

نموذج رقم (٤-١) Form No. (1-4)	
رقم : د/م/284/2	
To: Jordan Securities Commission Amman Stock Exchange Date: 1/8/2018 Subject: Semi- Annual Report as of 30/06/2018	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 1/8/2018 الموضوع: <u>التقرير نصف السنوي كما هو في</u> <u>30/6/2018</u>
Attached the company's Semi- Annual Report of (union tobacco & cigarette industries co.) in English As of 30/06/2018	مرفق طيه نسخة من التقرير نصف السنوي لشركة (مصانع الاتحاد لإنتاج التبغ والسجائر) باللغة الانجليزية كما هو بتاريخ 30/6/2018 م
Kindly accept our highly appreciation and respect Company's Name( union tobacco & cigarette industries co.) Board Member of Directors Muath Enayah	وتفضلوا بقبول فائق الاحترام... اسم شركة (مصانع الاتحاد لإنتاج التبغ والسجائر) توقيع عضو مجلس الادارة معاذ عناية

UNION TOBACCO  
شركة مصانع الإتحاد  
لإنتاج التبغ والسجائر م.م

شركة مصانع الإتحاد  
لإنتاج التبغ والسجائر م.م  
٢٠١٨ آب ٠١  
الرقم التسلسلي: ٤٠٠١  
رقم الحساب: ٤٠١٧٤  
الجهة المختصة: الإدارة

**UNION TOBACCO AND CIGARETTE INDUSTRIES**  
**PUBLIC SHAREHOLDING COMPANY**

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

**30 JUNE 2018**

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

**Introduction**

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

**Scope of review**

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

**Basis of qualified conclusion**

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

### **Qualified conclusion**

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

Amman – Jordan  
31 July 2018

*Ernst + Young*

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

	Notes	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited)
<b>ASSETS</b>			
<b>Non-Current Assets -</b>			
Property, plant and equipment	6	17,527,420	17,955,874
Investment properties		17,203	17,203
Advance payment on investments	10	1,504,250	-
Advance payments on machine purchases		-	101,244
Financial assets at fair value through other comprehensive income		8,685,031	9,585,050
		<u>27,733,904</u>	<u>27,659,371</u>
<b>Current assets -</b>			
Inventories		12,722,019	13,397,170
Trade receivables		19,687,582	23,108,830
Other current assets		2,205,606	2,754,991
Due from related party	5	3,568,958	3,625,745
Cash and bank balances		1,292,018	218,128
		<u>39,476,183</u>	<u>43,104,864</u>
<b>Total Assets</b>		<u>67,210,087</u>	<u>70,764,235</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity -</b>			
Paid in capital	1	15,083,657	15,083,657
Share premium		5,000,000	5,000,000
Statutory reserve	3	3,774,151	3,774,151
Voluntary reserve	3	7,250,000	7,250,000
Fair value reserve		(1,033,821)	(726,532)
Accumulated losses		(8,078,738)	(5,186,946)
<b>Net equity</b>		<u>21,995,249</u>	<u>25,194,330</u>
<b>Liabilities -</b>			
<b>Non-current liabilities -</b>			
Long term loans	9	12,985,484	13,812,140
<b>Current liabilities -</b>			
Current portion of long term loans	9	5,208,497	5,352,000
Due to banks	7	109,558	265,845
Trade and other current liabilities		22,633,931	22,737,324
Due to related party	5	3,602,790	2,728,018
Income tax provision	4	674,578	674,578
		<u>32,229,354</u>	<u>31,757,765</u>
<b>Total liabilities</b>		<u>45,214,838</u>	<u>45,569,905</u>
<b>Total Equity and Liabilities</b>		<u>67,210,087</u>	<u>70,764,235</u>

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

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
		JD	JD	JD	JD
Sales	11	590,361	1,015,923	4,418,268	1,849,216
Cost of sales		(1,898,671)	(1,528,823)	(4,931,514)	(2,638,816)
<b>Gross loss</b>		<b>(1,308,310)</b>	<b>(512,900)</b>	<b>(513,246)</b>	<b>(789,600)</b>
Administrative expenses		(407,870)	(536,130)	(929,985)	(1,125,609)
Marketing expenses		(199,087)	(504,718)	(327,259)	(628,177)
Finance costs		(372,434)	(403,476)	(728,551)	(769,366)
Provision for advance payments on machine purchases		(101,244)	-	(101,244)	-
Other income (expenses), net		1,382	13,836	26,107	(34,785)
<b>Loss for the period before income tax</b>		<b>(2,387,563)</b>	<b>(1,943,388)</b>	<b>(2,574,178)</b>	<b>(3,347,537)</b>
Income tax for the period	4	-	(220,337)	-	(220,337)
<b>Loss for the period</b>		<b>(2,387,563)</b>	<b>(2,163,725)</b>	<b>(2,574,178)</b>	<b>(3,567,874)</b>
		<u>Fils / JD</u>	<u>Fils / JD</u>	<u>Fils / JD</u>	<u>Fils / JD</u>
<b>Loss per share attributable to equity holders of the Company</b>		<b>(0/158)</b>	<b>(0/143)</b>	<b>(0/171)</b>	<b>(0/237)</b>

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	JD	JD	JD	JD
<b>Loss for the period</b>	(2,387,563)	(2,163,725)	(2,574,178)	(3,567,874)
<b>Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:</b>				
Net (losses) gains of financial assets at fair value through other comprehensive income	<u>(511,347)</u>	<u>(1,307,053)</u>	<u>(624,903)</u>	<u>3,026,919</u>
<b>Total comprehensive income for the period</b>	<u>(2,898,910)</u>	<u>(3,470,778)</u>	<u>(3,199,081)</u>	<u>(540,955)</u>

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

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

	Paid in capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD	JD	JD
<b>For the six months period ended 30 June 2018 -</b>							
Balance as at 1 January 2018	15,083,657	5,000,000	3,774,151	7,250,000	(726,532)	(5,186,946)	25,194,330
Total comprehensive income for the period	-	-	-	-	(624,903)	(2,574,178)	(3,199,081)
Loss on sale of financial assets at fair value through other comprehensive income	-	-	-	-	317,614	(317,614)	-
<b>Balance at 30 June 2018</b>	<b>15,083,657</b>	<b>5,000,000</b>	<b>3,774,151</b>	<b>7,250,000</b>	<b>(1,033,821)</b>	<b>(8,078,738)</b>	<b>21,995,249</b>
<b>For the six months period ended 30 June 2017 -</b>							
Balance as at 1 January 2018	15,083,657	5,000,000	3,774,151	7,250,000	(531,062)	(1,429,402)	29,147,344
Total comprehensive income for the period	-	-	-	-	3,026,919	(3,567,874)	(540,955)
Gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	(33,265)	841	(32,424)
<b>Balance at 30 June 2017</b>	<b>15,083,657</b>	<b>5,000,000</b>	<b>3,774,151</b>	<b>7,250,000</b>	<b>2,462,592</b>	<b>(4,996,435)</b>	<b>28,573,965</b>

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



**UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

		For the six months ended 30 June	
	Note	2018 JD	2017 JD
<b><u>OPERATING ACTIVITIES</u></b>			
Loss before income tax		(2,574,178)	(3,347,537)
<b>Adjustments for:</b>			
Depreciation		428,889	944,830
Gain on sale of property, plant and equipment		-	(6,422)
Finance costs		728,551	769,366
Provision for advance payments on machine purchases		101,244	-
<b>Working capital changes:</b>			
Inventories		675,151	435,839
Trade and other current assets		3,970,633	5,546,984
Trade and other current liabilities		(103,393)	(3,136,705)
Related parties		931,559	84,057
Income tax paid		-	(77,473)
<b>Net cash flows from operating activities</b>		<b>4,158,456</b>	<b>1,212,939</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Purchase of property, plant and equipment		(435)	(120)
Proceeds from sale of property, plant and equipment		-	50,000
Advance payment on investments		(1,504,250)	-
Purchase of financial assets at fair value through other comprehensive income		(630,398)	(172,404)
Proceeds from sale of financial assets at fair value through other comprehensive income		905,514	366,596
<b>Net cash flows (used in) from investing activities</b>		<b>(1,229,569)</b>	<b>244,072</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of loans		(2,002,753)	(1,098,642)
Proceeds from loans		1,032,594	-
Finance costs paid		(728,551)	(769,366)
<b>Net cash flows used in financing activities</b>		<b>(1,698,710)</b>	<b>(1,868,008)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,230,177</b>	<b>(410,997)</b>
Cash and cash equivalents at 1 January		(47,717)	(1,202,605)
<b>Cash and cash equivalents at 30 June</b>	8	<b>1,182,460</b>	<b>(1,613,602)</b>

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

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

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**1) GENERAL**

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

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

The interim condensed consolidated financial statements were approved by the Company's Board of Directors in their meeting held on 31 July 2018.

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

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

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

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

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

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

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

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

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

**IFRS 9 Financial Instruments**

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

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

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

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

**Impairment**

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

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has no debt instruments at amortization cost; therefore, there was no effect on changing the accounting policy as a result of implementing IFRS 9.

**IFRS 15 Revenue from Contracts with Customers**

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

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

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

**(a) Apartments sale**

The Group has concluded that revenue from apartments sale should be recognized at the point in time when control of the asset is transferred to the customer generally on handing off the apartment. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

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

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

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

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

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

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

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

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

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

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

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

### **(3) STATUTORY RESERVE**

The Group did not appropriate for statutory reserve in accordance with the Jordanian Companies Law as these financial statements are interim condensed consolidated financial statements.

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

**(4) INCOME TAX**

Income tax provision for the six months ended in 30 June 2018 and 2017 were calculated in accordance with the Income Tax Law No. (34) of 2014.

The Income and Sales Tax Department reviewed the accounting records of the Company and its subsidiaries up to the year 2012. The Income and Sales Tax Department reviewed the accounting records of the Company and its subsidiaries until the end of 2015 and did not issue its final report until the date of preparation of these interim condensed consolidated financial statements.

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

**(5) RELATED PARTIES**

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

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

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

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

	<u>30 June 2018</u> JD (Unaudited)	<u>31 December 2017</u> JD (Audited)
<b>Due from related party:</b>		
Union Investment Corporation (parent company)	<u>3,568,958</u>	<u>3,625,745</u>
<b>Due to related party:</b>		
Union Land Development Company (sister company)	<u>3,602,790</u>	<u>2,728,018</u>

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

**Key management salaries and bonuses:**

The key management salaries and bonuses amounted to JD 80,100 for the six months ended 30 June 2018 (30 June 2017: JD 79,150)

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

Additions to property, plant and equipment were amounted to JD 435 for the six months ended 30 June 2018 (30 June 2017: JD 210).

**(7) DUE TO BANKS**

	<u>Currency</u>	<u>Average Interest Rate</u>	<u>Credit Limit</u>	<u>Utilized balance</u>
			JD	JD
Bank Al Etihad	JD	5,5%	250,000	109,558
				<u>109,558</u>

This overdraft is guaranteed by the same guarantees disclosed in Note (9) "Bank Al Etihad Declining loan" of the interim condensed consolidated financial statements.

**(8) CASH AND CASH EQUIVALENTS**

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

	<u>30 June 2018</u>	<u>30 December 2017</u>
	JD	JD
Cash and bank balances	1,292,018	218,128
Less: Due to banks (Note 7)	(109,558)	(265,845)
	<u>(1,182,460)</u>	<u>(47,717)</u>

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

**(9) LOANS**

		Loan installments					
		30 June 2018 (Unaudited)			31 December 2017 (Audited)		
Currency		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
		JD	JD	JD	JD	JD	JD
Bank Al Etihad – Revolving loan	JD	886,412	-	886,412	941,024	-	941,024
Bank Al Etihad – Revolving loan	USD	2,033,433	-	2,033,433	2,122,324	-	2,122,324
Bank Al Etihad – Declining loan	USD	2,288,652	12,985,484	15,274,136	2,288,652	13,812,140	16,100,792
		<u>5,208,497</u>	<u>12,985,484</u>	<u>18,193,981</u>	<u>5,352,000</u>	<u>13,812,140</u>	<u>19,164,140</u>

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

During 2017, the Company obtained a revolving loan with a ceiling of JD 1,000,000, and an annual interest rate of 5.5% with no commission if the loan is fully paid off in 2018. The guarantees on this loan are the same as those related to the declining loan from Bank Al Etihad, which is mentioned below in this disclosure.

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

During 2017, the Company obtained a revolving loan with a ceiling of USD 3,000,000, and an annual interest rate of 5.5% with no commission if the loan is fully paid off in 2018. The guarantees on this loan are the same as those related to the declining loan from Bank Al Etihad, which is mentioned below in this disclosure.

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

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

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

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

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



**(10) ADVANCE PAYMENT ON INVESTMENTS**

The Group established a branch in Iraq on 15 April 2018, under the registration number 5252 according to the regulations of the Iraqi Foreign Companies Act number (2) of 2017. Subsequently this branch established a factory in Iraq, Al-Fiddiya Tobacco and Cigarettes Industries LLC with a share capital of IQD 5,000,000,000 which is equivalent to JD 3,008,500. The Group's owns 50% of the share capital of Al-Fiddiya Tobacco and Cigarettes Industries LLC which is equivalent to JD 1,504,250. Noting that the group exerts majority control over Al-Fiddiya Tobacco and Cigarettes Industries LLC.

**(11) OPERATING SEGMENTS**

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

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

- Tobacco and Cigarettes.
- Marketing Tobacco and Cigarettes.

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

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

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

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

	Tobacco and Cigarette JD	Marketing Tobacco and Cigarette JD	Total JD
<b>For the period ended 30 June 2018 (Unaudited)</b>			
<b><u>Revenues:</u></b>			
Revenues	596,498	3,821,770	4,418,268
<b><u>Business Results:</u></b>			
(Loss) profit for the period	(2,979,845)	405,667	(2,574,178)
<b><u>Other Segment Information:</u></b>			
Depreciation	(406,784)	(22,105)	(428,889)
Finance costs	(728,551)	-	(728,551)
<b>For the period ended 30 June 2017 (Unaudited)</b>			
<b><u>Revenues:</u></b>			
Revenues	1,667,098	182,118	1,849,216
<b><u>Business Results:</u></b>			
(Loss) profit for the period	(3,527,973)	(39,901)	(3,567,874)
<b><u>Other Segment Information:</u></b>			
Depreciation	(920,642)	(24,188)	(944,830)
Finance costs	(769,366)	-	(769,366)
<b>As at 30 June 2018 (Unaudited)</b>			
Segments assets	50,151,407	17,058,680	67,210,087
Segments liabilities	31,263,899	13,950,939	45,214,838
<b>As at 31 December 2017 (Audited)</b>			
Segments assets	51,752,321	19,011,914	70,764,235
Segments liabilities	29,260,065	16,309,840	45,569,905