

نموذج رقم (5-1) Form No. (1-5)	
رقم: د/م/٢/٢٩١	
To: Jordan Securities Commission Amman Stock Exchange Date: 31/10/2018 Subject: Quarterly Report of 30/9/2018	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: ٢٠١٨/١٠/٣١ الموضوع: التقرير ربع السنوي كما هي في ٢٠١٨/٩/٣٠
Attached the Quarterly Report of( union tobacco & cigarette industries co) as of 30/9/2018 in English	مرفق طية نسخة من البيانات المالية ربع السنوية لشركة (مصانع الإتحاد لإنتاج التبغ والسجائر) كما هي بتاريخ ٢٠١٨/٩/٣٠ باللغة الانجليزية
Kindly accept our highly appreciation and respect union tobacco & cigarette industries co. Chairman of the Board of Directors Samer Al shawawreh	وتفضلوا بقبول فائق الاحترام شركة مصانع الإتحاد لإنتاج التبغ والسجائر توقيع رئيس مجلس الإدارة سامر الشواوره

UNION TOBACCO  
شركة مصانع الإتحاد  
لإنتاج التبغ والسجائر م.ع.م

تاريخ: ٢٠١٨  
رقم: ٥٠٦٨  
٤١٥٧٤  
الموقع: عمان - الأردن

**UNION TOBACCO AND CIGARETTE INDUSTRIES**

**PUBLIC SHAREHOLDING COMPANY**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**

**30 SEPTEMBER 2018**



Building a better  
working world

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF UNION TOBACCO AND CIGARETTE INDUSTRIES  
PUBLIC SHAREHOLDING COMPANY  
AMMAN - JORDAN**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Union Tobacco and Cigarette Industries (the "Company") and its subsidiaries (the "Group") as at 30 September 2018, comprising of the interim consolidated statement of financial position as at 30 September 2018 and the related interim consolidated statement of profit or loss, interim consolidated statement of other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-months period then ended and explanatory information. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis of qualified conclusion**

The Group recognized a gain of JD 653,248 from a sale of machinery and equipment during 2017 after receiving an amount of JD 1,775,000, which represents 50% of the total sale price. The machinery and equipment will remain in the Group's possession until the factory in Iraq is completed at which point the machinery and equipment will be shipped to the factory.

### Qualified conclusion

Based on our review, except for the effect of the matter described in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan  
29 October 2018

EY

*Ernst + Young*

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2018**

	Notes	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
<b>ASSETS</b>			
<b>Non-Current Assets-</b>			
Property, plant and equipment	6	16,854,505	17,955,874
Investment properties		17,203	17,203
Advances on investments	10	7,783,949	-
Advances on machine purchases		-	101,244
Financial assets at fair value through other comprehensive income		9,378,523	9,585,050
		<u>34,034,180</u>	<u>27,659,371</u>
<b>Current assets-</b>			
Inventories		12,645,204	13,397,170
Trade receivables		15,744,482	23,108,830
Other current assets		4,334,552	2,754,991
Due from related parties	5	3,384,137	3,625,745
Cash and bank balances		123,088	218,128
		<u>36,231,436</u>	<u>43,104,864</u>
<b>Total Assets</b>		<u>70,265,643</u>	<u>70,764,235</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity-</b>			
Paid in capital	1	15,083,657	15,083,657
Share premium		5,000,000	5,000,000
Statutory reserve	3	3,774,151	3,774,151
Voluntary reserve	3	7,250,000	7,250,000
Fair value reserve		(531,062)	(726,532)
Accumulated losses		(9,470,382)	(5,186,946)
<b>Net equity</b>		<u>21,106,364</u>	<u>25,194,330</u>
<b>Liabilities-</b>			
<b>Non-current liabilities</b>			
Long term loans	9	12,689,606	13,812,140
<b>Current liabilities</b>			
Current portion of long term loans	9	5,208,497	5,352,000
Due to banks	7	3,210	265,845
Payables and other current liabilities		25,684,125	22,737,324
Due to a related party	5	4,899,263	2,728,018
Income tax provision	4	674,578	674,578
		<u>36,469,673</u>	<u>31,757,765</u>
<b>Total liabilities</b>		<u>49,159,279</u>	<u>45,569,905</u>
<b>Total Equity and Liabilities</b>		<u>70,265,643</u>	<u>70,764,235</u>

The attached notes from 1 to 11 form part of these interim condensed consolidated financial statements

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
		JD	JD	JD	JD
Sales	11	2,225,059	5,112,431	6,643,327	6,961,647
Cost of sales		(2,333,276)	(4,484,442)	(7,264,790)	(7,123,258)
<b>Gross (loss) profit</b>		<b>(108,217)</b>	<b>627,989</b>	<b>(621,463)</b>	<b>(161,611)</b>
Administrative expenses		(1,025,237)	(419,026)	(1,955,222)	(1,544,635)
Marketing expenses		(448,032)	(149,887)	(775,291)	(778,064)
Finance costs		(366,749)	(292,524)	(1,095,300)	(1,061,890)
Provision for advance payments on machine purchases		-	-	(101,244)	-
Gain from sale of property, plant and equipment		666,937	-	666,937	-
Other (expenses) income - net		(106,170)	35,623	(80,063)	838
<b>Loss for the period before income tax</b>		<b>(1,387,468)</b>	<b>(197,825)</b>	<b>(3,961,646)</b>	<b>(3,545,362)</b>
Income tax expense for the period	4	-	-	-	(220,337)
<b>Loss for the period</b>		<b>(1,387,468)</b>	<b>(197,825)</b>	<b>(3,961,646)</b>	<b>(3,765,699)</b>
		<u>Fils / JD</u>	<u>Fils / JD</u>	<u>Fils / JD</u>	<u>Fils / JD</u>
<b>Basic and diluted loss per share for the period attributable to shareholders</b>		<b>(0/092)</b>	<b>(0/013)</b>	<b>(0/263)</b>	<b>(0/250)</b>

The attached notes from 1 to 11 form part of these interim condensed consolidated financial statements

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	JD	JD	JD	JD
Loss for the period	(1,387,468)	(197,825)	(3,961,646)	(3,765,699)
<b>Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods:</b>				
Net gains (losses) of financial assets at fair value through other comprehensive income	<u>176,793</u>	<u>(1,983,776)</u>	<u>(126,320)</u>	<u>1,041,789</u>
<b>Total comprehensive income for the period</b>	<u>(1,210,675)</u>	<u>(2,181,601)</u>	<u>(4,087,966)</u>	<u>(2,723,910)</u>

The attached notes from 1 to 11 form part of these interim condensed consolidated financial statements

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Paid in capital		Share premium		Statutory reserve		Voluntary reserve		Fair value reserve*		Accumulated losses		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>For the nine months period ended 30 September 2018 -</b>														
Balance as at 1 January 2018	15,083,657		5,000,000		3,774,151		7,250,000		(726,532)		(5,186,946)		25,194,330	
Total comprehensive income	-		-		-		-		(126,320)		(3,961,646)		(4,087,966)	
Loss from selling of financial assets at fair value through other comprehensive income	-		-		-		-		321,790		(321,790)		-	
<b>Balance at 30 September 2018</b>	<b>15,083,657</b>		<b>5,000,000</b>		<b>3,774,151</b>		<b>7,250,000</b>		<b>(531,062)</b>		<b>(9,470,382)</b>		<b>21,106,364</b>	
<b>For the nine months period ended 30 September 2017 -</b>														
Balance as at 1 January 2017	15,083,657		5,000,000		3,774,151		7,250,000		(531,062)		(1,429,402)		29,147,344	
Total comprehensive income	-		-		-		-		1,041,789		(3,765,699)		(2,723,910)	
Gain from selling of financial assets at fair value through other comprehensive income	-		-		-		-		(32,737)		2,195		(30,542)	
<b>Balance at 30 September 2017</b>	<b>15,083,657</b>		<b>5,000,000</b>		<b>3,774,151</b>		<b>7,250,000</b>		<b>477,990</b>		<b>(5,192,906)</b>		<b>26,392,892</b>	

\* An amount of JD 531,062 is restricted from use as at 30 September 2018, representing the negative balance of the fair value reserve.

The attached notes from 1 to 11 form part of these interim condensed consolidated financial statements



**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Note	For the nine months ended 30 September	
		2018	2017
		JD	JD
<b><u>OPERATING ACTIVITIES</u></b>			
Loss for the period before income tax		(3,961,646)	(3,545,362)
<b>Adjustments for:</b>			
Depreciation		1,018,907	582,623
Gain on sale of property, plant and equipment		(666,937)	(47,966)
Finance costs		1,095,300	1,061,890
Provision for advance payments on machine purchases		101,244	-
<b>Working capital changes:</b>			
Inventories		751,966	3,477,951
Receivables and other current assets		5,784,787	5,532,768
Payables and other current liabilities		2,946,801	(4,079,949)
Related parties balances		2,412,853	732,906
Income tax paid		-	(89,120)
<b>Net cash flows from operating activities</b>		<b>9,483,275</b>	<b>3,625,741</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Purchases of property, plant and equipment		(601)	(1,112,125)
Proceeds from sale of property, plant and equipment		750,000	228,016
Advances on investments		(7,783,949)	-
Purchase of financial assets at fair value through other comprehensive income		(630,398)	(172,404)
Proceeds from sale of financial assets at fair value through other comprehensive income		710,605	380,070
<b>Net cash flows used in investing activities</b>		<b>(6,954,343)</b>	<b>(676,443)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayments of loans		(3,124,717)	(1,273,657)
Proceeds from loans		1,858,680	-
Finance costs paid		(1,095,300)	(1,061,890)
<b>Net cash flows used in financing activities</b>		<b>(2,361,337)</b>	<b>(2,335,547)</b>
<b>Net increase in cash and cash equivalents</b>		<b>167,595</b>	<b>613,751</b>
Cash and cash equivalents at 1 January		(47,717)	(1,202,605)
<b>Cash and cash equivalents at 30 September</b>	<b>8</b>	<b>119,878</b>	<b>(588,854)</b>

The attached notes from 1 to 11 form part of these interim condensed consolidated financial statements

**1) GENERAL**

Union Tobacco and Cigarette Industries (the "Company") was established as a public shareholding company on 19 July 1993, under registration number (232) with paid in capital of JD 15,083,657 divided into 15,083,657 shares at a par value of JD 1 per share.

The Company's objective is the production and packaging of tobacco, cigarette, toombak and all kinds of related printing works.

The interim condensed consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 29 October 2018.

**2) BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**(2-1) BASIS OF PREPARATION -**

The interim condensed consolidated financial statements for the nine-months period ended 30 September 2018 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual report as of 31 December 2017. In addition, the results for the nine-months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

**(2-3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments measured at amortized cost.

IFRS 9 (financial instruments) has eliminated the use of the incurred loss approach under IAS 39 (financial instrument: Recognition and measurement) by including a comprehensive model for the recognition and recording of forward looking expected credit loss, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

**Impairment**

The adoption of IFRS 9 (financial instruments) has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has no debt instruments at amortized cost; therefore, there was no material impact on the interim condensed consolidated financial statements from the adoption of IFRS 9.

## **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The impact of adopting IFRS 15 was not material on the interim condensed financial statements and impacted its accounting policy for revenue recognition as detailed below:

### **(a) Sale of goods**

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

### **Variable consideration**

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

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

### **Rights of return**

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

**(b) Advances received from customers**

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

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

**(c) Other adjustments:**

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

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

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

#### **Amendments to IAS 40 Transfers of Investment Property**

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

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

#### **Amendments to IAS 28 Investments in Associates and Joint Ventures - measuring investees at fair value through profit or loss.**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2018 (UNAUDITED)**

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**(3) STATUTORY RESERVE**

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

**(4) INCOME TAX**

Income tax provisions for the nine months period ended 30 September 2018 and 2017 have been calculated in accordance with the Income Tax Law No. (34) for 2014.

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

The Income and Sales Tax Department did not review the Group's accounting records for the years 2016 and 2017 up to the date of these interim condensed consolidated financial statements.

**(5) RELATED PARTIES**

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

	<u>Country of Incorporation</u>	<u>Paid In Capital</u> JD	<u>Major Activity</u>	<u>Percentage Of Ownership</u> %
Al Aseel for Marketing of Ma'asel and Cigarettes	Jordan	100,000	Marketing	100
Union for Advanced Industries	Jordan	100,000	Marketing	100
Union Tobacco and Cigarette Industries - Iraq	Iraq	-	Marketing	100

Related parties include associates, major shareholders, board of directors members, executive management, as well as companies controlled or have a significant influence directly or indirectly, by those entities.

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2018 (UNAUDITED)**

Balances of related parties included in the interim consolidated statement of financial position are as follow:

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
<b>Due from a related party:</b>		
Union Investment Corporation (Parent company)	<u>3,384,137</u>	<u>3,625,745</u>
<b>Due to a related party:</b>		
Union Land Development Company (Sister company)	<u>4,899,263</u>	<u>2,728,018</u>

**Key management salaries and bonuses:**

Compensation of executive management personnel of the Group amounted to JD 120,150 for the nine months ended 30 September 2018 (30 September 2017: JD 190,116)

**(6) PROPERTY, PLANT AND EQUIPMENT**

During the nine months ended 30 September 2018, the Group acquired property, plant and equipment with a cost of JD 601 (30 September 2017: JD 1,112,125).

**(7) DUE TO BANKS**

	Currency	Average Interest Rate	Credit Limit	Utilized balance
			JD	JD
Bank Al Etihad	JD	8.75%	1,782,434	<u>3,210</u>

Guarantees on these facilities are the same guarantees relating to Bank Al Etihad declining loans mentioned in note (9).



UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 30 SEPTEMBER 2018 (UNAUDITED)

**(8) CASH AND CASH EQUIVALENTS**

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

	30 September 2018	30 September 2017
	JD	JD
Cash and bank balances	123,088	570,843
Less: Due to banks (note 7)	(3,210)	(1,159,697)
	<u>119,878</u>	<u>(588,854)</u>

**(9) LOANS**

	Currency	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
		Current	Long-term	Total	Current	Long-term	Total
		portion	portion		portion	portion	
	JD	JD	JD	JD	JD	JD	
Bank Al Etihad – Revolving loan	JD	886,412	-	886,412	941,024	-	941,024
Bank Al Etihad – Revolving loan	USD	2,033,433	-	2,033,433	2,122,324	-	2,122,324
Bank Al Etihad – Declining loan	USD	2,288,652	12,689,606	14,978,258	2,288,652	13,812,140	16,100,792
		<u>5,208,497</u>	<u>12,689,606</u>	<u>17,898,103</u>	<u>5,352,000</u>	<u>13,812,140</u>	<u>19,164,140</u>

**Bank Al Etihad - Revolving loan- JD**

During 2017, the Company obtained a revolving loan with a ceiling of JD 1,000,000, and an annual interest rate of 5.5% with no commission, noting that the Company renewed the loan in the nine months period ended 30 September 2018, to be fully repaid during the year 2018. The guarantees on this loan are the same as those related to the declining loan from Bank Al Etihad, which is mentioned below in this disclosure.

**Bank Al Etihad - Revolving loan- USD**

During 2017, the Company obtained a revolving loan with a ceiling of USD 3,000,000, and an annual interest rate of 5.5% with no commission, noting that the Company renewed the loan in the nine months period ended 30 September 2018, to be fully repaid during the year 2018. The guarantees on this loan are same as those related to the declining loan from Bank Al Etihad, which is mentioned below in that disclosure.

**Bank Al Etihad – Declining loan- USD**

The Company has obtained a declining loan in US Dollars amounted to USD 14,000,000 at an annual interest rate of 5.5% without commission repayable over 48 equal monthly installments of USD 326,000 each except for the last installment which will be due on 1 December 2018 which represents the remaining balance of the loan, and the first installment was due on 2 February 2014 and the last installment will be due on 1 January 2018.

The loan is guaranteed by the purchased shares of the Union Land Development Company (sister company) and Union Investment Corporation (parent company) and the resulting dividends. The loan is also secured by a first degree real estate mortgage with an amount of JD 15,000,000 and endorsement of insurance policy in favor of the bank in the amount of JD 21,000,000.

On 12 August 2015, the declining loan was increased to become USD 17,000,000 at an annual interest rate of 5.5% less a margin of 0.25% without commission. The loan is repayable over equal monthly installments of USD 394,000 each, the first installment was due on 30 September 2015 and the last installment which represents the remaining balance the loan will be due on 30 August 2019 under the same conditions and collaterals mentioned above.

On 28 April 2016, the declining loan was increased to become USD 26,900,00 at an annual interest rate of 5.5% without commission repayable over 100 equal monthly installments of USD 269,000 each, the first installment was due on 30 May 2016 and the last installment which represents the remaining balance of the loan will be due on 30 September 2024 under the same conditions and collaterals mentioned above.

**(10) ADVANCES ON INVESTMENTS**

The Group has established a branch in Iraq on 15 April 2018, under registration number 5252 according to the regulations of the Iraqi Foreign Companies Act number (2) of 2017 in which this branch established a factory in Iraq, under the name of Al-Fiddiya Tobacco and Cigarettes Industries LLC with a share capital of IQD 5,000,000,000 which is equivalent to JD 3,008,500, the Group's owns 50% of the share capital of Al-Fiddiya Tobacco and Cigarettes Industries LLC which is equivalent to JD 1,504,250, noting that the Group exerts majority control over Al-Fiddiya Tobacco and Cigarettes Industries LLC. The Group has financed the factory for establishing purposes during the third quarter of 2018 with an amount of JD 1,779,699. According to that the total amount paid by the Group for the purpose of establishing that factory is JD 3,283,949.

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

**(11) OPERATING SEGMENTS**

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

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

- Cigarettes and tobacco
- Marketing tobacco and cigarettes

The Group monitor the business sectors results separately for operating assessment. The assessment of the industrial operation based on the operation profits or losses for each sector.

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

**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2018 (UNAUDITED)**

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

	Cigarettes and Tobacco	Marketing Tobacco and Cigarettes	Total
	JD	JD	JD
<b>For the period ended 30 September 2018</b>			
<b>(Unaudited) -</b>			
<u>Revenues:</u>			
Revenues	5,880,633	762,694	6,643,327
<u>Business Results:</u>			
Loss for the period	(3,918,618)	(43,028)	(3,961,646)
<u>Other Segment Information:</u>			
Depreciation	(971,521)	(47,386)	(1,018,907)
Finance costs	(1,095,300)	-	(1,095,300)
<b>For the period ended 30 September 2017</b>			
<b>(Unaudited) -</b>			
<u>Revenues:</u>			
Revenues	6,687,827	273,180	6,961,647
<u>Business Results:</u>			
Loss for the period	(3,701,400)	(64,299)	(3,765,699)
<u>Other Segment Information:</u>			
Depreciation	(546,492)	(36,131)	(582,623)
Finance costs	(1,061,890)	-	(1,061,890)
<b>As of 30 September 2018 (Unaudited) -</b>			
Segments assets	55,376,708	14,888,935	70,265,643
Segments liabilities	37,459,251	11,700,028	49,159,279
<b>As at 31 December 2017 (Audited) -</b>			
Segments assets	51,752,321	19,011,914	70,764,235
Segments liabilities	29,260,065	16,309,840	45,569,905