

نموذج رقم (2-1) Form No. (1-2)	
To: Jordan Securities Commission Amman Stock Exchange Date: 15/5/2017 Subject: Audited Financial Statement For the fiscal year ended 31/12/2016	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 15/5/2017 الموضوع: البيانات المالية المدققة للسنة المنتهية في 2016/12/31
(Attached the Audited Financial statement of (union tobacco & cigarette industries co) in English for the fiscal year ended 31/12/2016	مرفق طية نسخة من البيانات المالية المدققة لشركة مصانع الإتحاد لإنتاج التبغ والسجائر م.ع.م باللغة الإنجليزية عن السنة المنتهية في 2016/12/31
Kindly accept our high appreciation and respect union tobacco & cigarette industries co. Vice Chairman of the board Khaled Al Maqableh	وتفضلوا بقبول فائق الاحترام ،،، شركة مصانع الإتحاد لإنتاج التبغ والسجائر توقيع نائب رئيس مجلس الإدارة خالد المقابلة



بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٥ أيار ٢٠١٧
الرقم المتسلسل: 3076
رقم الملف: 41074
الجهة المختصة: 21129611

**UNION TOBACCO AND CIGARETTES
INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2016**

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT'S REPORT**
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the Shareholders of
Union Tobacco and Cigarettes Industries Company (P.L.C.)

Report on Auditing the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Union Tobacco and Cigarettes Industries Company (P.L.C.), which comprise of the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of comprehensive income, consolidated Statement of owners' equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements and a summary of significant accounting policies.

In our opinion, excluding the effects that reported on the qualified opinion basis paragraph in our report, the consolidated financial statements present fairly in all material respects, the financial position of Union Tobacco and Cigarettes Industries Company as of December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Qualified Opinion Basis

The financial statements of the Company branch in Iraq have been combined with Company based on the trial balance where we have not been provided with audited financial statements by an independent auditor as of December 31, 2016, also the trial balance did not match with the accounting records where Iraq branch assets present 23% of the Company total assets.

We conduct our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the Financial Statements. We are independent of the company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

Key Audit Matters

Key audit matters, according to our professional judgment are matters that had the significant importance in our auditing procedures that we performed to the consolidated financial statements. The basic auditing matters have been addressed in our auditing workflow to consolidated financial statements as a whole as we do not express separate opinions.

- Property and equipment

According to International Financial Reporting Standards, the Company management should review the production life and depreciation of assets and do impairment test on financial position property and equipment value and make sure that there are no any events or changes in circumstances lead to conclusions that the value is not recoverable or in case there are indicators of value impairment the Company should record impairment losses in accordance with property and equipment impairment policy where the management estimate the impairment value through using assumptions and estimations if any, taking in consideration the importance of property and equipment its considered as significant audit risk.

-Inventory

According to International Financial Reporting Standards, the Company must ascertain that the value of inventory is reported based on the lower of cost or net realizable value and determining the impairment of inventory (if any) and ascertaining that there is no damage in inventory or slow moving inventory which influence the net realizable value.

- Accounts receivables

According to International Financial Reporting Standards, the Company management must estimate the ability of accounts receivables collection and whether there is an objective evidence of the probability of not being able to collect account receivables.

Followed procedures within key audit matters.

- Property and equipment

The auditing procedures included the procedures of reviewing controls on verification of existence and completeness, reviewing purchase and sells of fixed assets during the year and ascertain of depreciation expenses calculation, matching the fixed assets inspection and ascertain that property and equipment are productive and there is no impairment in its value through evaluating the management assumptions, taking in consideration the available external information about property and equipment impairment risks, we also focused on the sufficiency of the management financial notes about property and equipment.

-Inventory

The auditing procedures included the procedures of inspecting and ascertaining the existence of inventory that has been recorded in the company's books in the warehouses, and ascertaining that the existing inventory in the warehouses which belongs to the company has been recorded up until the date of preparation of the financial statements, and that the company asserts that the recorded inventory is recorded based on the lower of cost or net realizable value considering that the cost of finished goods and good under process are determined based on the weighted average, which include the cost of materials, labors, and a percentage of indirect industrial expenses, in which the raw materials is reported based on cost which is also determined based on the weighted average. Where damaged goods provision of JD 405,584 recorded for the period.

- Accounts receivables

The auditing procedures included reviewing control procedures used by the Company for collecting accounts receivables, ascertaining a sample of clients' accounts through direct confirmations and reviewing accounts receivables aging, where accounts receivables impairment provision of JD 1,019,121 recorded for the period, based on that the accounts receivables stated at net collectable value.

Other Information

The management is responsible for other information. Which includes other information reported in the annual report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Regarding our audit on consolidate financial statements we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statements or with the knowledge that we gained through audit procedure or seems to contain significant errors. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance responsibility of the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control management determined to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management is responsible for assessing the Company'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 the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

Certified Public Accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements are free from material misstatements, 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 International Standards on Auditing 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 decision of users taken on the basis of these consolidated Financial Statements.

As part of an audit in accordance with The International Standards on Auditing, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Financial Statements, including the disclosures, and whether the consolidated Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.

We communicated with the audit committee 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.

Legal requirements

The Company maintains proper books of accounting records that are in agreement with the accompanying consolidated financial statements and with the financial information included in the Board of Directors report, and we recommend the General Assembly to approve the financial statements.

Ghosheh & Co.

Abdul Kareem Qunais
License No.(496)



Amman-Jordan
February 22, 2017

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Note	2016	2015
ASSETS			
Non-current assets			
Property and equipment	4	22,501,233	26,120,501
Real estates and lands investments	5	17,203	17,203
Financial assets designated at fair value through statement of other comprehensive income	6	9,348,713	9,590,252
Investments in subsidiary company		-	50,000
Total non-current assets		31,867,149	35,777,956
Current assets			
Prepaid expenses and other receivables	7	1,118,756	1,604,248
Payments to purchase goods, machinery and raw materials		380,708	2,543,250
Spare parts	8	1,940,144	2,219,583
Inventory	9	14,473,039	10,186,967
Due from related parties	19	3,861,345	12,462,203
Account receivables and checks under collection	10	24,249,641	9,705,320
Cash and cash equivalents	11	339,270	70,817
Total current assets		46,362,903	38,792,388
TOTAL ASSETS		78,230,052	74,570,344
LIABILITIES AND OWNERS' EQUITY			
Owners' equity			
Common stock	1	15,083,657	15,083,657
Issuance premium	12	5,000,000	5,000,000
Statutory reserve	12	3,774,151	3,770,914
Voluntary reserve	12	7,250,000	7,250,000
Fair value reserve		(531,062)	(563,027)
Accumulated Losses		(200,190)	(229,319)
Total shareholders' equity		30,376,556	30,312,225
Non-controlling interests		50,000	-
Total owners' equity		30,426,556	30,312,225
Non-current liabilities			
Long term loans	13	12,628,298	13,192,222
Total non-current liabilities		12,628,298	13,192,222
Current liabilities			
Accrued expenses and other liabilities	14	2,751,763	2,011,937
Accounts payable and deferred checks	15	24,418,093	20,342,613
Notes payables		754,153	860,653
Current portion of long-term loans	13	5,708,868	6,042,348
Banks overdrafts	16	1,542,321	1,808,346
Total current liabilities		35,175,198	31,065,897
TOTAL LIABILITIES AND OWNERS' EQUITY		78,230,052	74,570,344

The accompanying notes are an integral part of these consolidated financial statements

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED INCOME
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Note	2016	2015
Sales		31,301,904	32,399,318
Cost of sales	20	(26,257,046)	(28,557,618)
Gross profit		5,044,858	3,841,700
Selling and marketing expenses	21	(677,053)	(751,839)
General and administrative expenses	22	(2,491,842)	(3,077,185)
Financial charges and expenses		(1,497,197)	(1,844,552)
Damaged goods provision		(405,584)	(150,000)
Special provision		(1,400,000)	(27,700)
Accounts receivable provision		(1,019,121)	-
Other revenues and expenses		68,102	1,131,415
Gain on sale of lands		-	136,540
Gain on sale of property and equipment		2,428,869	317,070
Income\ (loss) for the year		51,032	(424,551)

Earnings per share:

Earnings per share- JOD/share	0.003	(0.028)
Weighted average of outstanding shares - share	15,083,657	15,083,657

The accompanying notes are an integral part of these consolidated financial statements

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	2016	2015
Income\ (loss) for the year	51,032	(424,551)
Addition: other comprehensive income items		
Loss from sale of financial assets designated at fair value through other comprehensive income	(18,666)	(27,060)
Comprehensive income transferred to accumulated losses	32,366	(451,611)
Change in fair value reserve	31,965	(3,264,698)
Total comprehensive income for the year	64,331	(3,716,309)

The accompanying notes are an integral part of these consolidated financial statements

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED OWNERS' EQUITY
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Common stock	Issuance premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total
Balance at January 1, 2015	15,083,657	5,000,000	3,770,914	7,250,000	2,701,671	222,292	34,028,534
Comprehensive income for the year	-	-	-	-	(3,264,698)	(451,611)	(3,716,309)
Balance at December 31, 2015	15,083,657	5,000,000	3,770,914	7,250,000	(563,027)	(229,319)	30,312,225
Comprehensive income for the year	-	-	-	-	31,965	32,366	64,331
Transferred to statutory reserve	-	-	3,237	-	-	(3,237)	-
Balance at December 31, 2016	15,083,657	5,000,000	3,774,151	7,250,000	(531,062)	(200,190)	30,376,556

The accompanying notes are an integral part of these consolidated financial statements

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	2016	2015
OPERATING ACTIVITIES		
Income\ (Loss) for the year before income tax	51,032	(424,551)
Adjustments for income\ (Loss) of the year before income tax:		
Depreciation	1,010,087	2,151,323
Damaged goods provision	405,584	150,000
Special provision	1,400,000	27,700
Accounts receivable provision	1,019,121	-
Depreciation adjustments	-	(1,072,068)
Realized loss from selling financial assets designated at fair value through other comprehensive income	(18,666)	(27,060)
Gain on sales of property and equipment	(2,428,869)	317,070
Financial charges and expenses	1,497,197	1,844,552
Changes in operating assets and liabilities:		
Due from related parties	8,600,858	(7,046,428)
Account receivables and checks under collection	(15,563,442)	4,642,812
Inventories and spare parts	(4,412,217)	3,884,090
Prepaid expenses and other receivables	485,492	315,758
Payments on purchase of goods, machines, raw materials	762,542	12,755
Accounts payable and deferred checks	4,075,480	(2,800,382)
Accrued expenses and other liabilities	739,826	(658,214)
Cash (Used in)\ available from operating activities	(2,375,975)	1,317,357
Financial charges and expenses paid	(1,497,197)	(1,844,552)
Net cash Used in operating activities	(3,873,172)	(527,195)
INVESTING ACTIVITIES		
Changes in financial assets designated at fair value through other comprehensive income	273,504	797,555
Changes in property and equipment	5,038,050	(383,473)
Investments in land and real estate	-	98,020
Investment in subsidiary company	50,000	-
Non-controlling interests	50,000	-
Net cash available from investing activities	5,411,554	512,102
FINANCING ACTIVITIES		
(Pay to) / proceeds from banks overdrafts	(266,025)	1,619,824
Loans repayments	(897,404)	(2,392,044)
(Pay to) / proceeds from notes payable	(106,500)	375,432
Net cash used in financing activities	(1,269,929)	(396,788)
Net change in cash and cash equivalents	268,453	(411,881)
Cash and cash equivalents, January 1	70,817	482,698
CASH AND CASH EQUIVALENTS, DECEMBER 31	339,270	70,817

The accompanying notes are an integral part of these consolidated financial statements

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

1. ESTABLISHMENT AND ACTIVITIES

Union Tobacco and Cigarettes Industries Company ("the Company") is a Jordanian Public Shareholding Company registered on July 19, 1993 under commercial registration number (232). The Company obtained its right to operate on November 4, 1993. The Company authorized and paid share capital is JOD 15,083,657 divided to 15,083,657 shares with par value JOD 1 per share.

The main activities of the Company is to produce, manufacture and pack all kinds of tobacco and cigarettes and Mu'assel and related printing works.

The company's headquarter is in Amman.

The consolidated financial statements for the December 31, 2016 include the Company's financial statements and the financial statements of the following subsidiaries:

<u>Subsidiary Company</u>	<u>Percentage of Equity and votes</u>	<u>Capital</u>	<u>Registration year</u>	<u>Place of registration</u>	<u>Main activity</u>
Al-Aseel for marketing Tobacco products and Cigarettes	%100	50,000	2011	Hashemite Kingdom of Jordan	Tobacco and Cigarettes trading
Union Advanced Industries	%100	50,000	2013	Hashemite Kingdom of Jordan	Printing and marketing of the Company's products
Al-Rafidain for the distribution of tobacco and cigarettes Company	%50	100,000	2012	Hashemite Kingdom of Jordan	Tobacco and Cigarettes trading

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(Continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

As of December 31, the book value of investments in subsidiaries determined by the equity method as follows:

A- AL-ASEELFOR MARKETING TOBACCO PRODUCTS AND CIGARETTES L.L.C

	2016	2015
Balance of the investment at the beginning of the year	-	-
The company's share from losses of subsidiary	(478,853)	(118,939)
Amortization of the company's share of the losses of the subsidiary in the account required from the Company	478,853	118,939
Investment balances of December 31	-	-

B- UNION ADVANCED INDUSTRIES L.L.C

	2016	2015
Balance of the investment at the beginning of the year	56,633	55,713
The company's share from profits of the subsidiary	646	920
Investment balance as of December 31	57,279	56,633

C- Al-Rafidain for distribution of tobacco and cigarettes Company

	2016	2015
Balance of the investment at the beginning of the year	50,000	-
Investment balance as of December 31	50,000	-

As of December 31, a summary of the total assets, liabilities, revenues and income of the Company's direct subsidiaries and the significant assets and liabilities are as follows:

A-AL-ASEELFOR MARKETING TOBACCO PRODUCTS AND CIGARETTES

	2016	2015
Total assets	867,755	816,783
Total liabilities	2,897,173	2,367,348
Total Owners' equity	(2,029,418)	(1,550,565)
Accounts receivable	62,631	429,525
Property and equipment	101,098	151,801
Due to related parties	2,897,174	2,298,653
Losses for the year	(478,853)	(118,939)
Share capital	50,000	50,000

B-UNION ADVANCED INDUSTRIES

	2016	2015
Total assets	399,134	248,910
Total liabilities	341,855	192,277
Total Owners' equity	57,279	56,633
Account receivables	25,052	75,301
Due to related parties	154,902	192,277
Sales	86,057	3,676
Profit for the year	646	920
Share capital	50,000	50,000

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

C- Al-Rafidain for the distribution of tobacco and cigarettes Company

	2016	2015
Total assets	50,000	-
Total Owners' equity	50,000	-
Share capital	100,000	-

2. NEW AND REVISED STANDARDS AND AMENDMENTS TO IFRSs ISSUED BUT NOT YET EFFECTIVE:-

The following new standards and amendments to the standards have been issued but are not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

<u>New Standards</u>	<u>Effective Date</u>
(IFRS) No.9 – Financial Instruments	January 1,2018
(IFRS) No.15–Contract Revenues	January 1,2018
(IFRS) No.16 – Leases	January 1,2019

Board of directors of the company is expecting that the application of these standards and interpretations will not have a substantial impact on the Company's financial statements.

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements

The accompanying of consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

Basis of preparation

These financial consolidated statements, were presented in Jordanian Dinar as the majority of transaction, The Company recorded the Jordan Dinar.

The consolidated financial statements have been prepared on historical cost principle, However financial assets and financial liabilities are stated at fair value. The following is a summary of significant accounting policies applied by the Company:

Basis of consolidation financial statements

The consolidated financial statements incorporate the financial statements of the Union tobacco and cigarettes industries Co.and the subsidiaries controlled by the Company

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassess 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 described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it consider all the relevant facts and circumstances which includes:

- Size of the holding relative to the size and dispersion of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not have, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholders meetings.

The consolidation process begins when the company's achieve control on the investee enterprise (subsidiary), while that process stops when the company's loses control of the investee (subsidiary). In particular Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary company.

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Sales

Sales are recognized upon delivery of goods to customers and issuing invoice.
Sales revenues are stated net of trade or quantity discounts.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company's products, all other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs which are not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales are made on a consistent basis when required.

Account Receivables

The account receivables disclosed at the fair value and the provision for doubtful account is taken when it appears to the management that a part or the total receivables are not collectable which is calculated on the basis of the difference between the book value and the residual value.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

Allowance For Impairment of account receivables

The management estimated possibility of collection from the receivables and the allowance for doubtful debts provision had been estimated according to the previous experience and the prevailing economic environment.

Inventories and spare parts

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. Raw material, work in process, spare parts and other inventories are stated at cost which is determined by using moving weighted average cost basis.

UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Financial assets designated at fair value through statement of comprehensive income

Financial assets are classified as at fair value through statement of income when the financial asset is either held for trading or it is designated as at fair value through statement of income. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through statement of income upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through statement of income.

Financial assets at fair value through statement of income are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement.

Investments in lands

Investments in lands include lands acquired from customers as a settlement against their debt, these investments are classified as property investments by the Company.

International Accounting Standard No. (40) states that investments in lands should be stated at their cost or fair value whichever more clearly determinable, the Company chose recording its investments in land at their cost in accordance with the Accounting principles and Standards.

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The Decline in value of the financial assets

In date of each financial position statement, values of the financial assets have been reviewed, to determine if there indication to decline in its value.

As for the financial assets such as trade accounts receivable and assets was evaluated as individual low-value, where evaluated for the decline in the value on a collective basis. The substantive evidence for decline in portfolio of the accounts receivable includes the past experience about the collection of payments. And the increase in the number of the late payments portfolio (which it's beyond the rate of borrowing) also it includes the significant changes in the international and local economic conditions that are related with non-collection of accounts payable.

The Reduce in the listed value of the financial assets is the amount of loss decline of value directly. And this is for all the financial assets except the trade accounts receivable as the listed value have been reduced by provisions accounts. When is one of the accounts receivables are non-collected then write off the amount of this debt and the equal amount from account of provisions?

The changes in the listed value for the provisions account recognized in comprehensive income statement.

As for the ownership equity tools which are available for sale, Decline losses are not closed in the recognized value in the profit and loss statement. However any increase in the fair value becomes after decline loss has recognized directly in shareholder's equity statement.

Cancellation of Recognition

The Company cancels the recognition of financial assets only when the contractual rights about receipt of cash flows from the financial assets had ended, and substantially all the risks and benefits of the ownership to another firm. In the case of the company doesn't transfer or retain substantially risks or benefits of the ownership and continue in control of the transferred assets, the company in this case recognize it's retained share in the transferred assets and the related liabilities in the limits of the amounts expected to be paid. In the other case, when the company retained substantially all risks and benefits of ownership of the transferred assets, the company will continue to recognize the financial assets.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>Annual depreciation rate</u>
Buildings and constructions	4%
Plant and machinery	10%
Quality assurance and labs	15%
Air conditions	12%
Computers	20-25%
Electrical equipment	15-25%
Office equipment	20-25%
Vehicles	15%
Furniture and fixtures	20-25%
Tools	20%
Wooden molds	20%
Decorations	25%

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Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property and equipment. Impairment test is performed to the value of the property and equipment that appears in the interim consolidated Statement of Financial Position When any events or changes in circumstances shows that this value is non-recoverable.

In case of any indication to the low value, Impairment losses are calculated according to the policy of the low value of the assets

At the exclusion of any subsequent property and equipment, recognize the value of gains or losses resulting, Which represents the difference between the net proceeds of exclusion and the value of the property and equipment that appears in the interim consolidated Statement of Financial Position, Gross Profit and loss.

The decline in value of the non-current assets

The decline in value of the non-current assets in the date of each the financial position statement the company review the listed values for its assets to specify if there is an indication to be decline losses of the value. If there indication to that, the recovery value of the asset will be appreciated to determine the loss of decline in the value if it be .In case, in ability to appreciate the recovery value of specific asset. The company estimate the recovery value for unit producing of cash that related in the same asset .when there is ability to determine basis of distribution that is fixed and reasonable, the joint assets distribute to units producing of cash that related in the same asset. when there is ability to determine basic of distribution that is fixed and reasonable , the joint assets distribute to specific units producing of cash or it distribute to smallest group from units producing cash that it able to determine basic of distribution fixed and reasonable for it.

The Recovery value is the fair value of asset minus the cost of sale or used value whichever is higher.

In case, the recovery value (or the unit producing of cash) distribute lower than the listed value, reduce the listed value for asset (or unit producing of cash) to the recovery value. Losses of the decline recognize directly in the comprehensive income statement except the asset that is reevaluation then record losses of the decline as reduction from re-evaluation provision.

In case , recovery losses for decline of the value , Increase the listed value of asset (or unit producing of cash) to the fair value of recovery as not to increase the adjusted listed value of asset (on unit producing of cash) as if it had not been calculating the losses of the value decline in the previous years. Record recovery of losses in value decline directly either in the profit or the loss except the asset had been recording in the re-evaluation value. In this case, record recovery of losses in value decline as increase in the re-evaluation provision.

Accounts payable and accrual

Accounts payable are stated at the obligation amounts for received services and goods, whether billed by the suppliers or not.

Income tax

The company is subject to Income Tax Law for the year and its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom Of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income. According to International Accounting Standard number (12), the company may have deferred taxable assets resulting from the differences between the accounting value and tax value of the assets and liabilities related to the provisions, These assets are not shown in the financial statements since it's immaterial.

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Foreign currency translation

Foreign currency transactions are translated into Jordanian dinar at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at the date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

The provisions

The provisions had been formed, when the company has a present obligation (legal or expected) from past events which its cost of repayment consider accepted and it has ability to estimate it reliably.

The provision had been measured according to the best expectations of the required alternative to meet the obligation as of the financial position statement date after considering the risks and not assured matters about the obligation. When the provision had been measured with the estimated cash flows to pay the present obligation, then the accounts receivable had been recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

The use of estimation

The preparation of financial statements and the application of accounting policies required of the Company's management to make estimates that affect the amounts of financial assets and liabilities and disclosure of contingent liabilities, these estimates also affect the revenues, expenses and provisions.

As well as changes in fair value that appears in the owners' equity

In particular, required of the company's management to issue important judgments to estimate the amounts of future cash flows and its times Mentioned that the estimates are shown necessarily on the assumptions and multiple factors have a varying degree of appreciation and uncertainty and that actual result may differ from estimates As a result of changes resulting about the conditions and circumstances of these estimates in the future.

The sectored report represents

The business sector represents a collection of assets and operation engaged together in providing product or services subjected to risks and returns that are different from those of other business sectors, which are measured according to the reports that are used by the executive director and the main decision – makers in the Company, The activity of the comprehensive vehicles Company (a subsidiary) consists of the main business sectors in sale and purchase of new and used cars, and investing in stocks and bonds traded on the Amman Stock Exchange for the company, except to deal in foreign stock markets.

Geographical segment is associated in providing products in particular economic environment subject to risks and returns that are differed from those for sectors to work in economic environment.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts. the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

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4. PROPERTY AND EQUIPMENT

	January 1	Additions	Disposal	Transfers	December 31
Cost:					
Lands *	642,821	-	(128,602)	-	514,219
Buildings and constructions	15,231,945	-	(2,134,890)	56,939	13,153,994
Plant and machinery	40,927,815	-	(7,068,694)	755,173	34,614,294
Quality assurance and labs equipment	361,209	-	-	-	361,209
Air conditions	460,029	-	(14,025)	-	446,004
Computers and communication	468,955	847	(60,668)	80,000	489,134
Electrical equipment	361,723	851	(240,636)	-	121,938
Office equipment	65,948	355	(37,428)	-	28,875
Vehicles	1,482,385	201,032	(300,909)	-	1,382,508
Furniture and fixtures	430,593	2,127	(57,642)	339,686	714,764
Wooden molds	670,023	-	(670,023)	-	-
Decoration	48,524	-	-	-	48,524
Tools	396,800	-	(54,327)	-	342,473
Capital projects under construction	136,941	1,094,857	-	(1,231,798)	-
Total cost	61,685,711	1,300,069	(10,767,844)	-	52,217,936
Depreciation:					
Buildings and constructions	6,003,470	523,881	(874,609)	-	5,652,742
Plant and machinery	25,854,159	252,485	(4,811,518)	-	21,295,126
Quality assurance and labs equipment	302,216	13,391	-	-	315,607
Air conditions	423,870	10,386	(14,024)	-	420,232
Computers and communication	462,587	12,440	(55,217)	-	419,810
Electrical equipment	257,385	4,120	(155,777)	-	105,728
Office equipment	64,379	1,213	(36,876)	-	28,716
Vehicles	1,037,281	136,258	(300,909)	-	872,630
Furniture and fixtures	310,055	28,177	(51,975)	-	286,257
Wooden molds	535,251	-	(535,251)	-	-
Decoration	21,756	-	-	-	21,756
Tools	292,801	27,736	(22,438)	-	298,099
Total cost	35,565,210	1,010,087	(6,858,594)	-	29,716,703
Book value at January 1	26,120,501				
Book value at December 31					22,501,233

* Union Tobacco and Cigarettes industries Company's (Madaba / Jiza) Lands are mortgaged for Arab Banking Corporation and Union Bank as guarantees for loans and bank facilities.

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5. REAL ESTATES AND LANDS INVESTMENTS

This item represents the following:

	2016	2015
Acquired lands from customers as a settlement against their debt these lands are mortgaged to the Company and registration procedures are under progress	17,203	17,203
Total	17,203	17,203

6. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH STATEMENT OF OTHER COMPREHENSIVE INCOME

	2016	2015
Investment in Union for Lands Development Corp. (P.L.C.)*	7,105,209	6,972,981
Investment in Union Investments Corp. (P.L.C) **	2,243,504	2,617,271
	9,348,713	9,590,252

* There is mortgage on 2,691,000 shares of Union for Land Development in favor of Union Bank versus bank financing granted to the Company.

** There is mortgage on the 900,000 shares of Union Investment Corporation in favor of Union Bank versus bank financing granted to the Company.

7. PREPAID EXPENSES AND OTHER RECEIVABLES

	2016	2015
Letters of guarantees and other refundable deposits	245,394	209,852
Prepaid deposits with government	12,004	30,350
Prepaid expenses	494,379	752,339
Due from employees	131,353	141,030
Other accounts receivables	151,181	268,477
Income Tax deposits	84,445	202,200
	1,118,756	1,604,248

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8. SPARE PARTS

	2016	2015
Spare parts and fuel	2,354,725	2,634,164
Less: slow moving spare parts provision	(414,581)	(414,581)
	<u>1,940,144</u>	<u>2,219,853</u>

9. INVENTORY

	2016	2015
Raw materials	5,192,433	7,071,895
Work in process	1,318,434	994,943
Finished goods	9,628,289	3,380,662
Consignment goods	66,244	66,244
Damaged materials provision*	(1,732,361)	(1,326,777)
	<u>14,473,039</u>	<u>10,186,967</u>

The movement for damaged materials provision is as follows:

	2016	2015
Provision balance, beginning of year	1,326,777	1,176,777
Provision taken during the year	405,584	150,000
Provision balance at end of the year	<u>1,732,361</u>	<u>1,326,777</u>

10. ACCOUNTS RECEIVABLE AND CHECKS UNDER COLLECTION

	2016	2015
Checks under collection *	5,900	782,435
Trade receivables **	6,068,608	10,028,358
Trade receivables Iraq branch	12,774,727	-
Al-Iqbal printing and distribution Company receivable	7,525,000	-
Account receivables provision ***	(2,124,594)	(1,105,473)
	<u>24,249,641</u>	<u>9,705,320</u>

*This item represents the value of the checks deposited at Arab Banking Corporation for banking facilities granted to the company.

**Administration expects to collect receivables and the Company does not get guarantees for these receivables

***The movement in the receivables provision

	2016	2015
Provision balance, beginning of year	1,105,473	1,105,473
Provision taken during the year	1,019,121	-
Provision balance at end of the year	<u>2,124,594</u>	<u>1,105,473</u>

11. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and checks on hand	33,953	51,708
Cash in banks	305,317	19,109
	<u>339,270</u>	<u>70,817</u>

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12. RESERVES AND ADDITIONAL PAID IN CAPITAL

Issuance premium:

This item represents amounts resulted from the difference between the issuing price and the par value for shares after increasing the Company's Common stock in 2005.

Statutory reserve:

In accordance with the Companies' Law in the Hashemite Kingdom of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the Company may, with the approval of the General Assembly continue deducting this annual ratio until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividends distribution.

Voluntary reserve:

In accordance with the Companies' Law in the Hashemite Kingdom of Jordan and the Company's Article of Association, the Company can establish a voluntary reserve by and an appropriation of no more than 20% of net income. This reserve is available for dividends distribution till the approval of the Company's General Assembly.

13. LOANS

Details of loans as of 31, December as follows:

	2016	2015
Arab Banking Corporation loan	-	573,480
Union Bank loan	18,337,166	18,661,090
Total loan	18,337,166	19,234,570
Less: current portion	5,708,868	6,042,348
Long term loan	12,628,298	13,192,222

Arab Banking Corporation loan

The Union Advanced Industries acquired in 2012 before the merger a loan from the Arab Banking Corporation , to repay debts of Union Bank , the value of the loan granted JD 2,800,000 with an interest rate of 8.5 %, commission-free which repaid in 36 equal monthly installments of JOD 88.543(including interests), and so on until the full settlement with the exception of the final payment , which is deserves at December 25,2014, the payment of loan installments begins from January 25, 2012 , the loan and banking facilities granted by guarantee the mortgage of the first class for JOD 2,500,000 on land No. 257 basin No. 2 Hanina Central and possessory mortgage on machine number (807106201) Model 2008 and manufactured in Switzerland for JOD 6,000,000 and doctoring insurance policy on the plant for the benefit of the bank for JOD 7,500,000, mortgages mentioned against the loan and all the facilities granted to the Company.

On February 2, 2014 the Company has also merged and scheduled its balances at the bank through decreasing loan with total gross balance from merging of JOD 3,464,805 at that date and amending the currency of the loan US Dollar with Libor interest rate of 3 months plus 4% with a minimum 4.25%, which repaid under 24 installment from March 4, 2014 amounted to JOD 143,775 for each installment not including interest expect the last installment shall be the remaining balance on 4. Feb. 2016 that interest is paid monthly from sources the borrower own with guarantees as they are without modification or changed until the full repayment of the loan.

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Union Bank loan

The company obtained declining an amounted to 14,000,000 USD, and annual interest rate of 5.5% without commission repaid under 48 consecutive regular monthly installments of USD 326,000 paid from the date of February 2, 2014 except for the last installment, which represent the value of the remaining balance at January 1, 2018 , with guarantee of mortgaging the purchased shares in Union Land Development Corporation (P.L.C.) and mortgaging purchased shares in Union Financial Investment Company (P.L.C.) and the resulting cash or in-kind dividends or free shares of these shares, these shares are classified as specified financial assets at fair value through other comprehensive income, plus real estate mortgaging of first class in favor of the Bank by the amount of JOD 1,500,000, and increasing the insurance policy endorsed for the favor of the bank to be worth JOD 21,000,000.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2016	2015
Accrued expenses	503,639	225,209
Employees rewards	243,217	186,538
Due to sales tax	415,647	-
Employees payable	120,232	148,059
Board of Directors' remuneration	151,793	153,793
Due to Shareholders	546,716	523,485
Provision for contingent liabilities	406,676	390,264
Miscellaneous deposits	115,280	125,802
Other provisions	184,092	192,136
Other account payables	64,471	66,651
	2,751,763	2,011,937

15. ACCOUNTS PAYABLE AND DEFERRED CHECKS

	2016	2015
Deferred checks	3,002,657	1,250,521
Due to related parties (note – 19)	408,445	-
Accounts payable	21,006,991	19,092,092
	24,418,093	20,342,613

16. BANKS OVERDRAFTS

Arab Banking Corporation loan

The Company obtained banking facilities of JOD 1,500,000 to finance letters of credit with 8.5% interest with no commission where it is paid by nine equaled monthly installments including the allowance period.

The company also obtained facilities as overdraft account up to JOD 500,000 with interest rate of 8.5% with no commission and ceiling of commercial checks discount of JOD 200,000 with interest rate of 8.5% with no commission.

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17. INCOME TAX

The income tax has been settled and finalized up to 2006, Income Tax Department claimed the Company for JD 249,255 for the year 2007, the income tax has been settled and finalized for the year 2008, for 2009 and 2010 a court decision of tax court dated December 14, 2016 to cancel appealed decision because of missing authorization for members of passing decision committee, the decision was appealed and the due amounts from the Company was JOD 299,079 for the year 2009 and JOD 872,408 for the year 2010, these legal cases are pursued by Abd -Alrahim AL-Hiary office, for the year 2011 it has been audited by the Income and Sales Tax Department and the due amounts have been paid and finalized, for years 2012, 2013 and 2014 it is the auditing stage by the Income and Sales Tax Department, for year 2015 the self-assessment report has been issued during the legal deadline and it has not been audited by the Income and Sales Tax Department till the date of reporting these consolidated financial statements for the Company.

Al-Aseel for Marketing Tobacco Products and Cigarettes Company (a Subsidiary) has finalized its tax position for the year 2013 with Income and Sales Tax Department and it has provided its self-assessment tax report for years 2014 and 2015 and it has not been audited by the Income and Sales Tax Department till the date of reporting these consolidated financial statements for the Company.

Union Advanced Industries Company (a Subsidiary) has provided its self-assessment tax report for years 2014 and 2015 and the Income and Sales Tax Department have not audited it until the date of reporting these consolidated financial statements for the Company.

18. SALES TAX

There are legal cases of sales tax at the competent courts of the amount of JOD 347,014 still pending with the competent courts.

There are also legal cases of sales tax in the competent courts of JOD 894,412 at May 27, 2013 the court of appeal decided to make the tax difference of JOD 28,826 payable the Company has appealed this decision to the court of cassation, and the case is still pending in the courts. According to the opinion of the company's lawyer, it is difficult to predict the possible outcome of this lawsuit, and the company did not take a provision for these cases confronting the fact that there is a written undertaking from BAT global company to pay for tax differences and all fines and expenses in the event of legal cases generated.

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19. TRANSACTIONS WITH RELATED PARTIES

During the year, the Company performed some transactions with the following related parties:

Name	Relationship
Union for Lands Development Company P.L.C.	Sister Company
Union Tobacco and Cigarette Industries Company – Iraq	Subsidiary Company
Union for Investments Company P.L.C.	Holding Company

As of December 31, due from related parties is as follows :

	2016	2015
Union for Investments Company	3,861,345	2,618,034
Union for Lands Development Company		115,514
Union Tobacco and Cigarette Industries Company – Iraq	-	9,728,655
	3,861,345	12,462,203

As of December 31, due to related parties is as follows:

	2016	2016
Union for Lands Development Company P.L.C	408,445	-
	408,445	-

During the year, the Company recorded and incurred the following allowances, charges, remuneration and awards to the Board of Directors and the General Manager:

	2016	2015
Board of Directors' transportation		28,000
Executive Management salaries, rewards and allowances	406,553	407,343

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20. COST OF SALES

	2016	2015
Direct materials used in production	22,688,246	21,933,455
Direct labor and wages	1,594,874	2,846,360
Overhead expenses:		
Depreciation	715,163	1,840,302
Maintenance and repairs	118,116	324,114
Water, electricity and fuel	244,765	570,264
Catering and hospitality	52,140	112,847
Vehicles expenses	67,543	159,177
Damaged materials	3,713	21,696
Fees and licenses	16,683	47,664
Cleaning	17,284	31,740
Insurance expense	411,025	540,160
Sample expenses	10,762	2,076
Stationary	4,884	5,249
Used supplies	14,800	27,983
Containers jam expenses	182,344	6,001
Transportation	1,190	16,728
Mail , Telegraph and Telephone	16,447	18,742
Other	97,067	53,060
	26,257,046	28,557,618

21. SELLING AND MARKETING EXPENSES

	2016	2015
Salaries wages and other benefits	104,442	181,816
Export expenses	330,836	69,627
Depreciation	12,108	15,618
Promotion and marketing expenses	221,582	410,478
Trade marks expenses	1,828	50,213
Export sales clearance expenses	-	10,268
Other	6,257	13,819
	677,053	751,839

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22. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries ,wages and other benefits	1,039,477	1,480,821
Advertisements	2,171	2,976
Depreciation	283,017	332,417
Telephone and post	26,293	38,281
Water, electrically, fuel	113,915	153,801
Travel expense	13,080	70,704
Subscription expense	37,684	53,830
Rent expense	48,651	84,201
Professional fees and consultancies	155,960	141,303
Board of Directors' transportation	-	28,000
Stationary and printing	761	8,109
Canteen and hospitality	13,363	72,248
Vehicles expenses	36,617	71,330
Maintenance	3,354	9,883
Donation	2,793	66,251
Stamps expenses	67,543	3,840
Insurance	123,541	322,136
Cleaning	1,931	1,471
Legal cases expenses	420,204	-
Others	101,487	135,583
	2,491,842	3,077,185

23. CONTINGENCIES

At December 31, the Company had the following commitments:

	2016	2015
Bank guarantees	1,903,152	2,010,002
Letters of credit	-	2,414,554

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24. FINANCIAL INSTRUMENTS

Management of Capital risks

The Company manage its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and shareholders' equity balances. The Company's strategy doesn't change from year 2015.

Structuring of Company's capital includes debts, which includes the disclosed borrowings in notes(No. 13, 16),and the shareholders equity in the Company which includes Common stock, additional paid in capital, reserves, accumulated change in fair value,and accumulated losses as itis listed in the changes in owners' equity statement.

The typical debt rate

The board of directors is reviewing the capital structure periodically. As a part of this reviewing, the board of directors consider the cost of capital and the risks that is related in each faction from capital and debt factions. The Company capital structure includes debts from the borrowing. The Company's doesn't determine the highest limit of the typical debt rate.

Debt ratio as of Dec 31 is as follows:

	2016	2015
Debts	20,633,640	21,903,569
Owner's equity	30,426,556	30,312,225
Debt/ Owner's equity rate	68%	72%

The management of the financial risks

Market risks

The Company's activities might be exposing mainly to the followed financial risks:

Management of the foreign currencies risks

The company does not exposed to significant risks related with the foreign currencies changing, so there is no need to effective management for this exposed.

Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at varying interest rates and short-term deposits at fixed interest rates.

Sensitivity of the statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and calculated based on the financial liabilities that carry variable interest rates at the end of the year.

The following table shows sensitivity of the statement of comprehensive income for possible changes and reasonable interest rates as of December 31 with all other effective variables constant:

Currency	Interest rate increase	The impact on profit(loss) for the year	
JOD	Percentage points	2016	2015
	25	- 51,584	- 54,759
Currency	Interest rate decrease	The impact on profit for the year	
JOD	Percentage points	2016	2015
	25	+ 51,584	+ 54,759

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Other prices risks

The Company expose to price risks resulting from its investments in owners' equity to other companies. The Company keeps investments in other company's owner's equity for strategic purposes and not for trading purposes.

Sensitivity analysis of the owner investments prices

Sensitivity analysis followed based on that the Company exposed to investments prices risks in owner's equity of other companies at the date of the financial statements.

In case investments prices in owners' equity of other companies higher/ lower in rate 5%, The Company's owners' equity reserves become higher/ lower of JOD 467,436 (2015: higher/ lower of JOD 479,513) resulting from the company's portfolio that classified as available for sale investments.

The Company's sensitivity to investments prices in owners' equity of others companies have changed substantially compared with the previous year are resulting to the disposal of important part from the investments portfolio during the year in addition to the decline in fair value of these investments.

Credit risk management

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no any contracts with any other parts so the Company doesn't expose to different types of the credit risks, The significant credit exposed for any parts or group of parts that have a similar specification have been disclosed in note No.19. The Company classified the parts which have similar specifications as a related parties. Except the amounts which are related in the cash money. The credits risks that are resulting from the cash money are specific because the parts that are dealing with it are local banks have good reputations and have been controlled from control parties.

The amounts had listed in the financial statements data represents the highest credit risk expose to the trade accounts receivable and to the cash and cash equivalent.

Management of liquidity risks

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

The table has prepared on the non-deducted cash flows to the financial liabilities basis according to the early due dates that may be required from the Company to pay or receive.

The table below contains cash flows for major amounts and interests.

	<u>Interest rate</u>	<u>Year or less</u>	<u>More than one year</u>	<u>Total</u>
2016 :				
Instruments without interest	-	27,169,856	-	27,169,856
Instruments with interest	5.5%-8.5%	8,005,342	12,628,298	20,633,640
Total		35,175,198	12,628,298	47,803,496
2015 :				
Instruments without interest	-	22,354,550	-	22,354,550
Instruments with interest	5.5%-8.5%	8,711,347	13,192,222	21,903,569
Total		31,065,897	13,192,222	44,258,119

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25. SECTORIAL INFORMATION

The Company works in the main work sector, which contains producing, manufacturing and packing all kinds of tobacco and cigarettes, and the Company work in one geographic sector is the Hashemite kingdom of Jordan.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issuance on February 22, 2017. These financial statements require the General Assembly of shareholders' approval.

27. COMPARATIVE FIGURES

Certain figures for 2015 have been reclassified to confirm presentation in the current year.