Union Tobacco
& Cigarette Industries Co.

UNION TOBACCO
UTOB

شركة مصانع الإتحاد
لإنتاج التبغ والسجائر م.ع.م

نموذج رقم (١-٢)

Form No. (1-2)

الرقم : د/م/٢/٣٢٦

To: Jordan Securities Commission Amman Stock Exchange Date:-2/7/2020 **Subject:** Audited Financial Statements for the fiscal year ended 31/12/2019	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ: ٢٠٢٠/٧/٢ الموضوع : البيانات المالية السنوية المدققة للسنة كما هي في ٢٠١٩/١٢/٣١
Attached the Audited Financial Statements of (union tobacco & cigarette industries co) As of 31/12/2019 in English	مرفق طيه نسخة من البيانات المالية المدققة لشركة مصانع الإتحاد لإنتاج التبغ والسجائر م.ع.م) باللغه الإنجليزية كما هي بتاريخ ٢٠١٩/١٢/٣١م
Kindly accept our high appreciation and respect union tobacco & cigarette industries co. Chairman of the Board of Directors Samer Al shawawreh	وتفضلوا بقبول فائق الاحترام... شركة مصانع الإتحاد لإنتاج التبغ والسجائر رئيس مجلس الإدارة سامر الشواوره

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

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٠٢ تموز ٢٠٢٠
رقم التسلسل:
رقم الملف:
الجهة المختصة:

UNION TOBACCO AND CIGARETTE INDUSTRIES
PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Union Investment Corporation Tobacco and Cigarette Industries Public Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Union Tobacco and Cigarette Industries - Public Shareholding Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of 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 2019, 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 (10) to the consolidated financial statements, the Group's management did not perform a comprehensive study for the provision for expected credit losses based on the historical credit loss experience adjusted for forward-looking factors and the economic environment in accordance with the requirements of IFRS (9) as of 31 December 2019. We were unable to determine the impact, on the consolidated financial statements of the Group.

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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* (including International Independence Standards) (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.

Material Uncertainty Related to Going Concern

Without further qualification in our opinion, we draw attention to Note (2-6) to the consolidated financial statements, the accumulated losses of the Group amounted to 27% of the paid in capital as of December 31, 2019 and the current liabilities exceeded the current assets by JD 19,488,460 as at December 31, 2019, in addition to incurring a total losses of JD 752,207 for the year then ended. These events and Conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion on the consolidated financial statements is not modified with respect to this matter.

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 2019. 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.

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1. **Provision for slow moving inventories** Disclosures that relate to the provision for slow moving inventories are included in note (8) to the consolidated financial statements.	
Key audit matter: At 31 December 2019, total inventories balance amounted to JD 8,728,788 representing 8.8% of the Group's total assets. Judgment is required to assess the appropriate level of provisioning for slow moving items, which may be ultimately sold below cost or not in saleable conditions. The Group is mainly operating in the tobacco industry and trades in foreign markets in which 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 in the audit:** 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.

Other information included in the Group's 2019 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.

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.

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- 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 Company maintains proper books of accounts which are in agreement with the consolidated financial statements, taking into consideration the matter described in the Basis for Qualified Opinion paragraph and the material uncertainty related to going concern paragraph.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker, license number 592.

Amman – Jordan
15 June 2020

Ernst + Young

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 JD	2018 JD
ASSETS			
Non-Curent Assets-			
Property, plant and equipment	3	14,834,611	16,435,430
Investment properties		17,203	17,203
Advances on machinery purchases		2,981	12,389
Financial assets at fair value through other comprehensive income	7	7,974,445	7,953,001
Projects Under Construction	4	23,484,748	7,799,219
Right of Use of Assets	2	98,386	-
		46,412,374	32,217,242
Current assets-			
Inventories	8	8,728,788	10,741,056
Trade receivables	9	5,775,099	17,568,632
Other current assets	10	3,349,258	2,865,261
Due from a related party	21	-	3,021,033
Cash and bank balances	11	753,229	352,072
		18,606,374	34,548,054
Total Assets		65,018,748	66,765,296
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Paid in capital	12	15,083,657	15,083,657
Share premium	12	-	5,000,000
Statutory reserve	12	3,774,151	3,774,151
Voluntary reserve	12	2,149,688	7,250,000
Fair value reserve		(1,852,416)	(1,916,691)
Accumulated losses	5	(4,063,240)	(10,100,312)
Net equity		15,091,840	19,090,805
Liabilities-			
Non-curent liabilities-			
Long-term loans	13	11,778,899	12,143,478
Long-term lease obligation	2	53,175	-
		11,832,074	12,143,478
Curent liabilities-			
Current portion of long-term loans	13	5,952,479	5,254,294
Short-term lease obligation	2	48,907	-
Bank overdrafts	14	68,972	243,869
Trade and other payables	15	24,967,575	23,648,539
Due to a related party	21	7,056,901	5,709,733
Income tax provision	20	-	674,578
		38,094,834	35,531,013
Total liabilities		49,926,908	47,674,491
Total Equity and Liabilities		65,018,748	66,765,296

The attached notes from 1 to 31 form part of these consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED IN 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
Continuing Operations			
Sales		5,389,076	4,016,340
Cost of sales	16	(6,141,283)	(2,615,171)
Gross (loss) profit		(752,207)	1.401,169
Gain on sale of property, plant and equipment		84,851	666,937
Unutilized manufacturing capacity cost	16	(2,353,256)	(2,550,273)
Administrative expenses	17	(1,474,118)	(1,632,730)
Selling and marketing expenses	18	(826,019)	(1,396,881)
Provision for advance payments on machinery purchases		-	(101,244)
Other expenses, net		(133,693)	(263,595)
Depreciation of right of use assets	2	(49,193)	-
Interest on right of use assets	2	(11,067)	-
Finance costs		(1,433,563)	(1,764,545)
Profit for the year, before income tax from continuing operations		(6,948,265)	(5,641,162)
Prior years income tax expense		-	-
Loss for the year, after income tax from continuing operations		(6,948,265)	(5,641,162)
Discontinued Operations			
Profit after tax from discontinued operations	22	2,988,910	1,091,019
Loss for the year		(3,959,355)	(4,550,143)
		JD/ Fils	JD/ Fils
Basic and diluted loss per share for the year attributable to shareholders	19	(0/262)	(0/302)

The attached notes from 1 to 31 form part of these consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED IN 31 DECEMBER 2019

	2019	2018
	JD	JD
Loss for the year	(3,959,355)	(4,550,143)
Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		
Net losses of financial assets at fair value through other comprehensive income (Note 7)	(39,610)	(1,553,382)
Total comprehensive income for the year	(3,998,965)	(6,103,525)

The attached notes from 1 to 31 form part of these consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED IN 31 DECEMBER 2019

	Paid in capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2019 -							
Balance as at 1 January 2019	15,083,657	5,000,000	3,774,151	7,250,000	(1,916,691)	(10,100,312)	19,090,805
Loss for the year	-	-	-	-	-	(3,959,355)	(3,959,355)
Other comprehensive income items (Note 7)	-	-	-	-	(39,610)	-	(39,610)
Total other comprehensive income	-	-	-	-	(39,610)	(3,959,355)	(3,998,965)
Accumulated losses write off (Note5)	-	(5,000,000)	-	(5,100,312)	-	10,100,312	-
Loss on sale of financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	103,885	(103,885)	-
Balance at 31 December 2019	15,083,657	-	3,774,151	2,149,688	(1,852,416)	(4,063,240)	15,091,840
For the year ended 31 December 2018 -							
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
Loss for the year	-	-	-	-	-	(4,550,143)	(4,550,143)
Other comprehensive income items (Note 7)					(1,553,382)	-	(1,553,382)
Total Comprehensive Income	-	-	-	-	(1,553,382)	(4,550,143)	(6,103,525)
Loss on sale of financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	363,223	(363,223)	-
Balance at 31 December 2018	15,083,657	5,000,000	3,774,151	7,250,000	(1,916,691)	(10,100,312)	19,090,805

The attached notes from 1 to 31 form part of these consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED IN 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
OPERATING ACTIVITIES			
Profit for the period before tax from continuing operations		(6,948,265)	(5,641,162)
Profit for the period before tax from discontinued operations		2,988,910	1,091,019
		(3,959,355)	(4,550,143)
Adjustments for:			
Depreciation	3	1,668,525	1,438,081
Provision for advance payments on machinery purchases		-	101,244
Gain on sale of property, plant and equipment		(84,851)	(666,937)
Depreciation of right of use assets	2	49,193	-
Interest on Right of Use Assets	2	11,067	-
Finance costs		1,433,563	1,764,545
Working capital changes:			
Inventories		2,012,268	2,580,033
Trade receivables and other current assets		11,984,114	5,413,101
Related parties' balances		4,368,201	3,586,427
Trade and other payables		644,458	911,215
Income tax paid during the year	20	(674,578)	-
Net cash flows from operating activities		17,452,605	10,577,566
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		90,907	750,001
Purchases of property, plant and equipment	3	(74,581)	(701)
Projects Under Construction	4	(15,685,529)	(7,799,219)
Purchases of financial assets at fair value through other comprehensive income		(268,500)	(511,064)
Proceeds from sale of financial assets at fair value through other comprehensive income		262,460	670,250
Net cash flows used in investing activities		(15,675,243)	(6,890,733)
FINANCING ACTIVITIES			
Payment on lease obligation	2	(56,564)	-
Repayments of loans		(2,728,700)	(4,748,976)
Proceeds from loans		3,017,519	2,982,608
Finance costs paid		(1,433,563)	(1,764,545)
Net cash flows used in financing activities		(1,201,308)	(3,530,913)
Net increase in cash and cash equivalents		576,054	155,920
Cash and cash equivalents at 1 January		108,203	(47,717)
Cash and cash equivalents at 31 December	11	684,257	108,203

The attached notes from 1 to 31 form part of these consolidated financial statements

(1) GENERAL

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

The Company's objective is the production and packaging of tobacco, cigarette, toombak products and printing works related to these products.

The consolidated financial statements were approved by the Company's Board of Directors in their meeting held 15 June 2020. The consolidated financial statements require the approval of the General Assembly.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through other comprehensive income which have been measured at fair value.

The consolidated financial statements are presented in Jordanian Dinars (JD), which represents the functional currency of the Group.

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

The consolidated financial statements comprise of the Company's financial statements and its subsidiaries (together the "Group") as of 31 December 2019.

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

	Country of Incorporation	Percentage of Ownership	
		2019	2018
Al Aseel for Marketing of Ma'asel and Cigarettes	Jordan	100%	100%
Union for Advanced Industries	Jordan	100%	100%
Union Tobacco and Cigarette Industries – Iraq (Note 22)	Iraq	-	100%

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 control 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 when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on 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 interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2019 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2018 except that the Group has applied the following amandments starting 1 January 2018:

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
Assets	
Right of use assets	147,579
Non-Current Liabilities	
Long term lease obligation	(88,294)
Current Liabilities	
Short term lease obligation	(59,285)
Total adjustment on equity	-

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• Leases previously accounted for as operating leases

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

• Used a single discount rate to a portfolio of leases with reasonably similar characteristics
• Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

b) Amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss:

Set out below, are the carrying amounts of the Group's, right-of-use assets and lease obligation and the movements during the year:

	Right of use assets	Lease obligation
At 1 January 2019	147,579	147,579
Depreciation	(49,193)	-
Finance costs	-	11,067
Payments	-	(56,564)
At 31 December 2019	98,386	102,082

* Lease obligation details are as follows:

Short term	Long term	Total
48,907	53,175	102,082

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

This interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

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

(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*	5
Laboratory and quality control equipment	15
Computers	20-25
Furniture and fixtures	20-25
Tools supplies	20
Vehicles	15
Others	10-25

* Some of the machinery and equipment are depreciated using the units of production method.

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 recognized 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.

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%.

Projects under construction

Projects under construction that is shown at cost, and that include the cost of construction, equipment and direct expenses. Projects under construction are only depreciated when the related assets are completed and ready to use.

Investments in associate

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.

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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where 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 available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognised in the consolidated statement of profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease contracts obligation

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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, maximizing the use of relevant observable inputs and minimizing 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 recognized 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Raw inventories, work in progress and spare parts are stated using the weighted average cost.

Trade receivables

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Group applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, and other short-term highly liquid investments with original maturities of three months or less which do not include the risk of the change in fair value, net of outstanding bank overdrafts.

Loans

After initial recognition, interest bearing loans are subsequently measured at amortized 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.

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.

Trade payables 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

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 recognised when control of the goods is transferred to the customer and can be reliably measured in accordance with IFRS 15.

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

Other revenues are recognized on the accrual basis.

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.

(2-5) USE OF 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:

- 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.

(2-6) GOING CONCERN

The accumulated losses of the group amounted to 27% of the paid-in capital as of 31 December 2019 and the current liabilities exceeded the current assets by JD 19,488,460, as of 31 December 2019, in addition to achieving a total loss of JD 752,207 for the year then ended.
Management believes that it is appropriate to use the going concern basis for the consolidated financial statements based on the Group's future business plans in addition to the possibility of rescheduling or obtaining bank facilities.

(3) PROPERTY, PLANT AND EQUIPMENT

	Land*	Buildings	Machinery and equipment **	Laboratory and quality control equipment	Computers	Furniture and fixtures	Tools	Vehicles	Others	Total
2019-	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost-										
Balance at 1 January 2019	514,219	13,153,994	26,886,060	361,209	316,907	543,842	473,699	1,055,726	101,121	43,406,777
Additions	-	-	916	-	-	-	65	73,600	-	74,581
Disposals	-	-	-	-	-	-	-	(59,280)	-	(59,280)
Balance at 31 December 2019	514,219	13,153,994	26,886,976	361,209	316,907	543,842	473,764	1,070,046	101,121	43,422,078
Accumulated depreciation-										
Balance at 1 January 2019	-	6,700,507	17,808,761	342,389	234,779	512,991	472,146	879,715	20,059	26,971,347
Charge for the year	-	523,883	962,165	13,342	1,119	7,571	1,618	142,815	16,012	1,668,525
Disposals	-	-	-	-	-	-	-	(52,405)	-	(52,405)
Balance at 31 December 2019	-	7,224,390	18,770,926	355,731	235,898	520,562	473,764	970,125	36,071	28,587,467
Net book value:										
As at 31 December 2019	514,219	5,929,604	8,116,050	5,478	81,009	23,280	-	99,921	65,050	14,834,611

* This item includes land owned by Union Tobacco and Cigarette Industries PLC, in the area of Al-Jizah, Jordan, which are secured by a first-degree mortgage in the favour of Bank Al-Etihad.

**This category includes machinery and equipment with a cost of JD 24,832,787 (2018: JD 24,832,787) which were depreciated using the units of production method.

The deprecation charge for the year is allocated as follows:

	2019	2018
	JD	JD
Cost of sales (Note 16)	1,395,721	1,200,933
Administrative expenses (Note 17)	262,921	227,197
Selling and marketing expenses (Note 18)	9,883	9,951
	1,668,525	1,438,081

	Land	Buildings	Machinery and equipment	Laboratory and quality control equipment	Computers	Furniture and fixtures	Tools	Vehicles	Others	Total
2018-	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost-										
Balance at 1 January 2018	514,219	13,153,994	29,569,337	361,209	316,472	543,822	473,589	1,055,726	100,985	46,089,353
Additions	-	-	-	-	435	20	110	-	136	701
Disposals	-	-	(2,683,277)	-	-	-	-	-	-	(2,683,277)
Balance at 31 December 2018	514,219	13,153,994	26,886,060	361,209	316,907	543,842	473,699	1,055,726	101,121	43,406,777
Accumulated depreciation-										
Balance at 1 January 2018	-	6,176,624	19,652,064	328,998	232,211	492,198	449,883	801,501	-	28,133,479
Charge for the year	-	523,883	756,910	13,391	2,568	20,793	22,263	78,214	20,059	1,438,081
Disposals	-	-	(2,600,213)	-	-	-	-	-	-	(2,600,213)
Balance at 31 December 2018	-	6,700,507	17,808,761	342,389	234,779	512,991	472,146	879,715	20,059	26,971,347
Net book value:										
As at 31 December 2018	514,219	6,453,487	9,077,299	18,820	82,128	30,851	1,553	176,011	81,062	16,435,430

(4) PROJECTS UNDER CONSTRUCTION

Movement on projects under construction is as follows:

	2019	2018
	JD	JD
Balance at 1 January	7,799,219	-
Additions*	15,685,529	7,799,219
Balance at 31 December	23,484,748	7,799,219

* For the purposes of providing the necessary liquidity to complete the projects under construction of "Al Fiddiyah for the Production of Cigarettes, Limited Liability Company, and Union Tobacco and Cigarettes Factory Baghdad, an amount of JD 4,255,000 and JD 4,750,000, respectively, was transferred from the cash received from the sale of the subsidiary, Union Tobacco and Cigarettes - Iraq which took place during the last quarter of the year ending on 31 December 2019 as disclosed in Note 22 (Disposal of a subsidiary).

The Group has established a branch in Iraq on 15 April 2018, under registration number 5252 according to the regulations of the Iraqi Foreign Companies Act number (2) of 2017 in which this branch established a factory in Iraq, under the name of Al-Fiddiya Tobacco and Cigarettes Industries LLC with a share capital of IQD 5,000,000,000 which is equivalent to JD 3,008,500, the Group's owns 50% of the share capital of Al-Fiddiya Tobacco and Cigarettes Industries LLC which is equivalent to JD 1,504,250, noting that the Group exerts majority control over Al-Fiddiya Tobacco and Cigarettes Industries LLC. The Group has also contributed IQD 4,500,0000 for the for the purpose of establishing a branch in Iraq in 2018 in the name of "Union Tobacco and Cigarettes Factory – Baghdad" where the Group owns 100% of the capital of the factory. An amount of JD 6,680,529 was transferred in 2019 to "Union Tobacco and Cigarettes Factory – Baghdad".

Management expects that the projects under construction will be completed during the third quarter of the year ended 31 December 2020. No specific date has been set as the legal procedures for operations to begin have not yet been fully completed.

(5) ACCUMULATED LOSSES

The Company's General Assembly decided at in its extraordinary meeting held on 6 June 2019 to write off all of its accumulated losses amounted to JD 10,100,312 as at 31 December 2018 against the share premium and voluntary reserve accounts, in the amount of JD 5, 000,000 from the share premium account and JD 5,100,312 from the voluntary reserve account.

(6) INVESTMENT IN AN ASSOCIATE

The Group owns 50% of Al-Rafidain for Tobacco and Cigarettes Distribution Company, a limited liability company that was established on 6 November 2012 which amounted to 100,000 shares. The Board of Directors resolved to liquidate the company in its meeting held on 14 July 2016, accordingly the investment carrying amount was written off.

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

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

	2019	2018
	JD	JD
Quoted Shares / Inside Jordan		
Union Investments Corporation/ P.L.C (Parent Company)	2,318,981	2,067,696
Union Land Development Corporation/ P.L.C (Sister Company)	5,655,464	5,885,305
	7,974,445	7,953,001

The movement on the fair value reserve was as follows:

	2019	2018
	JD	JD
Balance at 1 January	(1,916,691)	(726,532)
Change in fair value of financial assets at fair value through other comprehensive income	(39,610)	(1,553,382)
Loss on selling of financial assets at fair value through other comprehensive income	103,885	363,223
Balance at 31 December	(1,852,416)	(1,916,691)

(8) INVENTORIES

	2019	2018
	JD	JD
Raw materials	4,955,183	3,552,060
Work in progress	1,035,387	952,537
Finished goods	2,479,143	6,157,482
Spare parts	2,108,699	2,053,930
Goods in transit	401,236	95,907
	10,979,648	12,811,916
Provision for slow moving inventories	(2,250,860)	(2,070,860)
	8,728,788	10,741,056

The movement on the provision for slow moving inventories was as follows:

	2019	2018
	JD	JD
Balance at 1 January	2,070,860	2,146,941
Provision for the year	180,000	-
Written off during the year	-	(76,081)
Balance at 31 December	2,250,860	2,070,860

(9) TRADE RECEIVABLES

	2019	2018
	JD	JD
Trade receivables	7,716,822	19,690,355
Provision for expected credit losses	(1,941,723)	(2,121,723)
	5,775,099	17,568,632

Movement on the provision for expected credit losses was as follows:

	2019	2018
	JD	JD
Balance at 1 January	2,121,723	2,124,594
Written off during the year	(180,000)	(2,871)
Balance at 31 December	1,941,723	2,121,723

The management of the Group believes that unimpaired receivable is expected to be fully recoverable. The Group does not obtain any guarantees against these receivables, and thus they are unsecured. The Group did not perform a comprehensive study for the provision for expected credit losses based on the historical credit loss experience for forward-looking factors and the economic environment at 31 December 2019.

(10) OTHER CURRENT ASSETS

	2019	2018
	JD	JD
Refundable deposits	205,522	197,461
Advance Payments	1,010,000	-
Governmental deposits	923,917	1,326,339
Advances to suppliers	626,321	615,592
Prepaid expenses	507,171	651,834
Employees receivables	58,695	42,720
Others	17,632	31,315
	3,349,258	2,865,261

(11) CASH AND BANK BALANCES

	2019	2018
	JD	JD
Cash and bank balances	753,229	352,072
	753,229	352,072

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

	2019	2018
	JD	JD
Cash and bank balances	753,229	352,072
Bank overdrafts (Note 14)	(68,972)	(243,869)
	684,257	108,203

(12) SHAREHOLDERS' EQUITY

Authorized and paid in capital -
The Company's authorized and paid in capital is JD 15,083,657 divided into 15,083,657 shares at a par value of JD 1 per share as at 31 December 2019 and 2018.

Share premium –
The amounts accumulated in this account represents the amounts received and resulted from the difference between the shares issuance price and the shares face value as a result of increasing the Company's capital during previous years.

The company's General Assembly decided at its extraordinary meeting held on 6 June 2019 to write off all of its accumulated losses amounted to JD 10,100,312 as at 31 December 2018 against the share premium and voluntary reserve accounts, with JD 5,000,000 from the share premium account.

Statutory reserve -
As required by the Jordanian Companies Law, 10% of the profit before tax is to be transferred to statutory reserve. This reserve is not available for distribution to the shareholders. Transfers cannot be stopped before the statutory reserve reaches 25% of the Company's authorized capital. The Company's Board of Directors decided to discontinue such annual transfer after the reserve reached 25% of its paid in capital.

Voluntary reserve -
The amount accumulated in this reserve represents the transfers from profit before tax at maximum of 20%. This reserve is available for distribution to shareholders.
The company's General Assembly decided at its extraordinary meeting held on 6 June 2019 to write off of its accumulated losses amounted to JD 10,100,312 as at 31 December 2018 against the share premium and voluntary reserve accounts, with JD 5,100,312 from the voluntary reserve account.

(13) LOANS

This item represents loans obtained from the following parties:

		Loan installments					
		2019			2018		
	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	515,002	-	515,002	830,730	-	830,730
Bank Al Etihad – Revolving loan	USD	3,148,825	-	3,148,825	2,134,912	-	2,134,912
Bank Al Etihad – Reducing loan	USD	2,288,652	11,778,899	14,067,551	2,288,652	12,143,478	14,432,130
		5,952,479	11,778,899	17,731,378	5,254,294	12,143,478	17,397,772

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, to be fully repaid during this financial year. The Group reached an agreement with the bank to reschedule the loan to be fully paid during 2020.
The guarantees on this loan are the same as those related to the reducing loan from Bank Al Etihad, which is mentioned below in this disclosure.

Bank Al Etihad - Revolving loan- USD

During 2017, "Union Tobacco and Cigarette Industries PLC" obtained a revolving loan with a ceiling of USD 3,000,000, and an annual interest rate of 5.5% with no commission, to be fully repaid during this financial year. The Group reached an agreement with the bank to reschedule the loan to be fully paid during 2020. The guarantees on this loan are the same as those related to the reducing loan from Bank Al Etihad, which is mentioned below in this disclosure

Bank Al Etihad – Reducing loan- USD

"Union Tobacco and Cigarette Industries PLC" has obtained a reducing 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 instalments of USD 326,000 each starting from 2 February 2014 except for the last instalment which will be due on 1 January 2018 which represents the remaining balance of the loan.

The loan is guaranteed by the purchased shares of the Union Land Development Company (sister company) and Union Investment Corporation (parent company) which are classified as financial assets at fair value through of the comprehensive income 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 reducing 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 48 equal monthly instalments of USD 394,000 each, the first instalment was due on 30 September 2015 and the last instalment which represents the remaining balance of the loan will be due on 30 August 2019 under the same conditions and collaterals mentioned above.

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

The amounts of annual principle maturities of bank loans are as follows:

	JD
2021	2,288,652
2022	2,288,652
2023 – 2024	7,201,595
	11,778,899

(14) BANK OVERDRAFT

This item represents the utilized balance of the overdrafts provided for the Group, the details of this item are as follow:

Financing Party	Currency	Average interest rate	Credit limit	2019	2018
			JD	JD	JD
Bank Al Etihad	JD	5.5%	250,000	68,972	243,869

Guarantees on these facilities are the same guarantees relating to the Bank Al-Etihad reducing loan mentioned in Note (13).

(15) TRADE AND OTHER PAYABLES

	2019	2018
	JD	JD
Accounts payable	17,894,165	18,203,949
Financial brokers payables*	1,861,351	1,902,502
Shareholders deposits	566,268	571,117
Accrued expenses	787,259	779,731
Sales tax deposits	3,051,723	1,028,773
Miscellaneous provisions	736,630	1,051,323
Employee payables	70,179	110,664
Others	-	480
	24,967,575	23,648,539

* The financial broker's payables bear interest ranging from 10.5% to 12.25% annually.

(16) COST OF SALES

	2019	2018
	JD	JD
Cost of materials used in production	5,851,500	1,967,480
Salaries and wages	640,574	1,148,101
Insurance	290,743	345,665
Depreciation (Note 3)	1,395,721	1,200,933
Maintenance	39,710	101,934
Electricity, water and fuel	117,623	185,645
Employees' meals and hospitality	19,216	27,995
Vehicles expenses	47,937	59,996
Damaged materials	4,867	3,360
Fees and licenses	12,804	35,106
Cleaning	4,595	13,317
Manufactured samples	1,968	4,206
Stationery and printings	1,062	4,146
Others	66,219	67,560
Total cost of sales	8,494,539	5,165,444
Less: Unutilized manufacturing capacity cost	(2,353,256)	(2,550,273)
	6,141,283	2,615,171

(17) ADMINISTRATIVE EXPENSES

	2019	2018
	JD	JD
Salaries and wages	457,408	657,324
Depreciation (Note 3)	262,921	227,197
Professional fees and consultancy	41,257	36,269
Fees and licenses	87,560	435,341
Postage and telephone	16,803	35,125
Advertisements	9,845	1,075
Rent	-	10,501
Water and electricity	52,887	80,765
Transportation	16,306	29,893
Stationery and printing	52,602	6,852
Vehicles expenses	17,242	34,925
Insurance	71,844	39,471
Maintenance	1,344	1,376
Cleaning	-	2,206
Hospitality	4,710	11,683
Donations and gifts	121	1,973
Bank charges	344,511	-
Others	36,757	20,754
	1,474,118	1,632,730

(18) SELLING AND MARKETING EXPENSES

	2019	2018
	JD	JD
Salaries and wages	292,488	77,248
Export expenses	426,920	1,202,256
Trademark expenses	3,542	5,790
Depreciation (Note 3)	9,883	9,951
Others	93,186	101,636
	826,019	1,396,881

(19) BASIC AND DILUTED LOSS PER SHARE

	2019	2018
	JD	JD
Loss for the year	(3,959,355)	(4,550,143)
Weighted average number of shares (Share)	15,083,657	15,083,657
Basic loss per share attributable to shareholders (JD / Fils)	(0/262)	(0/302)

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

(20) INCOME TAX

No Income tax provision was calculated for the year ended on 31 December 2019, in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

No income tax provision for the year ended 31 December 2018 has been calculated in accordance with the Income Tax Law No. (34) of 2014.

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

The Income and Sales Tax Department did not review the Group's accounting records for the years 2016, 2017 and 2018 and up to the date of these consolidated financial statements.

(21) RELATED PARTIES

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

	2019	2018
	JD	JD
Due from a related party		
Union Investments Corporation – P.L.C (Parent company)	-	3,021,033

	2019	2018
	JD	JD
Due to a related party		
Union Land Development Corporation- P.L.C (Sister company)	5,654,414	5,709,733
Union Investments Corporation – P.L.C (Parent company)	1,402,487	-
	7,056,901	5,709,733

During the year, the Group acquired and sold shares in the Parent Company and sister companies as follows:

	2019	2018
	JD	JD
Union Investments Corporation – P.L.C (Parent company)	251,285	(163,813)
Union Land Development Corporation- P.L.C (Sister company)	(199,841)	(1,468,236)
	51,444	(1,632,049)

key management salaries, bonuses and other benefits:

The Group's key management salaries, bonuses and other benefits amounted to JD 173,550 for the year ended 31 December 2019 against JD 115,050 for the year ended 31 December 2018.

(22) DISCONTINUED OPERATIONS

During 2019, the Company sold its share in its subsidiary "Union Tobacco and Cigarettes – Iraq" which used to own 100% before the sale transaction. The gain on the sale amounted to JD 2,988,910

The business results as of the loss of control date are as follows:

	2019	2018
	JD	JD
NET INCOME FOR THE YEAR	-	1,091,019
Gain on sale of net assets	2,988,910	-
Profit from discontinued operations	2,988,910	1,091,019

The book value of assets and liabilities that were recognized and derecognized on the date of sale are as follows:

	Net book value on date of sale
	JD
Assets -	
Accounts Receivable	12,780,627
Property and Equipment	58,980
Other Current Assets	27,995
Total assets	12,867,602
Liabilities -	
Due to related parties	6,851,512
Total liabilities	6,851,512
Net assets	6,016,090
The details of the selling price of that company are as follows:	
Cash Transferred to construction in progress (note 4)	9,005,000
	9,005,000
Net book value for the assets associated with the disposal	(6,016,090)
Gain on sale of subsidiary	2,988,910

(23) 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:

- Cigarette and Tobacco.
- Marketing of Cigarette and Tobacco.

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.

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

	Cigarette and tobacco	Marketing of cigarette and tobacco	Total
	JD	JD	JD
For the year ended 31 December 2019-			
Revenues:	1,702,286	3,686,790	5,389,076
Results:			
(Loss) profit for the year	2,800,876	(6,760,231)	(3,959,355)
Other segment information:			
Deprecation	21,270	1,647,255	1,668,525
Finance costs	45	1,433,518	1,433,563
For the year ended 31 December 2018-			
Revenues:	3,220,087	796,253	4,016,340
Results:			
(Loss) profit for the year	(5,566,155)	1,016,012	(4,550,143)
Other segment information:			
Deprecation	(1,438,081)	-	(1,438,081)
Finance costs	(1,764,545)	-	(1,764,545)
As at 31 December 2019-			
Segment assets and liabilities			
Segment assets	63,169,589	1,849,159	65,018,748
Segment liabilities	47,787,188	2,139,720	49,926,908
As at 31 December 2018-			
Segment assets and liabilities			
Segment assets	52,639,915	14,125,381	66,765,296
Segment liabilities	39,534,490	8,140,001	47,674,491

(24) CONTINGENT, CONTRACTUAL AND CAPITAL COMMITMENTS

At the date of the consolidated financial statements, the Group has contingent liabilities represents letters of guarantee amounted to JD 1,736,000 (2018: JD 2,005,002).

(25) LAWSUITS RAISED BY AND AGAINST THE GROUP

As at 31 December 2019, the Group was defendant in number of lawsuits in its normal course of business in the amount of JD 17,604,626 (2018: JD 17,604,626). The Group's management and its legal counsel believe that the Group will not have any obligations in respect of these lawsuits.

As at 31 December 2019, the Group was a claimant in a number of lawsuits in the amount of JD 209,262 (2018: JD 209,262). which represents accounts receivables and returned cheques in the normal course of business.

(26) RISK MANAGEMENT

Interest rate risk -

The Group is exposed to interest rate risk on its floating interest-bearing assets and liabilities such as bank 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.

2019- Currency	Increase in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	2,757
USD	50	86,082

2018- Currency	Increase in interest rate (Basis points)	Effect on loss for the year before tax JD
JD	50	4,154
USD	50	83,835

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, consolidated statement of other comprehensive income and shareholders' equity due to the possible reasonable changes in share prices, with all other variables held constant:

2019-

Index	Change in index	Effect on consolidated statement of comprehensive income, fair value reserve and shareholders' equity
	(%)	JD
Amman Stock Exchange	15	1,196,167

2018-

Index	Change in index	Effect on consolidated statement of comprehensive income, fair value reserve and shareholders' equity
	(%)	JD
Amman Stock Exchange	15	1,192,950

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. In addition, the Group seeks to limit its credit risk with respects to banks by only 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 summarizes the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

31 December 2019 -	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	JD	JD	JD	JD	JD
Loans	4,110,895	2,163,224	10,411,833	3,959,180	20,645,132
Trade and other payables	27,292,030	-	-	-	27,292,030
Lease contracts obligation	-	75,179	108,303	-	183,482
Bank overdraft	75,179	-	-	-	75,179
Total	31,478,104	2,238,403	10,520,136	3,959,180	48,195,823

31 December 2018 -	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	JD	JD	JD	JD	JD
Loans	3,777,289	2,163,224	10,411,833	3,959,180	20,311,526
Trade and other payables	23,323,117	-	-	-	23,323,117
Bank overdraft	256,582	-	-	-	256,582
Total	27,356,988	2,163,224	10,411,833	3,959,180	43,891,225

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), and accordingly the Group is not exposed to significant currency risk.

(27) 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, due from a related party and some other current assets.

Financial liabilities comprise of trade payables, loans, due to a related party, 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	Total
	JD	JD
2019 -		
Financial assets at fair value through other comprehensive income	7,974,445	7,974,445
2018 -		
Financial assets at fair value through other comprehensive income	7,953,001	7,953,001

(28) 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 maximize 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 structure comprises of paid in capital, share premium statutory reserve, voluntary reserve, fair value reserve and accumulated losses, and is measured at JD 15,091,840 as at 31 December 2019 (2018: JD 19,090,805)

(29) 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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts
IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of "Business"
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of "material" is not expected to have a significant impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an “RFR”). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB’s project.

The Group has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

(30) COMPARATIVE FIGURES

Some of 2018 balances were reclassified to correspond with those of 2019 presentation. The reclassification has no effect on the profit and equity of the year 2018.

(31) SUBSEQUENT EVENTS

Subsequent to year-end, the Coronavirus outbreak has impacted the global macroeconomy and caused significant disruption in the global economy and different business sectors. Accordingly, the cigarette manufacturing, investment in shares, and real estate investment and related industries and sectors have been affected by business closures, imposed expanded quarantines, and other government measures taken against the virus.

The Prime Minister of Jordan resolved, on 17 March 2020, to enforce a mandatory curfew law and to suspend all business activity in Jordan until further notice as part of the precautions taken by the government to combat the spread of Coronavirus. The majority of the Jordan's business activities were impacted as a result of the resolution.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the spread rate of the coronavirus and the extent and effectiveness of the measures taken to contain it. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of approval of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition.

Pursuant to the Jordanian Defense Law and the facilities resulting therefrom, the Central Bank of Jordan authorized banking agents to grant facilities to support the industrial sectors by postponing the loan installments and interest payments due during the months affected by the outbreak of the Corona Virus until the end of the year ending 31 December 2019. In addition, the existing works in Iraq relating to the projects under have been suspended for a period of five months, which led to a rescheduling of the planned commencement of operations.