	54,893	1,970,939
Depreciation for the year	-	47,020	-	1,404	1,734	967	5,548	117	10,027	66,817
Balance as of 31 December 2019	-	1,416,274	196,318	79,520	104,419	56,034	85,655	34,616	64,920	2,037,756
Net book value -										
As at December 2019	913,874	1,539,326	-	4,760	179	2,018	9,847	638	35,486	2,506,128

The cost of fully depreciated property, plant and equipment is JD 539,816 as at 31 December 2019 (2018: 381,752 JD).

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2018-

	Lands	Buildings	Machinery and equipment	Furniture and fixtures	Computers	Electronics and office supplies	Decorations	Tools	Vehicles	Total
Cost-										
Balance as of 1 January 2018	913,874	2,936,511	196,318	83,900	104,598	58,052	95,502	34,632	100,406	4,523,791
Additions	-	9,729	-	-	-	-	-	247	-	9,976
Balance as of 31 December 2018	913,874	2,946,240	196,318	83,900	104,598	58,052	95,502	34,879	100,406	4,533,767
Accumulated Depreciation -										
Balance as of 1 January 2018	-	1,322,234	196,318	76,628	100,952	54,052	74,525	34,092	42,794	1,901,591
Depreciation for the year	-	47,020	-	1,488	1,733	1,015	5,582	407	12,099	69,341
Balance as of 31 December 2018	-	1,369,254	196,318	78,116	102,685	55,067	80,107	34,499	54,893	1,970,931
Net book value -										
As at December 2018	913,874	1,576,986	-	5,784	1,913	2,985	15,395	380	45,513	2,562,831

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(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	2019	2018
	JD	JD
Balance at 1 January	3,070,911	3,063,443
Additions	9,465	7,468
Balance at 31 December	3,080,376	3,070,911

The estimated cost to complete 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.

(5) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	2019	2018
	JD	JD
Cost -		
Balance at 1 January*	46,075,958	42,938,107
Additions	53,501	101,567
Acquisition of a subsidiary (note 21)	-	3,036,284
Disposals – lands **	(1,352,520)	-
Ending balance as at 31 December	44,776,939	46,075,958
Accumulated depreciation -		
Balance at 1 January	(3,533,866)	(3,110,853)
Depreciation	(423,013)	(423,013)
Ending balance as at 31 December	(3,956,879)	(3,533,866)
Net book value-		
As at 31 December	40,820,060	42,542,092

* This balance includes lands secured by a first degree mortgage to Invest Bank in the amount of JD 17,000,000 on the land No. 266 and the buildings of IKEA.

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** During the year ended 31 December 2019, the Group sold a plot of land, number 2050, block 8 - Shmeisani. The group received a sum of JD 1,797,219 with a cost of JD 1,352,520 dinars, with a total gain of JD 444,699 as a result of the transaction.

The Group's management believes that the fair value of investment properties is approximately amounted to JD 89 millions as at 31 December 2019 (2018: JD 89 millions). Management determines the fair value of these investment based upon the real estate market for similar plots of land.

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

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

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

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

	2019	2018
	JD	JD
Quoted Shares / Inside Jordan		
Union Tobacco and Cigarettes Industries Corporation / P.L.C	126,420	1,145,759
Union Investments Corporation / P.L.C	4,873,169	11,000
Al-Quds Real Estate Investments - P.L.C / Palestine	-	12,726
Al Tajamouat for Touristic Projects Company / P.L.C	101	90
	4,999,690	1,169,575
Financial Assets – Other / Outside Jordan		
Investment funds – Capital Towers	-	1,740,000
	4,999,690	2,909,575

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The movement on the fair value reserve is as follows:

	2019	2018
	JD	JD
Balance at the beginning of the year	(1,060,182)	(137,770)
Change in fair value of financial assets at fair value through other comprehensive income	(1,827,010)	(1,265,525)
Loss on sale of financial assets at fair value through other comprehensive income	1,115,333	343,113
Ending balance for the year	(1,771,859)	(1,060,182)

(7) INVENTORIES

	2019	2018
	JD	JD
Main store	260,442	260,442
Provision for slow moving inventories	(242,420)	(242,420)
	18,022	18,022

(8) TRADE RECEIVABLES

	2019	2018
	JD	JD
Trade receivables	1,175,788	1,090,558
Provision for expected credit losses	(966,207)	(966,207)
	209,581	124,351

* The movement on the provision for expected credit losses is as follows:

	2019	2018
	JD	JD
Balance at 1 January	966,207	916,207
Provision for the year	-	50,000
Balance at 31 December	966,207	966,207

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As at 31 December, the aging of unimpaired trade receivables is as follows:

	Past due but not impaired		
	1-180	More than	Total
	days	181 days	
	JD	JD	JD
2019	128,342	81,239	209,581
2018	76,149	48,202	124,351

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

(9) OTHER CURRENT ASSETS

	2019	2018
	JD	JD
Refundable deposits	61,676	61,676
Governmental deposits	205,983	290,436
Employee receivables	38,141	38,282
Prepaid expenses	30,248	27,957
	<u>336,048</u>	<u>418,351</u>

(10) CASH AND BANK BALANCES

	2019	2018
	JD	JD
Cash on hand	4,742	21,382
Cash at banks	<u>242,644</u>	<u>11,899,020</u>
	<u>247,386</u>	<u>11,920,402</u>

(11) SHAREHOLDERS' EQUITY

Authorized and paid in capital-

The Company's authorized and paid in capital amounted to JD 42,065,129 divided into 42,065,129 shares at a par value of JD 1 per share.

Share premium-

The accumulated balance in this account represents amounts received and resulted from the difference between the shares issuance price and the shares face value as a result of increasing the Company's capital during previous years.

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Statutory reserve-

As required by the Jordanian Companies Law, 10% of the profit before tax is to be transferred to statutory reserve. This reserve is not available for distribution to shareholders. Management may stop the transfer to the reserve, when the balance reaches 25% of the paid in capital.

Voluntary reserve -

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

(12) LOANS

		Loan installments					
		2019			2018		
Loan Currency	Current portion	Non current		Total	Non current		Total
		Current portion	portion		Current portion	portion	
	JD	JD		JD	JD	JD	JD
Bank Al Etihad	JD	-	-	-	6,806	-	6,806
Invest Bank	JD	2,833,902	11,990,774	14,824,676	2,281,276	13,772,246	16,053,522
		<u>2,833,902</u>	<u>11,990,774</u>	<u>14,824,676</u>	<u>2,288,082</u>	<u>13,772,246</u>	<u>16,060,328</u>

Bank Al Etihad - JD

During 2017, the Group obtained a loan from Bank Al Etihad with an amount of JD 443,000 at an annual interest rate of 9% without commission. This loan is repayable over installments of JD 149,878 each (including interest). This loan is secured by a mortgage of the first degree on a plot of land number 2157 Shmeisani No. 13. The Group settled the remaining balance of the loan during the first quarter of 2019.

Invest Bank - JD

During the year 2018, the Group 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, interest included, 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 had requested from Invest Bank to reschedule the loan payment due on 30 May 2020 to 30 November 2020.

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

<u>Year</u>	<u>JD</u>
2021	2,920,064
2022	2,923,500
2023	2,992,322
2024 and after	3,154,888
	<u>11,990,774</u>

(13) ADMINISTRATIVE EXPENSES

	<u>2019</u>	<u>2018</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	180,117	153,160
Depreciation (Note 3)	66,817	69,344
Professional fees	30,964	60,326
License and fees	235,190	214,045
Telephone and post	3,258	13,986
Advertising	525	10,766
BOD meeting expenses	8,533	6,975
Water and utilities	9,655	10,827
Transportation	4,815	4,800
Stationery and printing	199	332
Insurance	36,391	34,552
Maintenance	6,389	18,115
Cleaning	2,392	1,035
Bank charges	2,505	11,012
Hospitality	-	3,000
Others	4,331	6,061
	<u>592,081</u>	<u>618,336</u>

(14) BANK OVERDRAFT

This item represents the utilized balance of the bank overdrafts, details of this item are as follows:

<u>Financing party</u>	<u>Currency</u>	<u>Average interest rate</u>	<u>Credit limit</u>	<u>2019</u>	<u>2018</u>
			<u>JD</u>	<u>JD</u>	
Jordan Commercial Bank	JD	8%	300,000	-	-
				<u>-</u>	<u>-</u>

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

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(15) INCOME TAX

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.

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	-	112,624
	<u>116,924</u>	<u>154,047</u>

The movements on provision for income tax was as follows:

	2019	2018
	JD	JD
Beginning balance for the year	344,355	319,130
Income tax expense for the year	116,924	154,047
Income tax paid	(218,205)	(128,822)
	<u>243,074</u>	<u>344,355</u>

The reconciliation between accounting and taxable profit is as follows:

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

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

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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, with the exception of the year ended 31 December 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.

(16) 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 balances of related parties in the consolidated statement of financial position represent the following:

	2019	2018
	JD	JD
Due from related parties:		
Union Investments Corporation – P.L.C (Parent company)	12,021,231	2,032,416
Union Tobacco and Cigarettes Industries– P.L.C (Sister company)	5,655,964	5,710,686
	<u>17,677,195</u>	<u>7,743,102</u>

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

	2019 JD	2018 JD
Salaries, bonuses and other benefits	60,000	46,320

During the year the Group had bought and sold shares in the Parent and Sister companies as follows:

	2019 JD	2018 JD
Union Investments Corporation – P.L.C (Parent company)	4,508,828	-
Union Tobacco and Cigarettes Industries– P.L.C (Sister company)	(1,179,009)	1,671,671
	3,626,819	1,671,671

(17) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2019 JD	2018 JD
Trade payables	317,776	168,288
Brokerages	498,741	-
Deferred revenues	1,256,992	1,022,442
Shareholders deposits	307,713	290,428
Accrued expenses	447,583	133,872
Sales tax deposits	25	70
Miscellaneous provisions	211,546	229,653
Accrued Interest	-	275,254
Others	30,655	8,071
	3,071,031	2,128,078

(18) CONTINGENT COMMITMENTS

At the date of the consolidated financial statements, the Group has letters of guarantee amounted to JD 41,540 (2018: JD 41,540).

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(19) 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 425,109 (2018: JD 425,109). 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 claimant in number of lawsuits which amounted to JD 68,041 (2018: JD 68,041). These amounts represent accounts receivable resulting from the normal course of business.

(20) BASIC AND DILUTED PROFIT (LOSS) FOR THE YEAR PER SHARE

	<u>2019</u>	<u>2018</u>
Profit for the year attributable to equity holders of the parent (JD)	805,840	3,498,190
Weighted average number of shares (Share)	42,065,129	42,065,129
Basic earning per share attributable to equity holders of the parent (JD / Fils)	<u>0/019</u>	<u>0/083</u>

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

(21) 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 22).

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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	Book value JD
Investment properties (note 5)	3,036,284	3,662,740
Cash on hand and at banks	156	156
	<u>3,036,440</u>	<u>3,662,896</u>
Net assets	<u>3,036,440</u>	<u>3,662,896</u>
Net assets acquired	<u>3,036,440</u>	
Cash paid	<u>-</u>	
Cash acquired from the subsidiary		156
Cash paid		<u>-</u>
Net cash acquired from the acquisition of the subsidiary		<u>156</u>

(22) DISPOSAL OF A SUBSIDIARY

The Group sold the entirety of its share in its subsidiary "Al Tajamouat Real Estate LLC during the year ended 31 December 2018. The Group used to own 97.5% from that company before the selling transaction. The gain from the selling transaction amounted to JD 2,808,326.

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

	30 September 2018 JD
Gain on sale of investment properties	2,808,326
General and administrative expenses	<u>-</u>
Profit after tax from discontinued operations	<u>2,808,326</u>

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

	Net book value on date of sale	31 December 2017
	JD	JD
Assets -		
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 assets	6,578,114	6,503,839

The details of the selling price of that company are as follows:

Cash received	4,750,000
Account receivable	1,600,000
Net assets – Taj Al-Madina For Housing LLC (Note 21)	3,036,440
	9,386,440
Net book value for the assets associated with the disposal	(6,578,114)
Gain from the sale of the subsidiary	2,808,326

(23) 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:

- Investments Properties
- Land Development.

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.

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

	Investments Properties JD	Land Development JD	Total JD
For the year ended 31 December 2019-			
Revenues:			
Revenues	2,588,177	234,685	2,822,862
Business Results:			
Profit for the year	668,400	137,440	805,840
<u>Other segment information:</u>			
Deprecation	(482,637)	(7,193)	(489,830)
Finance costs	(1,251,680)	-	(1,251,680)
For the year ended 31 December 2018-			
Revenues:			
Revenues	2,602,458	230,669	2,833,127
Business Results:			
Profit for the year	524,339	2,973,851	3,498,190
<u>Other segment information:</u>			
Deprecation	(485,164)	(7,193)	(492,357)
Finance costs	(791,922)	-	(791,922)
As at 31 December 2019-			
<u>Segment assets and liabilities</u>			
Segment assets	67,387,488	2,506,998	69,894,486
Segment liabilities	17,863,467	275,314	18,138,781
As at 31 December 2018-			
<u>Segment assets and liabilities</u>			
Segment assets	62,025,024	9,284,612	71,309,636
Segment liabilities	18,376,790	155,971	18,532,761

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(24) 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.

	Increase in interest rate <u>(Basis points)</u>	Effect on profit for the year before tax <u>JD</u>
2019 -		
Currency		
JD	50	(71,646)
2018 -		
Currency	Increase in interest rate <u>(Basis points)</u>	Effect on profit for the year before tax <u>JD</u>
JD	50	(80,807)

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

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Equity price risk -

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

2019 -

<u>Index</u>	<u>Change in index</u> (%)	Effect on consolidated statement of comprehensive income, fair value reserve and shareholders' equity
		<u>JD</u>
Amman Stock Exchange	15	749,954

2018 -

Amman Stock Exchange	15	175,436
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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 with respects to banks by dealing with reputable banks only.

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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:

31 December 2019 -	3 to 12 months JD	1 to 5 years JD	More than 5 years	Total JD
Loans	3,060,614	12,840,956	-	15,901,570
Trade and other payables	3,314,854	-	-	3,314,854
Total	6,375,468	12,840,956	-	19,216,424
31 December 2018 -	3 to 12 months JD	1 to 5 years JD	More than 5 years	Total JD
Loans	2,471,129	12,318,890	2,555,135	17,345,154
Trade and other payables	2,312,296	-	-	2,312,296
Total	4,783,425	12,318,890	2,555,135	19,657,450

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.

(25) 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.

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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 JD	Level 2 JD	Total JD
2019 –			
Financial assets at fair value through other comprehensive income	4,999,690	-	4,999,690
2018 –			
Financial assets at fair value through other comprehensive income	1,169,575	1,740,000	2,909,575

(26) 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 maximize 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 structure comprises of paid in capital, share premium, statutory reserve, voluntary reserve, fair value reserve, other reserves and retained earnings and is measured at JD 51,755,705 as at 31 December 2019 (2018: JD 52,776,875)

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 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.

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(28) 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.

(29) 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 real estate investment and related industries have been affected by mass business closures, large-scale quarantines, and other government procedures.

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 activity has halted since the resolution as a result.

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 transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. 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 2020.