شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C

نموذج رقم (2-1)

Form No. (1-2)

To: Jordan Securities Commission Amman Stock Exchange Date:-15/5/2017 Ref: 2/3/3/8859 Subject: Audited Financial Statements for the fiscal year ended 31/12/2016	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2017/5/15 رقم الكتاب : 8859/3/3/2 الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2016/12/31
Attached the Audited Financial Statements of (Union Investment Corp plc) in English for the fiscal year ended 31/12/2016	مرفق طيه نسخة من البيانات المالية المدققة لشركة (الاتحاد للإستثمارات المالية م.ع.م) باللغة الإنجليزية عن السنة المالية المنتهية في 2016/12/31
Kindly accept our high appreciation and respect Company's Name Union Investment Corp plc Financial Manager's Signature Eyad Yaghmour	وتفضلوا بقبول فائق الاحترام... اسم شركة الإتحاد للإستثمارات المالية م.ع.م توقيع المدير المالي إياد يغمور

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٦ أيار ٢٠١٧
الرقم المتسلسل: 3175
رقم الملف: 31069
الجهة المختصة: [illegible]

شركة الإتحاد للإستثمارات المالية م.ع.م

Union Investment Corp. P.L.C.

هاتف (٩٦٢٦ ٥٥١٤٧٥٧) فاكس (٩٦٢٦ ٥٥١٣٩٣٦) - ص.ب ١٤٤٠٦٤ عمان ١١٨١٤ الأردن info@unioninvestco.com
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UNION INVESTMENT CORPORATION

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Building a better working world

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

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Union Investment Corporation- Public Shareholding Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As disclosed in note (7) to the consolidated financial statements, the Company's management did not perform impairment testing on the indefinite intangible assets amounted to JD 3,647,535 as of 31 December 2016 in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets". We were unable to determine the impact of not applying the requirements of International Accounting Standard 36 on the consolidated financial statements of the Group as of 31 December 2016.

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

Emphasis of Matter

Without additional qualification and as disclosed in note (5) to the consolidated financial statements, investment properties include land plots with an amount of JD 413,517 that are not registered in the name of the Group as of 31 December 2016.

Other Matters

Our audit opinion on the consolidated financial statements for the year ended 31 December 2015 was qualified in relation to the facts that the Group did not use the equity method to account for its investment in Al-Rafidain for Tobacco and Cigarettes Distribution Company as of 31 December 2015 in accordance with the requirement of International Accounting Standard 28 "Investments in Associates and Joint Ventures" as it was accounted for as investment in associate using the cost method, and the Group did not consolidate the financial statements of Union for Tobacco and Cigarettes (Iraq) which is fully owned by Union for Tobacco and Cigarettes Jordan (a subsidiary) as of 31 December 2015 in accordance with the requirement of International Financial Reporting Standard 10 "Consolidated Financial Statements".

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Valuation of accounts receivable

Judgment is required to assess the appropriate level of provisioning for doubtful accounts receivables. The Group has large number of local and foreign customers, which increases the risk of having a difficulty of collecting these amounts.

How the key audit matter was addressed

We tested the methodology for calculating the provision for doubtful debts, the basis of valuation and assumptions used in identifying doubtful accounts, along with the provisioning criteria for such accounts. In doing so, we tested the accuracy of ageing of accounts receivable and evaluated the sufficiency of the provision against doubtful accounts. Refer to note (11) to the consolidated financial statements for more details about this matter.

Provision for slow moving inventories

At 31 December 2016, total inventories balance amounted to JD 18,489,019 representing 2.9% of total assets of the Group. Judgment is required to assess the appropriate level of provisioning for items, which may be ultimately sold below cost or not in a saleable conditions. The Group is mainly operating in the tobacco industry and relying in foreign markets and inventories are stored in different local and foreign locations increasing the level of judgment involved in estimating the provision.

How the key audit matter was addressed

For both finished goods and raw materials, we tested the methodology for calculating the provision, reviewed the appropriateness and consistency of judgments and assumptions used in estimating the provision, the accuracy and completeness of ageing profile of inventory, including the adequacy of provision for slow moving and obsolete items. Additionally, we have observed the inventories stock count process in order to identify the obsolete and damaged inventories. Refer to note (10) to the consolidated financial statements for more details about this matter.

Other information included in the Group's 2016 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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Responsibilities of Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Ernst + Young

Ernst & Young / Jordan

Mohammad Ibrahim Al-Karaki
License No. 882

Amman – Jordan
30 March 2017

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

ASSETS	Notes	2016	2015
		JD	JD
Non-current assets -			
Property, plant and equipment	3	25,263,091	25,809,740
Projects under construction	4	6,903,488	6,816,886
Investment properties	5	64,449,037	67,140,353
Investment in associates	6	-	50,000
Advance payment on machines purchases		375,951	1,775,951
Intangible assets	7	3,647,535	3,647,535
Financial assets at fair value through other comprehensive income	8	3,276,396	3,334,394
Other assets	12	458,000	-
		104,373,498	108,574,859
Current assets			
Inventories	10	16,621,902	12,419,963
Trade receivables	11	19,932,998	13,069,307
Other current assets	12	10,466,231	3,277,328
Due from related parties	24	-	9,728,655
Financial asset at fair value through profit or loss	9	34,226	32,214
Cash and bank balances	13	552,321	78,113
		47,607,678	38,605,580
Non–current assets held for sale	27	-	3,337,574
Total Assets		151,981,176	150,518,013
EQUITY AND LIABILITIES			
Equity -			
Paid in capital	14	50,000,000	50,000,000
Statutory reserve	14	12,500,000	12,500,000
Voluntary reserve	14	736,749	736,749
Treasury shares	14	(3,137,267)	(3,153,244)
Fair value reserve	8	(485,003)	(448,437)
Other reserves		3,557	3,557
Accumulated losses		(24,980,601)	(23,042,192)
		34,637,435	36,596,433
Non-controlling interests		38,689,596	38,951,081
Net Equity		73,327,031	75,547,514
Liabilities			
Non-current liabilities -			
Long term loans	15	21,264,210	18,491,927
Current liabilities -			
Current portion of long term loans	15	9,385,253	8,755,828
Bank overdrafts	16	2,979,365	10,553,558
Trade payables and other current liabilities	17	44,358,277	36,469,947
Income tax provision	23	667,040	699,239
		57,389,935	56,478,572
Total liabilities		78,654,145	74,970,499
Total Equity and Liabilities		151,981,176	150,518,013

The attached notes from 1 to 34 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
Continued operations:		JD	JD
Sales		26,373,794	30,456,087
Cost of sales	18	(21,401,242)	(27,592,285)
Gross profit		4,972,552	2,863,802
(Loss) Gain on sale of financial assets at fair value through profit or loss		(6,004)	58,275
Change in fair value for financial assets at fair value through profit or loss		10,997	(91,144)
Depreciation of investment properties	5	(370,035)	(483,747)
Gain on sale of property, plant and equipment		122,624	334,870
Loss on sale of investment in associates		(50,000)	-
Loss on sale of investment in subsidiaries		-	(552,508)
(Loss) gain from sale of investment properties, net		(444,603)	390,313
Rental income, net		2,194,667	2,380,797
Other income		68,137	38,874
Administrative expenses	19	(3,345,224)	(3,878,068)
Selling and marketing expenses	20	(722,229)	(752,488)
Provision for doubtful debts	11	(1, 019,121)	-
Provision for advance payments on machines purchases		(1, 400,000)	-
Provision for slow moving inventories	10	(405,584)	(150,000)
Finance costs		(3,674,713)	(4,198,999)
Loss from continued operations before income tax		(4,068,536)	(4,040,023)
Income tax	23	(116,725)	(427,687)
Loss from continued operations		(4,185,261)	(4,467,710)
Discontinued operations:			
Profit for the year from discounted operations	27	2,311,524	471,957
Loss for the year		(1,873,737)	(3,995,753)
Loss for the year attributable to:			
Shareholders of the Company -			
Loss for the year from continued operations		(3,727,709)	(4,292,625)
Profit for the year from discontinued operations		1,920,818	392,184
		(1,806,891)	(3,900,441)
Non-controlling interests -			
Loss for the year from continued operations		(457,552)	(175,085)
Profit for the year from discontinued operations		390,706	79,773
		(66,846)	(95,312)
Loss for the year		(1,873,737)	(3,995,753)
		Fils/JD	Fils/JD
Basic and diluted loss per share attributable to shareholders of the Company	21	(0/039)	(0/084)

The attached notes from 1 to 34 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	JD	JD
Loss for the year	(1,873,737)	(3,995,753)
Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:		
Change in fair value reserve	(36,566)	(267,934)
Total comprehensive income for the year	(1,910,303)	(4,263,687)
Attributable to:		
Shareholders of the Company	(1,843,457)	(3,956,672)
Non-controlling interests	(66,846)	(307,015)
	(1,910,303)	(4,263,687)

The attached notes from 1 to 34 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to shareholders of the Company									
	Paid in capital	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Other reserves	Accumulated losses	Total	Non – controlling interests	Net equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2016-										
Balance as at 1 January 2016	50,000,000	12,500,000	736,749	(3,153,244)	(448,437)	3,557	(23,042,192)	36,596,433	38,951,081	75,547,514
Loss for the year from continued operations	-	-	-	-	-	-	(3,727,709)	(3,727,709)	(457,552)	(4,185,261)
Profit for the year from discontinued operations	-	-	-	-	-	-	1,920,818	1,920,818	390,706	2,311,524
Change in fair value reserve	-	-	-	-	(36,566)	-	-	(36,566)	-	(36,566)
Sale of treasury shares, net	-	-	-	15,977	-	-	-	15,977	-	15,977
Acquisition of non-controlling interests	-	-	-	-	-	-	(131,518)	(131,518)	(194,639)	(326,157)
Balance at 31 December 2016	50,000,000	12,500,000	736,749	(3,137,267)	(485,003)	3,557	(24,980,601)	34,637,435	38,689,596	73,327,031
2015-										
Balance as at 1 January 2015	50,000,000	12,500,000	736,749	(3,161,212)	(479,561)	-	(18,291,177)	41,304,799	40,631,059	81,935,858
Loss for the year from continued operations	-	-	-	-	-	-	(4,292,625)	(4,292,625)	(175,085)	(4,467,710)
Profit for the year from discontinued operations							392,184	392,184	79,773	471,957
Change in fair value reserve	-	-	-	-	(139,042)	-	-	(139,042)	(128,892)	(267,934)
Loss from the sale of financial asset through other comprehensive income	-	-	-	-	170,166	-	(87,355)	82,811	(82,811)	-
Sale of treasury shares, net	-	-	-	7,968	-	3,557	-	11,525	-	11,525
Acquisition of non-controlling interests	-	-	-	-	-	-	(763,219)	(763,219)	(1,372,963)	(2,136,182)
Balance at 31 December 2015	50,000,000	12,500,000	736,749	(3,153,244)	(448,437)	3,557	(23,042,192)	36,596,433	38,951,081	75,547,514

The attached notes from 1 to 34 form part of these consolidated financial statements

UNION INVESTMENT CORPORATION - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
OPERATING ACTIVITIES		JD	JD
Loss before tax from continued operations		(4,068,536)	(4,040,023)
Profit before tax from discounted operations	27	2,311,524	471,957
Loss before tax		(1,757,012)	(3,568,066)
Adjustments for:			
Depreciation		1,056,470	2,773,145
Provision for doubtful debts		1,019,121	-
Provision for advance payments on machines purchases		1,400,000	-
Provision for slow moving inventories		405,584	150,000
(Loss) gain on sale of investment properties		444,603	(390,313)
Gain on property, plant and equipment disposal		(122,624)	(334,870)
Gain on sale of non-current assets held for sale	27	(3,826,146)	-
Interest expense		3,674,713	4,198,999
Impairment of investment in an associates		50,000	-
Loss from sale of a subsidiary		-	552,508
Working capital changes:			
Inventories		(4,607,523)	3,925,618
Trade receivables		(7,882,812)	5,669,942
Other current assets		(483,183)	738,081
Due from related parties		9,728,655	(4,803,888)
Financial assets at fair value through profit or loss		(2,012)	797,200
Trade payables and other current liabilities		7,965,075	(287,522)
Income tax paid		(148,924)	(589,678)
Net cash flows from operating activities		6,913,985	8,831,156
INVESTING ACTIVITIES			
Proceeds from sale of a subsidiary		-	936,000
Proceeds from sale of property, plant and equipment		201,006	782,607
Purchases of property, plant and equipment		(218,168)	(602,151)
Proceeds from sale of investment properties		1,899,878	1,920,400
Purchase of investment properties		(23,200)	(132,005)
Projects under construction		(86,602)	(14,809)
Purchase of financial assets at fair value through other comprehensive income		-	(1,583,797)
Sale of financial assets at fair value through other comprehensive income		21,432	1,106,790
Net cash flows from investing activities		1,794,346	2,413,035
FINANCING ACTIVITIES			
Repayments of loans		(15,745,258)	(5,482,608)
Proceeds from loans		19,146,966	2,130,000
Acquisition of non–controlling interests		(326,157)	(2,136,182)
Interest paid		(3,751,458)	(4,044,923)
Proceeds from sale of treasury shares		15,977	11,525
Net cash flows used in financing activities		(659,930)	(9,522,188)
Net increase in cash and cash equivalents		8,048,401	1,722,003
Cash and cash equivalents at 1 January		(10,475,445)	(12,197,448)
Cash and cash equivalents at 31 December	13	(2,427,044)	(10,475,445)

The attached notes from 1 to 34 form part of these consolidated financial statements

1) GENERAL

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

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

The consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 30 March 2017, and these consolidated financial statements are subject to the approval of the Shareholders General Assembly.

(2) ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION –

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board.

The consolidated financial statements are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and profit or loss that have been measured at fair value.

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

2-2 BASIS OF CONSOLIDATION –

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

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

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

The Company's subsidiaries a long with percentage of ownership are disclosed in note (24).

2-3 CHANGES IN ACCOUNTING POLICIES –

The accounting policies used in the preparation of the consolidation financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings starting from 1 January 2016:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)
In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1
The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)
The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Group's financial position or performance.

2-4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Property, plant and equipment

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

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

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

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

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

Projects under construction

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

Investment properties

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

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

Investments in associates

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

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

Intangible assets

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

Impairment of non-financial assets

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

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

Financial assets at fair value through other comprehensive income

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

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

Financial assets at fair value through profit and loss

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

Recognition of financial assets

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

Fair value measurement

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

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

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

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

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

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

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

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

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

Derecognition of financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Inventories

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

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

Cost comprises all costs incurred in bringing each item to its present location and condition and is determined on a specific identification basis.

Accounts receivable

Accounts receivable are stated at consideration given less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of any amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and term deposits with maturities of three months or less which are not subject to risks of change in value.

For the purpose of the preparation of consolidated statement of cash flows, cash and cash equivalents consists of cash and short-term deposits as defined above, net of outstanding bank overdraft balance.

Loans

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Borrowing costs

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

Accounts payable and other current liabilities

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

Provisions

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

Income tax

Income tax for the years ended 2015 and 2016 was calculated in accordance with the Income Tax Law no. (34) of 2014.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding the discounts, returns and sales commissions

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

Interest income is recognized using the effective interest rate method

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

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

Other revenues are recognized on the accrual basis.

Operating leases

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

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

Foreign currencies

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

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

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

Segment reporting

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

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

Offsetting

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

Discontinued operations

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

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

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

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

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

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

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

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

Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements but are disclosed when they are unlikely to be paid.

Contingent assets are not recorded in the consolidated financial statements but are disclosed when they are likely to be collected.

2-5. USE ESTIMATES

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

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

- Provision for receivables is made on the basis and assumptions approved by the Group's management to estimate the provision to be taken.
- The fiscal year shall be charged for the income tax expense in accordance with the accounting regulations, laws and standards. The deferred tax assets and liabilities and tax provision are measured and recognized.
- The Group periodically recalculates the useful life of the property and equipment for the purpose of calculating annual depreciation based on the general condition of the asset and estimated future useful lives. Impairment losses are recognized as an expense in the consolidated statement of profit or loss.
- A provision is taken for legal cases raised against the Group based on legal studies prepared by the Group's legal advisors, under which future potential risks are identified these studies are reviewed on a periodic basis.
- The Group consolidated the financial statements includes the financial statements of Union Land Development Company, in which the Group owns less than the majority of the voting rights, as the Group's owns the largest share therein by 44.05%, whereas the Group's management believes that control is achieved in accordance with IFRS 10.

(3) PROPERTY, PLANT AND EQUIPMENT

2016	Land	Buildings	Machinery and equipment	Laboratory and quality control equipment	Furniture and fixtures	Computers	Electronics and office equipment	Decorations	Tools	Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:												
Balance at 1 January 2016	2,779,581	15,376,666	35,820,543	361,209	544,821	328,773	219,717	100,771	521,220	1,651,241	749,473	58,454,015
Additions	-	-	700	-	1,856	1,500	-	-	1,338	201,726	11,048	218,168
Disposals	-	-	-	-	-	-	-	-	-	(430,913)	-	(430,913)
Balance at 31 December 2016	2,779,581	15,376,666	35,821,243	361,209	546,677	330,273	219,717	100,771	522,558	1,422,054	760,521	58,241,270
Accumulated depreciation:												
Balance at 1 January 2016	-	6,132,334	23,417,571	302,216	347,511	232,728	204,147	66,454	500,884	1,095,773	344,657	32,644,275
Charge for the year	-	167,988	269,667	13,391	34,480	7,994	500	6,506	9,303	136,885	39,721	686,435
Disposals	-	-	-	-	-	-	-	-	-	(352,531)	-	(352,531)
Balance at 31 December 2016	-	6,300,322	23,687,238	315,607	381,991	240,722	204,647	72,960	510,187	880,127	384,378	32,978,179
Net book value:												
at 31 December 2016	2,779,581	9,076,344	12,134,005	45,602	164,686	89,551	15,070	27,811	12,371	541,927	376,143	25,263,091

2015	Lands	Buildings	Machinery and equipment	Furniture and fixtures	Laboratory and quality control equipment	Computers	Electronics and office equipment	Decorations	Tools	Vehicles	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:												
Balance at 1 January 2015	2,908,183	17,837,340	42,899,215	602,463	361,209	387,445	218,615	100,771	1,506,224	1,677,698	420,347	68,919,510
Additions	-	8,700	27,645	-	-	2,155	1,102	-	31,437	162,875	368,237	602,151
Disposals	-	(334,484)	(27,631)	-	-	(159)	-	-	-	(189,332)	(39,111)	(590,717)
Transfers to non-current assets held for sale	(128,602)	(2,134,890)	(7,078,686)	(57,642)	-	(60,668)	-	-	(1,016,441)	-	-	(10,476,929)
Balance at 31 December 2015	2,779,581	15,376,666	35,820,543	544,821	361,209	328,773	219,717	100,771	521,220	1,651,241	749,473	58,454,015
Accumulated depreciation:												
Balance at 1 January 2015	-	6,336,920	27,608,154	359,786	286,896	263,507	201,534	60,009	1,157,054	1,053,912	309,440	37,637,212
Charge for the year	-	735,448	1,207,296	39,700	15,320	24,551	2,613	6,445	108,196	114,612	35,217	2,289,398
Disposals	-	(65,425)	(4,691)	-	-	(113)	-	-	-	(72,751)	-	(142,980)
Transfers to non-current assets held for sale	-	(874,609)	(5,393,188)	(51,975)	-	(55,217)	-	-	(764,366)	-	-	(7,139,355)
Balance at 31 December 2015	-	6,132,334	23,417,571	347,511	302,216	232,728	204,147	66,454	500,884	1,095,773	344,657	32,644,275
Net book value:												
at 31 December 2015	2,779,581	9,244,332	12,402,972	197,310	58,993	96,045	15,570	34,317	20,336	555,468	404,816	25,809,740

(3) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The deprecation charge for the year is allocated as follows:

	2016	2015
	JD	JD
Cost of sales (Note 18)	340,714	1,840,302
Administrative expenses (Note 19)	333,613	433,478
Selling and marketing expenses (Note 20)	12,108	15,618
	686,435	2,289,398

The cost of fully depreciated property, plant and equipment is amounted to JD 20,372,123 as at 31 December 2016.

Starting 1 December 2015, Union Tobacco and Cigarettes Company (subsidiary) resolved to decrease machinery depreciation rate from 10% to 5%, which resulted in a decrease of depreciation expense by JD 973,259 as at 31 December 2015.

(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	2016	2015
	JD	JD
Balance at 1 January	6,816,886	6,802,077
Additions	86,602	14,809
Balance at 31 December	6,903,488	6,816,886

The estimated cost to complete the projects under construction is amounted to JD 3,500,000 as at 31 December 2016.

(5) INVESTMENT PROPERTIES

Movement on investment properties is as follows:

	2016	2015
	JD	JD
Cost-		
Balance at 1 January	69,872,552	72,759,142
Additions	23,200	132,005
Disposals – lands	(2,344,481)	(3,018,595)
Balance at 31 December	67,551,271	69,872,552
Accumulated depreciation-		
Balance at 1 January	2,732,199	2,248,452
Depreciation charges	370,035	483,747
Balance at 31 December	3,102,234	2,732,199
Net book value-		
As at 31 December	64,449,037	67,140,353

The Group's management believes that the fair value of investment properties is approximately amounted to JD 104,487,209 as at 31 December 2016 (2015: JD 123,124,820).

Starting 1 April 2015, Union Land Development Company (subsidiary) resolved to decrease the depreciation rate for IKEA building from 4% to 2%, which resulted in a decrease of depreciation expense by JD 196,404 as at 31 December 2015.

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

	2016	2015
	JD	JD
Lands	413,517	413,517

(6) INVESTMENT IN ASSOCIATES

	Country of incorporation	Nature of activity	Ownership percentage 2016	Ownership percentage 2015	2016 JD	2015 JD
Al-Rafidain for Tobacco and Cigarettes Distribution Company*	Jordan	Services	50%	50%	-	50,000
					-	50,000

Movement on investment in associates is as follows:

	31 December 2016 JD	31 December 2015 JD
Balance at the beginning of the year	50,000	50,000
Impairment losses	(50,000)	-
	-	50,000

* The Group owns 50% of Al-Rafidain for Tobacco and Cigarettes Distribution Company, a limited liability company that was established on 6 November 2012.

The Company did not use the equity method for its investment in Al-Rafidain for Tobacco and Cigarettes Distribution Company as of 31 December 2015 as required by IAS (28), and was included in investments in associates at cost. In addition, the Board of Directors resolved to liquidate the company in its meeting held on 14 July 2014, accordingly, the investment carrying amount was written off.

The Group did not consolidate the financial statements of Union Tobacco and Cigarettes Company (Iraq) as at 31 December 2015.

(7) INTANGIBLE ASSETS

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

The intangible assets details are as follows:

	2016	2015
	JD	JD
Trade name	3,647,535	3,647,535

The Company did not carry out any impairment testing on intangible assets as of 31 December 2016.

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

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

	2016	2015
	JD	JD
Unquoted Shares / Inside Jordan		
Al-Karama for Financial Investments Private shareholding Company	80,000	80,000
The Diamonds Real Estate Development Private shareholding Company	1,335,000	1,335,000
Al-Mojama'at Real Estate Limited Shareholding Company	24,000	24,000
Al-Tajamouat for Touristic Projects Private Shareholding Company	135	135
	1,439,135	1,439,135
Quoted Shares / Inside Jordan		
Methaq Real Estate Public Shareholding Company	750	19,033
	750	19,033

	2016	2015
	JD	JD
Quoted Shares / Outside Jordan		
Al-Quds Real Estate Investments – Public Shareholding Company – Palestine	21,042	24,191
Al Salam Bank – Sudan	69,300	86,625
	90,342	110,816
Financial Assets – Other / Outside Jordan		
Investment funds – Capital Towers	1,746,169	1,765,410
	3,276,396	3,334,394

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

Movement on fair value reserve is as follows:

	2016	2015
	JD	JD
Balance at beginning of the year	(448,437)	(479,561)
Change in fair value of financial assets at fair value through other comprehensive income	(36,566)	(139,042)
Loss on sale of financial assets at fair value through other comprehensive income	-	170,166
Balance at end of the year	(485,003)	(448,437)

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

	2016	2015
	JD	JD
Listed Shares / Inside Jordan		
Methaq Real Estate Public Shareholding Company	34,226	31,661
International Snabel for Islamic Investment Public Shareholding Company	-	553
	34,226	32,214

(10) INVENTORIES

	2016	2015
	JD	JD
Raw materials	5,283,887	6,733,933
Work in progress	891,510	994,943
Finished goods	10,162,640	3,722,199
Spare parts	1,940,145	2,219,584
	18,278,182	13,670,659
Allowance for slow moving inventories	(1,656,280)	(1,250,696)
	16,621,902	12,419,963

Movement on allowance for slow moving inventories is as follows:

	2016	2015
	JD	JD
Balance at 1 January	1,250,696	1,100,696
Provision for the year	405,584	150,000
Balance at 31 December	1,656,280	1,250,696

(11) ACCOUNTS RECEIVABLE

	2016	2015
	JD	JD
Accounts receivable	22,973,799	15,090,987
Allowance for doubtful debts	(3,040,801)	(2,021,680)
	19,932,998	13,069,307

Movement on allowance for doubtful debts is as follows:

	2016	2015
	JD	JD
Balance at 1 January	2,021,680	2,021,680
Provision for the year	1,019,121	-
Balance at 31 December	3,040,801	2,021,680

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

	Past due but not impaired		
	1-90 Days	90 Days	Total
	JD	JD	JD
2016	15,954,346	3,978,652	19,932,998
2015	2,835,700	10,233,607	13,069,307

The management of the Group believes that unimpaired receivable are expected to be fully recoverable, the Group does not obtain any guarantees against these receivables.

(12) OTHER CURRENT ASSETS

	2016	2015
	JD	JD
Other current assets (Note 27)	7,525,000	-
Refundable deposits	290,722	267,860
Governmental deposits	555,490	713,868
Advances to suppliers	959,462	738,748
Employees receivables	133,523	141,329
Prepaid expense	486,340	684,641
Others	973,694	730,882
	10,924,231	3,277,328
Less: non-current portion of other current assets	(458,000)	-
Current portion of other current assets	10,466,231	3,277,328

(13) CASH AND BANK BALANCES

	2016	2015
	JD	JD
Cash on hand	242,406	34,176
Banks current accounts	309,915	43,937
	552,321	78,113

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

	2016	2015
	JD	JD
Cash and bank balances	552,321	78,113
Bank overdrafts (Note 16)	(2,979,365)	(10,553,558)
	(2,427,044)	(10,475,445)

(14) SHAREHOLDERS' EQUITY

Authorized and paid in capital -

The authorized and paid in capital amounted to JD 50,000,000 divided into 50,000,000 shares at a par value of JD 1 per share as at 31 December 2016.

Statutory reserve -

As required by the Jordanian Companies Law 10% of the annual profit before tax Company's is to be transferred to statutory reserve until it reaches 25% of the Company's capital. This reserve is not available for distribution to the shareholders. In addition, the Board of Directors decided to stop this transfer to the statutory reserve because it reached 25% of the Company's capital.

Voluntary reserve -

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

Treasury shares -

Treasury shares represent the cost of Company shares reacquired by its subsidiaries of 3,355,173 shares with a value of JD 3,137,267 as at 31 December 2016.

(15) LOANS

		Loan installments					
		2016			2015		
	Currency	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
		JD	JD	JD	JD	JD	JD
Bank Al Etihad (1)	JD	2,088,585	-	2,088,585	1,206,000	1,221,374	2,427,374
Bank Al Etihad (2)	JD	1,635,028	-	1,635,028	792,000	1,048,312	1,840,312
Housing Bank of Trade and Finance	JD	339,426	70,000	409,426	352,195	286,607	638,802
Blom Bank	JD	557,364	2,202,636	2,760,000	1,120,000	2,760,000	3,880,000
ABC Bank	JD	-	-	-	573,480	-	573,480
Jordan Kuwait Bank	JD	1,900,000	3,519,258	5,419,258	1,900,000	4,560,865	6,460,865
Bank Al Etihad (3)	USD	2,864,850	15,472,316	18,337,166	2,812,153	8,614,769	11,426,922
		9,385,253	21,264,210	30,649,463	8,755,828	18,491,927	27,247,755

BANK AL ETIHAD (1) - JD

The Company obtained revolving loan credit facilities with a ceiling of JD 17,500,000 at an annual interest rate of 7.75% without commission, the Company rescheduled and decreased the loan repeatedly, the last was in 2011, where the Company signed an appendix to the agreement to decrease the revolving loan ceiling to become JD 3,000,000 at an annual interest rate of 9.25%.

These facilities are guaranteed by mortgage of 2,180,000 shares of the Group's shares in Union Tobacco and Cigarettes Industries (a subsidiary), in addition to 3,290,691 shares of the Group's shares in Union Land Development Company (a subsidiary).

On 5 May 2011, the Company signed a loan agreement with Bank Al Etihad, in which the bank overdraft amount was transferred to a loan with a ceiling amounted to JD 9,130,000 at an annual interest rate of 9%, repayable over semiannual installments, provided that the distributed dividends related to the mortgaged shares in Union Tobacco and Cigarettes Industries (a subsidiary) and Union Land Development Company (a subsidiary) amounted to 2,180,000 shares and 3,290,691 shares respectively, shall be deposited in the loan account.

On 27 September 2015, the Company signed a rescheduling agreement with Bank Al Etihad for the loan amounted to JD 2,427,374, the loan is repayable over two annual installments, the first installment amount is JD 1,206,000 excluding interest which was due on 30 June 2016 and the second installment which represents the remaining balance of the loan will be due on 30 June 2017 under the same aforementioned conditions and collaterals.

On 29 September 2016, the Company signed a rescheduling agreement with Bank Al Etihad on 30 June 2016 installment amounted to JD 1,266,000, to be settled through two installments the first was due upon signature of the rescheduling agreement amounted to JD 400,000 and the second installment amounted to JD 866,000 will be due on 5 January 2017 under the same aforementioned conditions and collaterals.

BANK AL ETIHAD (2) - JD

During 2013, Union Land Development Company (a subsidiary) obtained a loan from Bank Al Etihad with an amount of JD 3,500,000 at an annual interest rate of 9.25% without commission. This loan is repayable over a quarterly installments of JD 264,000 each including interest. The first installment was paid on 1 January 2014 and the last installment will be due on 1 October 2017. This loan is secured by first-degree mortgage on land number 2157 Shmeisani No. 13.

HOUSING BANK FOR TRADE AND FINANCE- JD

The Company has obtained a bank facility in the form of a revolving cash loan with a ceiling of JD 8,000,000 at an annual interest rate of 8% without commission. The Company has reduced the loan ceiling more than once to become JD 2,750,000 at an annual interest rate of 9.25%. The loan was rescheduled to become an overdraft facility with a ceiling of JD 1,000,000 and a loan with a ceiling of JD 1,000,000 repayable over a quarterly basis. Those facilities are secured by a collateral of 1,400,000 of the Union Tobacco and Cigarettes Industries Company (a subsidiary) shares in addition to 257,692 shares of the Union Land Development Company (a subsidiary).

BLOM BANK - JD

During 2014, the Company obtained a loan from BLOM Bank with an amount of JD 5,000,000 at a monthly interest rate of 10% without commission. The loan is repayable over a quarterly installments of JD 280,000 each except for the last installment which will be JD 240,000. Interest was amended on 12 July 2015 to become 9.5% and without commission. This loan is secured against a collateral of 4,000,000 shares of the Union Land Development Company and a collateral of 2,000,000 shares of the Union Tobacco and Cigarettes Industries, in addition to a first degree mortgage with an amount of JD 6,000,000 over land No. 34 plot number 11, Hanno Sweifieh, Wadi Al-Seer form the lands of western Amman, which is registered under the name of Adam for Real Estate Investment and Project Management Company owned by Union Land Development Company
(a subsidiary).

ABC BANK - JD

During 2012, Union Advanced Industries (a subsidiary) obtained a loan of JD 2,800,000 at an interest rate of 8.5% without commission before the merger with Union Tobacco and Cigarettes Industries, from the ABC Bank to repay its debt for Bank Al Etihad. The loan is repayable over 36 equal monthly installments of JD 88,543 each including interest, the first instalment was due on 25 January 2012 and the last instalment was paid on 25 December 2014. The granted bank facilities are secured against a first degree mortgage with an amount of JD 2,500,000 over land number 257 plot number 2 Hanina Alwosta area in addition to a pledge over machine number (807106201) 2008 model made in Switzerland with an amount of JD 6,000,000 and the assignment of an insurance policy on the factory into favor of the bank with an amount of JD 7,500,000.

On 2 February 2014, the merging company (Union Tobacco and Cigarettes Industries) merged rescheduled all bank facilities through a declining loan facility and converted the currency to USD with an annual interest rates 4% plus 3 months LIBOR. The loan is repayable over 24 installments amounted to JD 143,775 each excluding interest. The first loan instalment was paid in 4 May 2014 and the last installment was paid on 4 February 216. The interest is repayable over a monthly basis.

JORDAN KUWAIT BANK - JD

During 2014, Union Land Development Company (a subsidiary) obtained a declining loan from the Jordan Kuwait Bank amounted to JD 7,900,000 at an annual interest rate of 8% without commission for the purposes of repaying the Jordan Commercial Bank debt. The loan is repayable over semiannual installments of JD 950,000 each including interest. The first installment was due on 30 May 2015. The client has pledged a first degree real estate mortgage over a piece of land number 266 Alnaajeyah plot sector number (8) of Al Yadodeh lands.

BANK AL ETIHAD – USD

Union Tobacco and Cigarette Industries Company (a subsidiary) 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.

The loan is secured by the purchased shares of the Union Land Development Company (a subsidiary) and the shares of the Company and the resulting cash or share dividends, in addition to a first degree real estate mortgage amounted to JD 15,000,000 and an insurance policy into the bank's favor amounted to JD 21,000,000.

On 12 August 2015, the 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 provided earlier.

On 28 April 2015, 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 amount of the loan will be due on 30 September 2024 under the same conditions and collaterals provided earlier.

The principle installments along with their maturities are as follows:

	JD
2017	9,385,253
2018	4,843,746
2019	4,852,948
2020	2,961,156
2021-2024	8,606,360
	30,649,463

(16) BANK OVERDRAFTS

Party	Currency	Interest rate	Ceiling amount JD	Utilized balance JD
The Housing Bank for Trade and Finance – Union Investment Corporation	JD	9%	1,000,000	1,068,642
Jordan Kuwait Bank – Union Land Development Company	JD	8%	300,000	368,848
Bank Al Etihad – Union Tobacco and Cigarettes Industries Company	JD	8,75%	1,782,434	1,541,875
				2,979,365

The Group exceeded the granted ceilings as of 31 December 2016 mainly due to accrued interest.

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

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

JORDAN KUWAIT BANK - UNION LAND DEVELOPMENT -

The Company obtained an overdraft facility with a ceiling of JD 300,000 at an annual interest rate of 8%, payable on a monthly basis, and a commission of 5%. The granted facilities are guaranteed by the Company.

BANK AL ETIHAD - UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY -

This facility is guaranteed with the same guarantees mentioned in (note 15) Bank al Etihad (3) – USD.

(17) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2016	2015
	JD	JD
Accounts payable	24,946,525	19,308,960
Financial brokers payables*	8,481,181	6,561,855
Deferred revenues	4,997,297	5,016,543
Shareholders deposits	1,507,071	1,507,071
Accrued expenses	804,687	522,832
Sales tax deposits	709,033	660,079
Miscellaneous provisions	2,347,900	2,237,821
Accrued interest	338,157	414,902
Employee payables	226,426	239,884
	44,358,277	36,469,947

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

(18) COST OF SALES

	2016	2015
	JD	JD
Cost of materials used in production	18,206,832	20,956,149
Direct salaries, wages and others	1,594,875	2,846,360
Depreciation (Note 3)	340,714	1,840,302
Maintenance	118,117	324,114
Electricity, water and fuel	244,765	570,264
Employees' meals and hospitality	52,140	112,847
Vehicles expenses	67,543	159,178
Damaged materials	3,713	21,696
Fees and licenses	16,683	47,664
Cleaning	17,284	31,739
Insurance	411,024	540,160
Samples	10,762	2,076
Stationery and printing	4,883	5,250
Other	311,907	134,486
	21,401,242	27,592,285

(19) ADMINISTRATIVE EXPENSES

	2016	2015
	JD	JD
Salaries, wages and others	1,965,625	1,642,868
Depreciation (Note 3)	333,613	433,478
Professional fees and consultancy	247,789	261,742
Fees and licenses	149,786	103,764
Postage and telephone	33,193	57,969
Advertisements	2,594	4,259
General Assembly meeting expenses	7,468	11,007
Rents	60,729	95,810
Board of Directors' transportation	-	56,715
Water and electricity	146,005	171,719
Transportation	20,704	102,992
Stationery and printings	69,263	11,420
Vehicles expenses	37,138	74,349
Insurance	161,537	337,339
Maintenance	5,304	48,176
Cleaning	4,349	8,492
Hospitality	14,637	73,031
Gifts and donations expenses	2,793	66,251
Other	82,697	316,687
	3,345,224	3,878,068

(20) SALES AND MARKETING EXPENSES

	2016	2015
	JD	JD
Salaries and wages	145,415	181,817
Export expenses	330,836	79,895
Marketing and promotion expenses	222,935	410,910
Trade mark expenses	1,828	50,213
Travel and transportation expenses	168	1,340
Depreciation (Note3)	12,108	15,618
Other	8,939	12,695
	722,229	752,488

(21) BASIC AND DILUTED LOSS PER SHARE

	2016	2015
	JD	JD
Loss for the year attributable to shareholders of the Company (JD)	(1,806,891)	(3,900,441)
Weighted average number of shares (Share)	46,613,595	46,625,609
Basic loss per share attributable to shareholders of the Company (JD / Fils)	(0/039)	(0/084)

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

(22) NON-CONTROLLING INTERESTS

This item represents the subsidiaries net shareholders equity after deducting the direct share of the Company and the indirect share through its subsidiaries.

During 2016, the Company acquired non-controlling interests of 147,100 shares for JD 326,157.

(23) INCOME TAX

Income tax -

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

	2016	2015
	JD	JD
Income tax for the year	116,725	427,687

Movement on provision for income tax is as follows:

	2016	2015
	JD	JD
At 1 January	699,239	861,230
Income tax for the year	116,725	427,687
Income tax paid	(148,924)	(589,678)
At 31 December	667,040	699,239

Income tax for the years ended at 31 December 2016 and 2015 was calculated in accordance with the Income Tax Law No. (34) of 2014.

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

The Income and Sales Tax Department did not review the Group records for the years 2013, 2014 and 2015 up to the date of these consolidated financial statements.

(24) RELATED PARTIES

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

	Paid In capital	Major activity	Percentage of ownership
	JD		%
Multi Housing LLC*	5,000	Land Development	100
Al Rafeeq for Housing LLC *	5,000	Land Development	100
Al Failaq Housing LLC	5,000	Land Development	100
In'kas Housing LLC *	5,000	Land Development	100
Union Tobacco and Cigarettes Industries Company and Subsidiaries:	15,083,657	Production of Tobacco and cigarettes	83,1
- Al Aseel for Marketing of Masel and Cigarettes	100,000	Marketing	100
- Union for Advanced Industries	100,000	Marketing	100
Union Land Development Company and Subsidiaries:	42,065,129	Investment properties	44,05
- Nibal Housing Company LLC	30,000	Land development	100
- Paradise Contracting LLC	50,000	Contracting	100
- Adam Investment Company LLC	30,000	Investment properties	100
- Paradise Architectural Industries LLC	100,000	Architecture	100
- Thiban Real Estate LLC	30,000	Land Development	100
- Al Mahila Real Estate LLC	1,000	Land Development	100
- Al Amiri Real Estate Investments LLC	1,000	Land Development	100
- Al Farait Real Estate Investments LLC	1,000	Land Development	100
- Al Ghuzlanieh Real Estate Investments LLC	1,000	Land Development	100
- Dhaba'a Real Estate LLC	1,000	Land Development	100
- Al Tajamouat Real Estate LLC	150,000	Land Development	97,5

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

- The Company sold these subsidiaries during the third quarter of 2015 by JD 936,000 and incurred losses by JD 552,508.

The balances of related parties in the consolidated statement of financial position represent the following:

	2016	2015
	JD	JD
Due from related parties		
Rafidain for Tobacco and Cigarettes Distribution – an associate	-	5,397,831
Union Tobacco and Cigarettes (Iraq) – a subsidiary	-	4,330,824
	-	9,728,655

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

	2016	2015
	JD	JD
Due from related parties		
Union Tobacco and Cigarettes Industries Company – Jordan Sales to Al Rafidain for Tobacco and Cigarettes Distribution	-	2,513,387
Union Tobacco and Cigarettes Industries Company - Jordan Sales to Union Tobacco and Cigarettes Company - Iraq	6,581,392	14,602,174
Board of Directors transportations	-	56,715

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

	2016	2015
	JD	JD
Salaries, bonuses and other benefits	686,553	730,922

(25) OPERATING SEGMENTS

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

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

- Tobacco and Cigarettes.
- Carton Manufacturing.
- Investments in companies: represented by investments in shares and associates.
- Real Estates: Purchase of land for the purpose of appreciation its value.

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

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

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

	Tobacco and cigarettes	Carton manufacturing	Investments in shares	Real estates	Total
	JD	JD	JD	JD	JD
For the year ended 31 December 2016-					
Revenues:					
Revenues	26,373,794	-	-	4,609,125	30,982,919
Business Results:					
Loss for the year	(37,508)	-	(1,728,085)	(108,144)	(1,873,737)
Other Segment Information:					
Deprecation	582,014	-	1,110	473,346	1,056,470
Finance costs	1,497,043	-	1,377,876	799,794	3,674,713
As at 31 December 2016-					
Segment assets and liabilities					
Segments assets	66,105,317	-	24,719,950	61,155,909	151,981,176
Segments liabilities	49,180,534	-	18,303,379	11,170,232	78,654,145
For the year ended 31 December 2015-					
Revenues:					
Revenues	30,456,087	2,638,820	936,000	3,341,996	37,372,903
Business Results:					
(Loss) profit for the year	(2,040,855)	471,957	(2,727,614)	300,759	(3,995,753)
Other Segment Information:					
Deprecation	1,452,607	735,730	11,518	573,290	2,773,145
Finance costs	1,780,478	63,930	1,459,288	895,303	4,198,999
As at 31 December 2015-					
Segment assets and liabilities					
Segments assets	68,146,931	6,272,986	11,630,291	64,467,805	150,518,013
Segments liabilities	43,716,329	2,498,370	16,631,478	12,124,322	74,970,499
Investments in associates	50,000	-	-	-	50,000

(26) MATERIAL PARTIALLY OWNED SUBSIDIARIES

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

	Country of incorporation	Nature of activity	Non–Controlling Interests share	
			2016	2015
			JD	JD
Union Land Development Company	Jordan	Services	55,9%	56,3%
Union Tobacco and Cigarettes Industries Company	Jordan	Industrial	16,9%	16,9%

Cumulative balance of non–controlling interests is as follows:

	2016	2015
	JD	JD
Union Land Development Company	30,885,914	31,141,059
Union Tobacco and Cigarettes Industries Company	7,803,682	7,810,022
Total	38,689,596	38,951,081

Non–controlling interests share of (loss) profit are as follows:

	2016	2015
	JD	JD
Union Land Development Company	(60,506)	169,250
Union Tobacco and Cigarettes Industries Company	(6,340)	(264,562)
Total	(66,846)	(95,312)

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

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
Summary of statement of profit or loss for 2016	JD	JD
Net sales	26,373,794	4,609,125
Cost of sales	(21,401,242)	(3,288,030)
Selling and distribution	(718,209)	(4,020)
Administrative expenses	(5,332,089)	(508,700)
Other revenues	2,537,281	-
Finance costs	(1,497,043)	(799,794)
(Loss) profit before tax	(37,508)	8,581
Income tax	-	(116,725)
Loss for the year	(37,508)	(108,144)
Attributable to:		
Shareholders of the Company	(31,168)	(47,638)
Non-controlling interests	(6,340)	(60,506)
	(37,508)	(108,144)

Summary of statement of profit or loss for 2015	Union Tobacco and Cigarettes Industries Company JD	Union Land Development Company JD
Net sales	33,094,907	3,341,996
Cost of sales	(29,243,689)	(1,298,895)
Selling and distribution	(751,838)	(650)
Administrative expenses	(3,098,754)	(742,853)
Other income	355,707	4,577
Finance costs	(1,844,408)	(895,303)
(Loss) profit before tax	(1,488,075)	408,872
Income tax	(77,148)	(108,113)
(Loss) profit for the year	(1,565,223)	300,759
Attributable to:		
Shareholders of the Company	(1,300,661)	131,509
Non-controlling interests	(264,562)	169,250
	(1,565,223)	300,759

Summary of statement of financial position as of 31 December 2016:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Current assets	48,625,445	3,854,255
Non-current assets	33,954,672	59,912,780
Current liabilities	(33,708,216)	(7,650,975)
Non-current liabilities	(15,472,316)	(3,519,257)
Total of equity	33,399,585	52,596,803
Attributable to:		
Shareholders of the Company	27,755,055	23,195,190
Non-controlling interests	5,644,530	29,401,613

Summary of statement of financial position as of 31 December 2015:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Current assets	40,682,115	4,028,114
Non-current assets	37,943,514	61,235,033
Current liabilities	(37,580,439)	(6,629,671)
Non-current liabilities	(8,614,769)	(5,609,177)
Total of equity	32,430,421	53,024,299
Attributable to:		
Shareholders of the Company	26,949,680	23,171,619
Non-controlling interests	5,480,741	29,852,680

Summary of statement of cash flows as of 31 December 2016:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Operating activities	(3,873,172)	(1,091,636)
Investing activities	5,411,554	2,617,536
Financing activities	(1,269,929)	(1,327,946)
Net increase in cash and cash equivalents	268,453	197,954

Summary of statement of cash flows as of 31 December 2015:

	Union Tobacco and Cigarettes Industries Company	Union Land Development Company
	JD	JD
Operating activities	(2,563,680)	1,380,620
Investing activities	1,810,382	(181,180)
Financing activities	(2,392,044)	(2,443,964)
Net decrease in cash and cash equivalents	(3,145,342)	(1,244,524)

(27) NON–CURRENT ASSETS HELD FOR SALE

On 29 November 2016, the Group signed an agreement to sell carton manufacturing segment for an amount of JD 7,525,000. The selling price is divided into the following:

1) Cash of JD 5,267,000
2) Inventories with an amount of JD 2,258,000

During January 2017, an amount of JD 5,267,000 was received after deducting the sales tax of JD 361,280, applicable on inventories to be received.

Inventories will be supplied in accordance with the agreement signed on 26 January 2016 over the following periods:

1) An amount of JD 1,800,000 for the period from the date of signing the agreement until 1 February 2018.
2) An amount of JD 458,000 after 1 February 2018.

The Group realized gain from the sale of non-current assets held for sale of JD 3,826,146.

The results of the carton manufacturing segment are as follow:

	2016	2015
	JD	JD
Sales	327,798	2,638,820
Cost of sales	(1,590,473)	(1,651,404)
Gross (loss) profit	(1,262,675)	987,416
Gain on sale of property, plant and equipment	3,826,146	-
Administrative expenses	(251,947)	(515,459)
Profit for the period from discontinued operations	2,311,524	471,957

	2016	2015
	JD	JD
Assets-		
Property, plant and equipment	-	3,337,574
Total assets	-	3,337,574
Net assets related to disposal group	-	3,337,574

(28) CONTINGENT, CONTRACTUAL AND CAPITAL COMMITMENTS

At the date of the consolidated financial statements, the Group has contingent liabilities of letters of credit amounted to JD 2,090,712 (2015: JD 4,537,648).

Within its ordinary course of business, Union Tobacco and Cigarette Industries (a subsidiary), enters into commitments relating to capital expenditures, mainly related to the renovation expansion of production lines. As at 31 December 2016, the capital expenditures commitments were amounted to JD 9,747,510.

(29) LAWSUITS AGAINST THE GROUP

As at 31 December 2016, the Group is a defendant in number of lawsuits in the normal course of business amounted to JD 14,703,757 (2015: JD 3,686,391). The Group's management and its legal counsel believe that the Group will not have any material obligations in respect of these lawsuits.

(30) RISK MANAGEMENT

Interest rate risk -

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

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

2016 Currency	Increase in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	76,458
USD	50	91,686

2015 Currency	Decrease in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	95,701
USD	50	93,305

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

Equity price risk -

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

2016-

Index	Change in index (%)	Effects on loss before tax JD	Effect on consolidated statement of other comprehensive income, fair value reserve and shareholders' equity JD
Dubai Stock Exchange	15	-	10,395
Amman Stock Exchange	15	5,135	113
Palestine Stock Exchange	15	-	3,156

2015-

Index	Change in index	Effects on loss before tax	Effect on consolidated statement of other comprehensive income, fair value reserve and shareholders' equity
	(%)	JD	JD
Dubai Stock Exchange	15	-	12,994
Amman Stock Exchange	15	4,832	2,855
Palestine Stock Exchange	15	-	3,629

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

Credit risk -

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

The Group seeks to limit its credit risk with respect to customers by setting credit limits for customers and by monitoring outstanding receivables. And with respects to banks by dealing with reputable banks.

Liquidity risk -

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

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2016 -	JD	JD	JD	JD	JD
Loans	-	-	10,118,379	23,941,655	34,060,034
Trade payable and other current liabilities	-	28,531,899	15,826,378	-	44,358,277
Bank overdrafts	3,239,965	-	-	-	3,239,965
Total	3,239,965	28,531,899	25,944,757	23,941,655	81,658,276
31 December 2015 -					
Loans	-	-	11,985,454	18,075,682	30,061,136
Trade payable and other current liabilities	-	22,034,409	14,435,538	-	36,469,947
Bank overdrafts	10,853,926	-	-	-	10,853,926
Total	10,853,926	22,034,409	26,420,992	18,075,682	77,385,009

Currency risk -

Most of the Group's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US $1.41 for JD 1).

(31) Fair Value of FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

Financial assets comprise cash and bank balances, trade receivables, financial assets at fair value through other comprehensive income and profit or loss, due from related parties and some other current assets.

Financial liabilities comprise of trade payables, loans, due to related parties, bank overdrafts and some other current liabilities.

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

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

	Level 1	Level 2	Level 3	Total
	JD	JD		
2016 -				
Financial assets at fair value through other comprehensive income	91,092	-	3,185,304	3,276,396
2015 -				
Financial assets at fair value through other comprehensive income	129,849	-	3,204,545	3,334,394

(32) CAPITAL MANAGEMENT

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

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

Capital comprises of paid in capital, statutory reserve, voluntary reserve, treasury shares, fair value reserve, other reserves and accumulated losses, and is measured at JD 34,637,435 as at 31 December 2016 (2015: JD 36,596,433)

(33) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases

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

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

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

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

FRS 15 Revenue from Contracts with Customers

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

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

The amendments are effective for annual periods beginning on or after 1 January 2016, must be applied retrospectively and earlier adoption is permitted.

IAS 1 *Presentation of Financial Statements – Amendments to IAS 1*

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

These amendments are not expected to impact the Group's financial position or performance. The application of the amendments are not expected to have a significant impact on the Group's disclosures.

The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's consolidated financial statements.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.

(34) COMPARATIVE FIGURES

Some of 2015 figures have been reclassified to correspond to this presentation of 2016 figures with no effect on previously reported loss or equity.