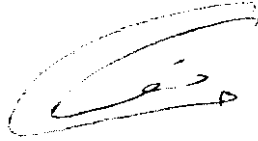
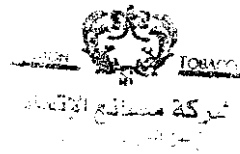


نموذج رقم (5-1) Form No. (1-5)	
To: Jordan Securities Commission Amman Stock Exchange Date: 15/5/2017 Subject: Quarterly Report of 31/3/2017	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 15/5/2017 الموضوع: التقرير ربع السنوي كما هي في 2017/3/31
Attached the Quarterly Report of ( union tobacco & cigarette industries co) in English as of 31/3/2017	مرفق طية نسخة من البيانات المالية ربع السنوية لشركة (مصانع الإتحاد لإنتاج التبغ والسجائر) باللغة الانجليزية كما هي بتاريخ 2017/3/31
Kindly accept our highly appreciation and respect union tobacco & cigarette industries co. Vice Chairman of the board Khaled Al Maqableh	وتفضلوا بقبول فائق الاحترام شركة مصانع الإتحاد لإنتاج التبغ والسجائر توقيع نائب رئيس مجلس الإدارة خالد المقابلة 



بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٥ أيار ٢٠١٧
3077
الرقم المتسلسل:
41674
رقم الملف:
2111/61
الجهة المختصة:

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

**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS AND REVIEW REPORT  
FOR THE PERIOD ENDED MARCH 31, 2017**

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW  
REPORT  
FOR THE PERIOD ENDED MARCH 31, 2017**

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## REPORT ON REVIEWING THE INTERIM FINANCIAL STATEMENTS

To the President and Members of the Board of Directors  
Union Tobacco and Cigarettes Industries Company (P.L.C.)

### Introduction

We have reviewed the accompanying Interim Consolidated Statement of Financial Position for Union Tobacco and Cigarettes Industries Company (P.L.C.) as of March 31, 2017, and the related statements of Interim Consolidated Comprehensive income, Owners' equity and cash flows for the period then ended. The management is responsible of preparing and presenting the company's financial statements in accordance with International Accounting Standard No. 34 (Interim Financial Reporting) which is an integral part of International Financial Reporting Standards. Our responsibility is limited to issue a conclusion on these interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. Our review is primarily limited to inquiries of the company's accounting and financial departments personnel as well as applying analytical procedures to financial data. The range of our review is narrower than the broad range of audit procedures applied according to International Auditing Standards. Accordingly, Getting assurances and confirmations about other important aspects checked through an audit procedure was not achievable, Hence, We don't express an opinion regarding in this regard.

### Basis of Qualification

We did not combine the financial statements of the company branch in Iraq because we have not been provided with these its financial statements as of march 31, 2017

### Conclusion

Based on our review, except what was mentioned in basis of qualification above, nothing has come to our attention that causes us to be believe that the accompanying interim consolidated financial statements do not give a true and fair view in accordance with International Accounting Standard No. 34.

Ghosheh & Co.  
Abdul Kareem Qunais  
License No.(496)



Amman-Jordan  
April 26, 2017

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF MARCH 31, 2017 AND DECEMBER 31, 2016**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		22,247,242	22,501,233
Real estates and lands investments		17,203	17,203
Financial assets designated at fair value through statement of other comprehensive income		13,066,562	9,348,713
<b>Total non-current assets</b>		<b>35,331,007</b>	<b>31,867,149</b>
<b>Current assets</b>			
Prepaid expenses and other receivables		1,224,600	1,118,756
Payments to purchase goods, machinery and raw materials		390,402	380,708
Spare parts		1,926,098	1,940,144
Inventory		9,475,640	14,473,039
Due from related parties		22,083,170	3,861,345
Account receivables and checks under collection		6,754,938	24,249,641
Cash and cash equivalents		122,513	339,270
<b>Total current assets</b>		<b>41,977,361</b>	<b>46,362,903</b>
<b>TOTAL ASSETS</b>		<b>77,308,368</b>	<b>78,230,052</b>
<b>LIABILITIES AND OWNER'S EQUITY</b>			
<b>Owners' equity</b>			
Common stock	1	15,083,657	15,083,657
Issuance premium		5,000,000	5,000,000
Statutory reserve		3,774,151	3,774,151
Voluntary reserve		7,250,000	7,250,000
Fair value reserve		3,353,629	(531,062)
Accumulated Losses		(1,447,694)	(200,190)
<b>Total shareholders' equity</b>		<b>33,013,743</b>	<b>30,376,556</b>
Non-controlling interests		50,000	50,000
<b>Total owners' equity</b>		<b>33,063,743</b>	<b>30,426,556</b>
<b>Non-current liabilities</b>			
Long term loans		12,156,858	12,628,298
<b>Total non-current liabilities</b>		<b>12,156,858</b>	<b>12,628,298</b>
<b>Current liabilities</b>			
Accrued expenses and other liabilities		2,261,792	2,751,763
Accounts payable and deferred checks		22,336,784	24,418,093
Notes payable		754,153	754,153
Current portion of long-term loans		5,708,868	5,708,868
Banks overdraft		1,026,170	1,542,321
<b>Total current liabilities</b>		<b>32,087,767</b>	<b>35,175,198</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>77,308,368</b>	<b>78,230,052</b>

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

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

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

	<b>For the three months ended March 31, 2017</b>	<b>For the three months ended March 31, 2016</b>
Sales	1,337,834	5,491,375
Cost of sales	(1,458,989)	(4,598,521)
<b>Gross(loss)/ profit</b>	<b>(121,155)</b>	<b>892,854</b>
Selling and marketing expenses	(103,237)	(81,234)
General and administrative expenses	(586,335)	(611,697)
Financial charges	(308,895)	(215,034)
Margin account interests	(56,995)	-
Gain on sale of property and equipment	-	121,000
Other revenues and expenses	(65,515)	10,776
<b>(loss) /profit for the period</b>	<b>(1,242,132)</b>	<b>116,665</b>
<b>Addition of other comprehensive income:</b>		
Losses from sale of financial assets designated at fair value through statement of other comprehensive income	(5,372)	(3,234)
<b>Total comprehensive Income transferred to accumulated losses</b>	<b>(1,247,504)</b>	<b>113,431</b>
Change in fair value reserve	3,884,691	1,708,518
<b>Total comprehensive income for the period</b>	<b>2,637,187</b>	<b>1,821,949</b>
<b>(Loss) /Earnings per share:</b>		
<b>(Loss) /Earnings per share- JOD/share</b>	<b>(0,08)</b>	<b>0,01</b>
<b>Weighted average of outstanding shares - share</b>	<b>15,083,657</b>	<b>15,083,657</b>

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

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

**INTERIM CONSOLIDATED STATEMENT OF OWNERS' EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

	Share capital	Issuance premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total
Balance at January 1, 2017	15,083,657	5,000,000	3,774,151	7,250,000	(531,062)	(200,190)	30,376,556
Comprehensive income for period	-	-	-	-	3,884,691	(1,247,504)	2,637,187
Balance at March 31, 2017	15,083,657	5,000,000	3,774,151	7,250,000	3,353,629	(1,447,694)	33,013,743
Balance at January 1, 2016	15,083,657	5,000,000	3,770,914	7,250,000	(563,027)	(229,319)	30,312,225
Comprehensive income for period	-	-	-	-	1,708,518	113,431	1,821,949
Balance at March 31, 2016	15,083,657	5,000,000	3,770,914	7,250,000	1,145,491	(115,888)	32,134,174

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

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS(UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
<b>OPERATING ACTIVITIES</b>		
(Loss) /Profit for the period	(1,247,504)	113,431
Adjustments for (Loss)/profit of the period:		
Depreciation	214,247	220,530
Financial charges	308,895	215,034
Changes in operating assets and liabilities:		
Due from related parties	(18,221,825)	(2,073,822)
Account receivables and checks under collection	17,494,703	(614,665)
Inventory and spare parts	5,011,445	30,030
Prepaid expenses and other receivables	(105,844)	400,618
Payments to purchase goods, machinery and raw materials	(9,694)	13,845
Accounts payable and deferred checks	(2,081,309)	723,618
Accrued expenses and other liabilities	(489,971)	712,925
<b>Cash available from/(Used in) operating activities</b>	<b>873,143</b>	<b>(258,456)</b>
Financial charges paid	(308,895)	(215,034)
<b>Net cash available from/(Used in) operating activities</b>	<b>564,248</b>	<b>(473,490)</b>
<b>INVESTING ACTIVITIES</b>		
Changes in financial assets designated at fair value through other comprehensive income	166,842	23,138
Changes in property and equipment	39,744	274,122
<b>Net cash available from investing activities</b>	<b>206,586</b>	<b>297,260</b>
<b>FINANCING ACTIVITIES</b>		
Banks overdraft	(516,151)	(10,736,784)
Loans	(471,440)	10,913,354
<b>Net cash (used in)/available from financing activities</b>	<b>(987,591)</b>	<b>176,570</b>
<b>Net change in cash and cash equivalents</b>	<b>(216,757)</b>	<b>340</b>
Cash and cash equivalents, January 1	339,270	70,817
<b>Cash and cash equivalents, March 31</b>	<b>122,513</b>	<b>71,157</b>

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



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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2017  
(EXPRESSED IN JORDANIAN DINAR)**

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**1. ESTABLISHMENT AND ACTIVITIES**

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

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

The company's headquarter is in Amman.

The consolidated financial statements for the March 31, 2017 include the Company's financial statements and the financial statements of the following subsidiaries:

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

As of March 31, 2017 and December 31, 2016 the book value of investments in subsidiaries determined by the equity method as follows:

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

	2017	2016
Balance of the investment at the beginning of the period/ year	-	-
The company's share from losses of subsidiary	(12,887)	(478,853)
Amortization of the company's share of the losses of the subsidiary in the account required from the Company	12,887	478,853
Investment balances of March 31/ December 31	-	-

**B- UNION ADVANCED INDUSTRIES L.L.C**

	2017	2016
Balance of the investment at the beginning of the period/ year	57,279	56,633
The company's share from profits of the subsidiary	-	646
Investment balance as of March 31/ December 31	57,279	57,279

**C- Al-Raiding for distribution of tobacco and cigarettes Company**

	2017	2016
Balance of the investment at the beginning of the period/year	50,000	50,000
Investment balance as of March 31/ December 31	50,000	50,000

As of March 31, 2017 and December 31, 2016 a summary of the total assets, liabilities, revenues and income of the Company's direct subsidiaries and the significant assets and liabilities are as follows:

**A-AL-ASEELFOR MARKETING TOBACCO PRODUCTS AND CIGARETTES**

	2017	2016
Total assets	994,289	867,755
Total liabilities	3,208,582	2,897,173
Total Owner's equity	(2,214,293)	(2,029,418)
Accounts receivable	35,714	62,631
Property and equipment	54,611	101,098
Due to related parties	2,981,297	2,897,174
Losses for the period/ year	(12,887)	(478,853)
Share capital	50,000	50,000

**B-UNION ADVANCED INDUSTRIES**

	2017	2016
Total assets	399,134	399,134
Total liabilities	341,855	341,855
Total Owner's equity	57,279	57,279
Account receivables	25,052	25,052
Due to related parties	154,902	154,902
Sales	86,057	86,057
Profit for the period/ year	-	646
Share capital	50,000	50,000

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
**(EXPRESSED IN JORDANIAN DINAR)**

**C- Al-Raiding for the distribution of tobacco and cigarettes Company**

	<b>2017</b>	<b>2016</b>
Total assets	<b>50,000</b>	<b>50,000</b>
Total Owner's equity	<b>50,000</b>	<b>50,000</b>
Share capital	<b>100,000</b>	<b>100,000</b>

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

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

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
(EXPRESSED IN JORDANIAN DINAR)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim financial statement is presented in Jordanian Dinar, since that is the currency in which the majority of the Company's transactions are denominated.

The interim financial statements have been prepared on historical cost basis.

The interim statements do not include all the information and notes needed in the annual financial statement and must be reviewed with the ended financial statement at December 31, 2016, in addition to that the result for the three months ended in March 31, 2017 is not necessarily to be the expected results for the financial year ended December 31, 2017.

**Significant accounting policies**

The accounting policies used in the preparation of the interim financial information are consistent with those used in the audited financial statements for the period ended 31 December 2016.

**Basis of Interim consolidation financial statements**

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

Control is achieved where the Company:

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

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

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

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

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
(EXPRESSED IN JORDANIAN DINAR)

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**Sales**

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

**Expenses**

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

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

**Account Receivables**

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

**Cash and cash equivalents**

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

**Allowance For Impairment of account receivables**

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

**Inventories and spare parts**

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
(EXPRESSED IN JORDANIAN DINAR)

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**Financial assets designated at fair value through statement of comprehensive income**

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

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

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

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

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

**Investments in lands**

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
(EXPRESSED IN JORDANIAN DINAR)

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**The Decline in value of the financial assets**

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

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

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

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

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

**Cancellation of Recognition**

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

**Property and equipment**

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

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 (Continued)**  
(EXPRESSED IN JORDANIAN DINAR)

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

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

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

**The decline in value of the non-current assets**

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

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

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

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

**Accounts payable and accrual**

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

**Income tax**

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



**UNION TOBACCO AND CIGARETTES INDUSTRIES COMPANY**  
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**Foreign currency translation**

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

**The provisions**

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

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

**The use of estimation**

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

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

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

**The sector report represents**

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

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

**Offsetting**

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

**4. INVESTMENT IN A SUBSIDIARY COMPANY**

This Item represents the Investment in Al-Rafdeen Company, which is a limited liability, company registered under no. 30428 on November 6, 2012, where the ownership percentage is 50% of its capital that totals to JOD 100,000.

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**5. FINANCIAL INSTRUMENTS**

**Management of Capital risks**

The Company manage its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and shareholders' equity balances. The Company's strategy doesn't change from year 2016.

Structuring of Company's capital includes debts, the shareholders equity in the Company, which includes Common stock, additional, paid in capital, reserves, accumulated change in fair value, and accumulated losses as it is listed in the changes in owners' equity statement.

**The typical debt rate**

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

**The management of the financial risks**

**Market risks**

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

**Management of the foreign currencies risks**

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

**Management of the interest price risks**

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

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

**Other prices risks**

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

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**Credit risk management**

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

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

**Management of liquidity risks**

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

**6. APPROVAL OF FINANCIAL STATEMENTS**

The interimconsolidated financial statements were approved by the Board of Directors and authorized for issuance on April26, 2017.

**7. COMPARITIVE YEAR FIGURES**

Certain figures for 2016 have been reclassified to conform with the presentation for the three months ended March 31, 2017.