



UNION LAND
DEVELOPMENT

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للمصاح
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اليوم
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٤/١٦

نموذج رقم (2-1) Form No. (1-2)	
To: Jordan Securities Commission Amman Stock Exchange Date: 16/4/2018 Ref: 143 /2018/gen.1 Subject: Audited Financial Statement for the fiscal year ended of 31/12/2017	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/4/16 الرقم : 143/2018/gen.1 الموضوع: البيانات المالية السنوية المدققة كما هي في 2017/12/31
Attached the Audited Financial Statement of (Union Land Development. P.L.C) as of 31/12/2017 in English	مرفق طيه نسخة من البيانات المالية السنوية لشركة (الإتحاد لتطوير الأراضي م.ع.م) كما هي باللغة الانجليزية بتاريخ 2017/12/31
Kindly accept our highly appreciation and respect Union Land Development. P.L.C General Manager Signature Muath Mustafa Enayah	وتفضلوا بقبول فائق الاحترام،،، شركة الإتحاد لتطوير الأراضي م.ع.م توقيع المدير العام معاذ مصطفى عنايه

شركة الإتحاد لتطوير الأراضي
المساهمة العامة مسجلة
عنوان: عمان

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UNION LAND DEVELOPMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017



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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

Qualified 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 2017, 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, 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 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Group's management did not perform impairment testing on its project under construction amounted to JD 6,913,443 as of 31 December 2017 in which there has been no additional work on that project since the year 2012. In accordance with International Financial Reporting Standards, if an indication exists that an asset may be impaired, the asset's recoverable amount should be estimated and where the carrying amount exceeds the asset's recoverable amount, the asset is considered impaired. We were not provided with a comprehensive study to assess the project's recoverable amount, and accordingly, we were unable to verify the related financial effect, if any, on the consolidated financial statements.

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 qualified opinion.



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Emphasis of Matters

- 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 2017.
- As disclosed in note (6) to the consolidated financial statements, financial assets at fair value through other comprehensive income include investments in an investment funds with an amount of JD 1,740,000 that are not registered in the name of the Group as of 31 December 2017.

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 2017. 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.

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 72% of the total assets of the Group as at 31 December 2017. 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.



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Other Matter

The consolidated financial statements for the year ended 31 December 2016, were audited by another auditor who expressed an unqualified opinion on those statements on 28 March 2017.

Other Information included in the Group's 2017 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 exists. 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 exists, 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.



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- 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.

Ernst & Young / Jordan
ERNST & YOUNG
Amman - Jordan

Mohammad Ibrahim Al-Karaki
License No. 882

Amman – Jordan
29 March 2018

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> <u>JD</u>	<u>2016</u> <u>JD</u>
<u>ASSETS</u>			
Non-Current Assets -			
Property, plant and equipment	3	2,622,198	3,990,708
Projects under construction	4	6,913,443	6,903,488
Investment properties	5	46,492,770	46,326,963
Financial assets at fair value through other comprehensive income	6	2,505,559	5,476,020
		<u>58,533,970</u>	<u>62,697,179</u>
Current Assets-			
Inventories	7	25,611	28,815
Trade receivables	8	215,832	176,624
Other current assets	9	696,012	402,323
Due from related parties	17	4,723,646	460,931
Cash and bank balances	10	12,902	207,897
		<u>5,674,003</u>	<u>1,276,590</u>
Total Assets		<u><u>64,207,973</u></u>	<u><u>63,973,769</u></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	1,717,194	1,584,652
Voluntary reserve	11	1,495,745	1,495,745
Other reserves		1,309,287	1,309,287
Fair value reserve	6	(137,770)	326,326
Retained earnings		<u>3,690,966</u>	<u>1,518,262</u>
		54,394,210	52,553,060
Non-controlling interests	15	<u>1,863</u>	<u>1,863</u>
Net Equity		<u><u>54,396,073</u></u>	<u><u>52,554,923</u></u>
Liabilities-			
Non-Current liabilities -			
Long term loans	12	<u>2,044,801</u>	<u>3,519,257</u>
Current Liabilities -			
Current portion of long term loans	12	2,368,148	3,535,028
Bank overdrafts	14	63,058	368,848
Due to a related party		-	219,290
Trade payables and other current liabilities	18	5,016,763	3,488,310
Income tax provision	16	<u>319,130</u>	<u>288,113</u>
		7,767,099	7,899,589
Total Liabilities		<u><u>9,811,900</u></u>	<u><u>11,418,846</u></u>
Total Equity and Liabilities		<u><u>64,207,973</u></u>	<u><u>63,973,769</u></u>

The attached notes from 1 to 27 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 2017

	<u>Notes</u>	<u>2017</u> <u>JD</u>	<u>2016</u> <u>JD</u>
Lands sales revenue		565,000	1,814,244
Rental revenue		2,816,465	2,794,881
Total revenues		3,381,465	4,609,125
Lands costs		(513,517)	(2,317,781)
Rental costs		(465,735)	(461,174)
Commodore Hotel operating expenses		(21,790)	(53,274)
Gross profit		2,380,423	1,776,896
Administrative expenses	13	(638,014)	(950,669)
Gain (loss) on sale of property, plant and equipment		2,500	(4,852)
Finance costs		(495,783)	(776,174)
Other expenses, net		(42,992)	(36,620)
Profit before tax		1,206,134	8,581
Income tax expense for the year	16	(39,268)	(70,402)
Prior years income tax expense	16	-	(79,241)
Profit (loss) for the year		1,166,866	(141,062)
Attributable to:			
Equity holders of the parent		1,166,866	(141,062)
Non-controlling interests		-	-
		<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic and diluted earnings per share from the profit (loss) for the year attributable to equity holders of the parent		0/028	(0/003)

The attached notes from 1 to 27 form part of these consolidated financial statements

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	JD	JD
Profit (loss) for the year	1,166,866	(141,062)
Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:		
Net gains (losses) of financial assets at fair value through other comprehensive income	<u>674,284</u>	<u>(326,801)</u>
Total other comprehensive income for the year	<u>1,841,150</u>	<u>(467,863)</u>
Attributable to:		
Equity holders of the parent	1,841,150	(467,863)
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>1,841,150</u>	<u>(467,863)</u>

The attached notes from 1 to 27 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 2017

	Attributable to shareholders of the parent										Non-controlling interests	Total
	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			
2017-												
Balance at 1 January 2017	42,065,129		4,253,659	1,584,652	1,495,745	1,309,287	326,326	1,518,262	52,553,060	1,863	52,554,923	
Profit for the year	-		-	-	-	-	-	1,166,866	1,166,866	-	1,166,866	
Other comprehensive Income items	-		-	-	-	-	674,284	-	674,284	-	674,284	
Gain on selling of financial assets at fair value through other comprehensive income	-		-	-	-	-	(1,138,380)	1,138,380	-	-	-	
Transfers	-		-	132,542	-	-	-	(132,542)	-	-	-	
Balance at 31 December 2017	42,065,129		4,253,659	1,717,194	1,495,745	1,309,287	(137,770)	3,690,966	54,394,210	1,863	54,396,073	
2016-												
Balance at 1 January 2016	42,065,129		4,253,659	1,584,652	1,495,745	1,309,287	660,578	1,651,873	53,020,923	1,863	53,022,786	
Loss for the year	-		-	-	-	-	-	(141,062)	(141,062)	-	(141,062)	
Other comprehensive Income items	-		-	-	-	-	(326,801)	-	(326,801)	-	(326,801)	
Gain on selling of financial assets at fair value through other comprehensive income	-		-	-	-	-	(7,451)	7,451	-	-	-	
Balance at 31 December 2016	42,065,129		4,253,659	1,584,652	1,495,745	1,309,287	326,326	1,518,262	52,553,060	1,863	52,554,923	

The attached notes from 1 to 27 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 2017

	Note	2017 JD	2016 JD
<u>OPERATING ACTIVITIES</u>			
Profit for the year before income tax		1,206,134	8,581
Adjustments for:			
Depreciation		86,448	50,333
Investment properties depreciation		423,013	423,013
(Gain) loss on sale of investment properties		(51,483)	503,537
(Gain) loss on sale of property, plant and equipment		(2,500)	4,852
Finance costs		495,783	776,174
Working capital changes-			
Inventories		3,204	2,969
Trade receivables and other current assets		(71,083)	(169,654)
Payables and other current liabilities		2,598,100	69,099
Due from related parties		(4,482,005)	439,175
Income tax paid		(8,251)	(160,858)
Net cash flows from operating activities		197,360	1,947,221
<u>INVESTING ACTIVITIES</u>			
Purchases of property, plant and equipment		(72,753)	(11,748)
Proceeds from sale of property, plant and equipment		35,249	50,000
Purchase of investment properties		(1,102,337)	(37,566)
Proceeds from sale of investment properties		565,000	1,814,244
Purchase of financial assets at fair value through other comprehensive income		(1,346,656)	(1,740,000)
Proceeds from selling of financial assets at fair value through other comprehensive income		4,960,384	82,506
Projects under construction		(9,955)	(86,602)
Net cash flows from investing activities		3,028,932	70,834
<u>FINANCING ACTIVITIES</u>			
Repayments of loans		(3,084,336)	(2,246,892)
Proceeds from loans		443,000	1,000,000
Finance costs paid		(474,161)	(480,361)
Net cash flows used in financing activities		(3,115,497)	(1,727,253)
Net increase in cash and cash equivalents		110,795	290,802
Cash and cash equivalents at 1 January		(160,951)	(451,753)
Cash and cash equivalents at 31 December	10	(50,156)	(160,951)

The attached notes from 1 to 27 form part of these consolidated financial statements

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

(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.

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 29 March 2018.

(2-1) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

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

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

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

(2-2) BASIS OF CONSOLIDATION

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 on the date that the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or losses and all other comprehensive income items are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies of subsidiaries 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 upon consolidation.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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 interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained in the subsidiary;
- Recognizes any surplus or deficit in profit or loss resulting from the loss of control of the entity;
- Reclassifies the parent's share of components previously recognized in other comprehensive income items to profit or loss;

The Group's subsidiaries along with percentage of ownership are disclosed in note (17).

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the followings starting from 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated financial statements.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

(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.

UNION LAND DEVELOPMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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

Trade receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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

Income tax for the years ended 2016 and 2017 was calculated in accordance with the 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 to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding the discounts, returns and sales commissions

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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(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 receivables is made on the basis and assumptions approved by the Group's management to estimate the provision to be taken.
- 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

2017-	Lands	Buildings	Machinery and equipment	Furniture and fixtures	Computers	Electronics and office supplies	Decorations	Tools	Vehicles	Total
Cost-										
Balance as of 1 January 2017	2,263,879	2,919,403	196,318	83,900	104,598	58,052	97,883	65,000	49,571	5,838,604
Additions	4,810	17,108	-	-	-	-	-	-	50,835	72,753
Disposals	(1,354,815) *	-	-	-	-	-	(2,381)	(30,368)	-	(1,387,564)
Balance as of 31 December 2017	913,874	2,936,511	196,318	83,900	104,598	58,052	95,502	34,632	100,406	4,523,793
Accumulated Depreciation -										
Balance as of 1 January 2017	-	1,275,216	184,085	71,867	94,262	52,930	71,142	63,886	34,508	1,847,896
Additions	-	47,018	12,233	4,761	6,690	1,122	5,764	574	8,286	86,448
Disposals	-	-	-	-	-	-	(2,381)	(30,368)	-	(32,749)
Balance as of 31 December 2017	-	1,322,234	196,318	76,628	100,952	54,052	74,525	34,092	42,794	1,901,595
Net book value as of 31 December 2017	913,874	1,614,277	-	7,272	3,646	4,000	20,977	540	57,612	2,622,198

* During the year ended 31 December 2017, the Group reduced the lands value by JD 1,354,815, representing a recovered amount relating to organizational fees previously paid to Greater Amman Municipality. The Group agreed with Greater Amman Municipality to recover part of these amounts and make an offsetting for another part which represents the Group's receivables from Greater Amman Municipality. It was also agreed that the remaining part of this amount will be considered as on property tax advances.

The cost of the fully depreciated property, plant and equipment were JD 381,752 as of 31 December 2017.

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2016-		Lands	Buildings	Machinery and equipment	Furniture and fixtures	Computers	Electronics and office supplies	Decorations	Tools	Vehicles	Total
Cost-											
	Balance as of 1 January 2016	2,263,879	2,908,355	196,318	83,900	104,598	57,352	97,883	65,000	115,571	5,892,856
	Additions	-	11,048	-	-	-	700	-	-	-	11,748
	Disposals	-	-	-	-	-	-	-	-	(66,000)	(66,000)
	Balance as of 31 December 2016	2,263,879	2,919,403	196,318	83,900	104,598	58,052	97,883	65,000	49,571	5,838,604
	Accumulated Depreciation -										
	Balance as of 1 January 2016	-	1,244,367	184,085	64,832	92,621	51,130	65,048	63,312	43,316	1,808,711
	Additions	-	30,849	-	7,035	1,641	1,800	6,094	574	2,340	50,333
	Disposals	-	-	-	-	-	-	-	-	(11,148)	(11,148)
	Balance as of 31 December 2016	-	1,275,216	184,085	71,867	94,262	52,930	71,142	63,886	34,508	1,847,896
	Net book value as of 31 December 2016	2,263,879	1,644,187	12,233	12,033	10,336	5,122	26,741	1,114	15,063	3,990,708

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(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	2017	2016
	JD	JD
Balance at 1 January	6,903,488	6,816,886
Additions	9,955	86,602
Balance at 31 December	6,913,443	6,903,488

The estimated cost to complete the projects under construction is JD 3,500,000 as at 31 December 2017.

(5) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	2017	2016
	JD	JD
Cost-		
Balance at 1 January	49,014,803	51,295,018
Additions	1,102,337	37,566
Disposals – lands	(513,517)	(2,317,781)
Balance as at 31 December	49,603,623	49,014,803
Accumulated depreciation-		
Balance at 1 January	(2,687,840)	(2,264,827)
Depreciation	(423,013)	(423,013)
Balance as at 31 December	(3,110,853)	(2,687,840)
Net book value-		
As at 31 December	46,492,770	46,326,963

The Group's management believes that the fair value of investment properties is approximately amounted to JD 89 millions as at 31 December 2017 (2016: JD 104 millions).

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

	2017	2016
	JD	JD
Lands	2,785,399	3,197,916

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

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

	2017	2016
	JD	JD
Unquoted Shares / Inside Jordan		
AL - Sakher Al Massi Real Estate / P.S.C	-	1,954,322
Quoted Shares / Inside Jordan		
Union Tobacco and Cigarettes Industries Corporation / P.L.C	735,297	139,036
Union Investments Corporation / P.L.C	11,700	1,614,945
Al-Quds Real Estate Investments - P.L.C / Palestine	18,438	21,042
Al Tajamouat for Touristic Projects Company / P.L.C	124	135
Al Dira for Real Estate Development Company / P.L.C	-	6,540
	765,559	1,781,698
Financial Assets – Other / Outside Jordan		
Investment funds – Capital Towers*	1,740,000	1,740,000
	2,505,559	5,476,020

* This investment is not registered under the name of the Group as the ownership of this investment belongs to the parent company "Union Investment Company P.L.C".

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The movement on the fair value reserve is as follows:

	2017	2016
	JD	JD
Balance at 1 January	326,326	660,578
Change in fair value of financial assets at fair value through other comprehensive income	674,284	(326,801)
Gain on selling of financial assets at fair value through other comprehensive income	(1,138,380)	(7,451)
Balance at 31 December	<u>(137,770)</u>	<u>326,326</u>

(7) INVENTORIES

	2017	2016
	JD	JD
Inventories	268,031	271,235
Provision for slow moving inventories	(242,420)	(242,420)
	<u>25,611</u>	<u>28,815</u>

The movement on the provision for slow moving inventories is as follows:

	2017	2016
	JD	JD
Balance at 1 January	242,420	247,607
Provision for the year	-	(5,187)
Balance at 31 December	<u>242,420</u>	<u>242,420</u>

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(8) TRADE RECEIVABLES

	<u>2017</u>	<u>2016</u>
	JD	JD
Trade receivables	1,132,039	1,092,831
Provision doubtful debts	(916,207)	(916,207)
	<u>215,832</u>	<u>176,624</u>

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

	<u>Past due but not impaired</u>		
	<u>1-180</u>	<u>More than</u>	<u>Total</u>
	days	181 days	JD
	JD	JD	JD
2017	132,170	83,662	215,832
2016	95,285	81,339	176,624

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

	<u>2017</u>	<u>2016</u>
	JD	JD
Refundable deposits	64,276	64,276
Governmental deposits	290,541	290,541
Employee receivables	38,141	38,141
Prepaid expenses	303,054	9,365
	<u>696,012</u>	<u>402,323</u>

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(10) CASH AND BANK BALANCES

	<u>2017</u>	<u>2016</u>
	JD	JD
Cash on hand	6,580	203,631
Bank current accounts	<u>6,322</u>	<u>4,266</u>
	<u>12,902</u>	<u>207,897</u>

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

	<u>2017</u>	<u>2016</u>
	JD	JD
Cash on hand	12,902	207,897
Less: bank overdrafts (Note 14)	<u>(63,058)</u>	<u>(368,848)</u>
	<u>(50,156)</u>	<u>(160,951)</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.

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.

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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					
		2017			2016		
		Current	Non	Total	Current	Non	Total
Currency		portion	current		portion	current	
		JD	JD	JD	JD	JD	JD
Bank Al Etihad (1)	JD	25,148	-	25,148	1,635,028	-	1,635,028
Bank Al Etihad (2)	JD	443,000	-	443,000	-	-	-
Jordan Kuwait Bank	JD	1,900,000	2,044,801	3,944,801	1,900,000	3,519,257	5,419,257
		<u>2,368,148</u>	<u>2,044,801</u>	<u>4,412,949</u>	<u>3,535,028</u>	<u>3,519,257</u>	<u>7,054,285</u>

Bank Al Etihad (1) - JD

During 2013, the Group obtained a loan from Bank Al Etihad with an amount of JD 3,500,000 at an annual interest rate of 9.25% without commission. This loan is repayable over quarterly installments of JD 264,000 each. The first installment was due on 1 December 2014 and the last installment will be due during the first quarter of the year 2018. This loan is secured by a mortgage of the first degree on a plot of land number 2157 Shmeisani No. 13.

Bank Al Etihad (2) - 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 monthly installments of JD 149,878 each. The first installment was due on 31 January 2018 and the last installment will be due on 31 March 2018. This loan is secured by a mortgage of the first degree on a plot of land number 2157 Shmeisani No. 13.

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Jordan Kuwait Bank - JD

During 2014, the Group obtained a declining loan from Jordan Kuwait Bank with an amount of JD 7,900,000 at an annual interest rate of 8% without commission. This loan is repayable over semi annual installments of JD 950,000 each. The first installment was due on 30 May 2015 and the last installment will be due on 30 November 2019. This loan is secured by a mortgage of the first degree on a plot of land No. 266 Alno'ajeyeh Al Mokta'a No. 8 lands of Al Yadoudah village.

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

Year	JD
2018	2,368,148
2019	2,044,801
	<u>4,412,949</u>

(13) ADMINISTRATIVE EXPENSES

	2017 JD	2016 JD
Salaries and wages	153,771	123,729
Depreciation (Note 3)	86,448	50,333
Professional fees	69,417	35,293
License and fees	259,305	584,477
Telephone and post	5,936	4,123
Advertising	1,150	-
BOD meeting expenses	7,251	8,356
Water and utilities	10,174	30,346
Transportation	4,257	7,332
Stationary and printing	644	638
Insurance	14,287	10,862
Maintenance	8,124	4,031
Cleaning	918	2,316
Donations and gifts	312	-
Bank charges	10,395	23,620
Bonuses	-	21,000
Others	5,625	44,213
	<u>638,014</u>	<u>950,669</u>

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(14) BANK OVERDRAFTS

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>Utilized balance</u>
			JD	JD
Jordan Kuwait Bank	JD	8%	300,000	63,058

(15) NON-CONTROLLING INTERESTS

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

(16) INCOME TAX

Income tax -

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

	<u>2017</u>	<u>2016</u>
	JD	JD
Income tax expense for the year	39,268	70,402
Prior years income tax expense	-	79,241
	<u>39,268</u>	<u>149,643</u>

The movements on provision for income tax were as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance at 1 January	288,113	299,328
Income tax expense for the year	39,268	70,402
Prior years income tax expense	-	79,241
Income tax paid	(8,251)	(160,858)
	<u>319,130</u>	<u>288,113</u>

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Income tax provision for the years ended at 31 December 2017 and 2016 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 2016 up to the date of these consolidated financial statements.

(17) RELATED PARTIES

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

	Paid In capital JD	Major activity	Percentage of ownership %
Nibal Housing Company LLC	30,000	Land development	100
Paradise Contracting LLC	50,000	Contracting	100
Adam Investment Company LLC	30,000	Investment properties	100
Paradise Architectural Industries LLC	100,000	Architecture	100
Thiban Real Estate LLC	30,000	Land development	100
Al Mahila Real Estate LLC	1,000	Land development	100
Al Amiri Real Estate Investments LLC	1,000	Land development	100
Al Farait Real Estate Investments LLC	1,000	Land development	100
Al Ghuzlanieh Real Estate Investments Company	1,000	Land development	100
Dhaba'a Real Estate Company	1,000	Land development	100
Al Tajamouat Real Estate Company	150,000	Land development	97.5

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:

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	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Due from related parties:		
Union Investments Corporation – P.L.C (Parent company)	1,994,078	-
Union Tobacco and Cigarettes Industries– P.L.C (Sister company)	<u>2,729,568</u>	<u>460,931</u>
	<u>4,723,646</u>	<u>460,931</u>

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Due to a related party:		
Union Investments Corporation – P.L.C (Parent company)	<u>-</u>	<u>219,290</u>

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

	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Salaries, bonuses and other benefits	<u>31,640</u>	<u>21,000</u>

(18) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Trade payables	987,821	1,370,673
Advances from suppliers	1,870,000	-
Deferred revenues	1,304,218	1,268,458
Shareholders deposits	310,800	313,859
Accrued expenses	186,895	168,213
Sales tax deposits	265	265
Miscellaneous provisions	285,158	285,158
Accrued interest expenses	33,899	55,521
Others	<u>37,707</u>	<u>26,163</u>
	<u>5,016,763</u>	<u>3,488,310</u>

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(19) CONTINGENT, CONTRACTUAL AND CAPITAL COMMITMENTS

At the date of the consolidated financial statements, the Group has letters of credit amounted to JD 113,072 (2016: JD 229,092).

(20) LAWSUITS AGAINST THE GROUP

As at 31 December 2017, the Group was defendant in number of lawsuits in its normal course of business amounted to JD 425,109 (2016: JD 388,376). The Group's management and its legal counsel believe that the Group will not have any material obligations in respect of these lawsuits.

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

	<u>2017</u> <u>JD</u>	<u>2016</u> <u>JD</u>
Profit (loss) for the year attributable to equity holders of the parent (JD)	1,166,866	(141,062)
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>0/028</u>	<u>(0/003)</u>

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

(22) 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 2017-			
<u>Revenues:</u>			
Revenues	3,162,530	218,935	3,381,465
<u>Results:</u>			
Profit (loss) for the year	1,168,631	(1,765)	1,166,866
<u>Other segment information:</u>			
Deprecation	(502,170)	(7,291)	(509,461)
Finance costs	(495,783)	-	(495,783)
As at 31 December 2017-			
<u>Segment assets and liabilities</u>			
Segment assets	54,937,029	9,270,944	64,207,973
Segment liabilities	9,416,803	395,097	9,811,900
For the year ended 31 December 2016-			
<u>Revenues:</u>			
Revenues	4,397,691	211,434	4,609,125
<u>Results:</u>			
(Loss) profit for the year	(161,867)	20,805	(141,062)
<u>Other segment information:</u>			
Deprecation	(466,052)	(7,294)	(473,346)
Finance costs	(776,174)	-	(776,174)
As at 31 December 2016-			
<u>Segment assets and liabilities</u>			
Segment assets	55,511,949	8,461,820	63,973,769
Segment liabilities	11,098,940	319,906	11,418,846

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(23) 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.

2017 Currency	Increase in interest rate (Basis points)	Effect on profit for the year before tax JD
JD	50	22,318
2016 Currency	Increase in interest rate (Basis points)	Effect on profit for the year before tax JD
JD	50	37,076

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:

2017-

<u>Index</u>	<u>Change in index (%)</u>	Effect on consolidated statement of other comprehensive income, fair value reserve and shareholders' equity JD
Amman Stock Exchange	15	114,834

2016-

<u>Index</u>	<u>Change in index (%)</u>	Effect on consolidated statement of other comprehensive income, fair value reserve and shareholders' equity JD
Amman Stock Exchange	15	267,255

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

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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.

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	Total
31 December 2017 -	JD	JD	JD	JD
Loans	520,908	2,336,000	2,176,801	5,033,709
Trade payable and other current liabilities	-	5,335,893	-	5,335,893
Bank overdrafts	68,103	-	-	68,103
Total	589,011	7,671,893	2,176,801	10,437,705
	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2016 -	JD	JD	JD	JD
Loans	961,605	3,539,998	3,992,238	8,493,841
Trade payables and other current liabilities	-	3,776,423	-	3,776,423
Bank overdrafts	398,356	-	-	398,356
Total	1,359,961	7,316,421	3,992,238	12,668,620

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.

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(24) 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 and profit or loss, 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 JD	Level 2 JD	Level 3 JD	Total JD
2017 –				
Financial assets at fair value through other comprehensive income	765,559	-	1,740,000	2,505,559
2016 –				
Financial assets at fair value through other comprehensive income	1,781,698	-	3,694,322	5,476,020

(25) 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 54,394,210 as at 31 December 2017 (2016: JD 52,553,060)

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(26) 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 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group plans to adopt the remaining phases on the effective date and will not restate comparative information.

(a) Classification and Measurement

The Group does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

During 2017, the Group has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 15, whereas, the Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

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.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

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. Early application is permitted.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

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.

(27) COMPARATIVE FIGURES

Some of 2016 balances were reclassified to correspond with those of 2017 presentation. The reclassification has no effect on the loss and equity of the year 2016.