

بجورته ع.م.م
1/11

نموذج رقم (5-1) Form No. (1-5)	
To: Jordan Securities Commission Amman Stock Exchange Date: 1/11/2020 Subject: Quarterly Report as of 30/9/2020	السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2020/11/1 الموضوع: التقرير ربع السنوي كما هي في 2020/9/30
Attached the Quarterly Report of (Union Tobacco & Cigarettes Industries Co. P.L.C) in English as of 30/9/2020	مرفق طيه نسخة من البيانات المالية ربع السنوية (لشركة مصانع الإتحاد لإنتاج التبغ والسجائر م.ع.م) باللفة الإنجليزية كما هي بتاريخ 2020/9/30
Kindly accept our highly appreciation and respect Union Tobacco & Cigarettes Industries Co. P.L.C Chairman's Signature Samer Al Shawawreh	وتفضلوا بقبول فائق الاحترام... شركة مصانع الإتحاد لإنتاج التبغ والسجائر م.ع.م توقيع رئيس مجلس الإدارة سامر الشواورة



UNION TOBACCO AND CIGARETTE INDUSTRIES
PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2020



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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Tobacco and Cigarette Industries (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2020, comprising of the interim condensed consolidated statement of financial position as at 30 September 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and explanatory information. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for qualified conclusion

The Group did not perform a study for the provision for expected credit losses as of 30 September 2020 based on the historical credit loss experience adjusted for forward-looking factors and the economic environment in accordance with the requirements of IFRS (9). We were unable to determine the impact, on the interim condensed consolidated financial statements of the Group. Our opinion on the consolidated financial statements for the year ended 31 December 2019 was qualified for the same reason.

Qualified conclusion

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



Emphasis of a matter

Without further qualification in our conclusion, we draw attention to Note (2-2) about the interim condensed consolidated financial statements. The Group's accumulated losses amounted to 65% of the paid in capital as of 30 September 2020 and its current liabilities exceeded its current assets by JD 22,657,837 as of 30 September 2020, in addition to incurring a gross loss of JD 2,328,972 for the period then ended. These events and conditions in addition to the other matters related to the impact of coronavirus (Covid-19) outbreak as described in note (16) indicate that a material uncertainty exists that may cast doubt about the Group's ability to continue as a going concern.

Amman – Jordan
28 September 2020

The signature 'Ernst + Young' is written in a blue, cursive script.

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	30 September 2020	31 December 2019
		JD (Unaudited)	JD (Audited)
ASSETS			
Non-Curent Assets-			
Property, plant and equipment	9	13,828,701	14,834,611
Intangible Asset		60,288	-
Investment properties		17,203	17,203
Financial assets at fair value through other comprehensive income	5	7,152,155	7,974,445
Projects Under Construction	4	23,882,919	23,484,748
Right of Use of Assets		61,492	98,386
		45,002,758	46,409,393
Current assets-			
Inventories	8	9,002,757	8,728,788
Trade receivables		13,041,713	5,775,099
Other current assets		3,082,826	3,352,239
Cash and bank balances	11	491,814	753,229
		25,619,110	18,609,355
Total Assets		70,621,868	65,018,748
EQUITY AND LIABILITIES			
Equity-			
Equity attributable to equity holders of the Company-			
Paid in capital		15,083,657	15,083,657
Statutory reserve	3	3,774,151	3,774,151
Voluntary reserve	3	2,149,688	2,149,688
Fair value reserve	5	(2,507,029)	(1,852,416)
Accumulated losses		(9,878,427)	(4,063,240)
Net equity		8,622,040	15,091,840
Liabilities-			
Non-curent liabilities-			
Long-term loans	13	13,664,136	12,528,494
Long-term lease obligation		58,745	53,175
		13,722,881	12,581,669
Curent liabilities-			
Current portion of long-term loans	13	4,138,500	5,202,884
Short-term lease obligation		48,907	48,907
Bank overdraft	10	1,087,705	68,972
Trade and other payables		33,654,272	24,967,575
Due to related parties	7	9,347,563	7,056,901
		48,276,947	37,345,239
Total liabilities		61,999,828	49,926,908
Total Equity and Liabilities		70,621,868	65,018,748

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
		JD	JD	JD	JD
Sales	14	1,436,452	1,053,942	3,603,690	3,088,858
Cost of sales		(1,534,856)	(1,046,487)	(5,932,662)	(4,449,981)
Gross loss		(98,404)	7,455	(2,328,972)	(1,361,123)
Gain on sale of property, plant and equipment		-	-	710,000	-
Unutilized capacity expense		(695,771)	(761,667)	(1,281,592)	(964,367)
Administrative expenses		(289,793)	(289,556)	(1,287,996)	(980,061)
Marketing and selling expenses		(98,493)	(9,130)	(235,183)	(267,632)
Provision for slow moving inventory	8	(300,000)	-	(300,000)	-
Depreciation of Right of use Asset		(12,298)	-	(36,894)	-
Amortization expense		(6,698)	-	(20,096)	-
Right of use interest expense		(1,584)	-	(5,570)	-
Finance costs		(389,325)	(444,304)	(993,098)	(1,069,193)
Other income (expenses), net		3,914	(125,673)	5,132	(51,186)
Loss for the period		(1,888,452)	(1,622,875)	(5,774,269)	(4,693,562)
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted loss per share attributable to equity holders of the Company	12	(0/125)	(0/108)	(0/383)	(0/311)

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	JD	JD	JD	JD
Loss for the period	(1,888,452)	(1,622,875)	(5,774,269)	(4,693,562)
Add: other comprehensive income items not to be reclassified to profit or loss in subsequent periods, net of tax:				
Net (losses) gain of financial assets at fair value through other comprehensive income	446,563	513,484	(695,531)	403,834
Total comprehensive loss for the period	<u>(1,441,889)</u>	<u>(1,109,391)</u>	<u>(6,469,800)</u>	<u>(4,289,728)</u>

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Paid in capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD	JD	JD
For the Nine months ended 30 September 2020 -							
Balance as at 1 January 2020	15,083,657	-	3,774,151	2,149,688	(1,852,416)	(4,063,240)	15,091,840
Loss for the year	-	-	-	-	-	(5,774,269)	(5,774,269)
Change in fair value of financial assets at fair value of through other comprehensive income	-	-	-	-	(695,531)	-	(695,531)
Total comprehensive loss for the period	-	-	-	-	(695,531)	(5,774,269)	(6,469,800)
Loss on sale of financial assets at fair value through other comprehensive income	-	-	-	-	40,918	(40,918)	-
Balance as at 30 September 2019	<u>15,083,657</u>	<u>-</u>	<u>3,774,151</u>	<u>2,149,688</u>	<u>(2,507,029)</u>	<u>(9,878,427)</u>	<u>8,622,040</u>
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	-	-	-	-	-	(4,693,562)	(4,693,562)
Extinguishment of accumulated losses (Note 1)	-	(5,000,000)	-	(5,100,312)	-	10,100,312	-
Change in fair value of financial assets at fair value of through other comprehensive income	-	-	-	-	403,834	-	403,863
Total comprehensive loss for the period	-	(5,000,000)	-	(5,100,312)	403,834	5,406,750	(4,289,728)
Loss on sale of financial assets at fair value through other comprehensive income	-	-	-	-	76,436	(76,436)	-
Balance as at 31 December 2019	<u>15,083,657</u>	<u>-</u>	<u>3,774,151</u>	<u>2,149,688</u>	<u>(1,436,998)</u>	<u>(4,769,998)</u>	<u>14,801,077</u>

The attached notes from 1 to 16 form part of these interim condensed consolidated financial statements

UNION TOBACCO AND CIGARETTE INDUSTRIES - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	For the nine months ended 30 September	
		2020	2019
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Loss before income tax		(5,774,269)	(4,693,562)
Adjustments for:			
Depreciation		1,156,161	1,196,624
Amortization of intangible assets		20,096	-
Provision for slow moving inventory		300,000	-
Gain on sale of property, plant and equipment		(710,000)	(84,851)
Depreciation of Right of Use Assets		36,894	-
Lease obligation interest expense		5,570	-
Finance costs		993,098	1,069,193
Working capital changes:			
Inventories	8	(573,969)	2,025,287
Trade and other current assets		(6,287,201)	(902,776)
Trade and other current liabilities		8,686,697	(409,568)
Related parties		2,290,662	3,754,544
Income tax paid		-	(674,578)
Net cash flows from operating activities		143,739	1,280,313
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of property, plant and equipment		-	101,487
Purchase of property, plant and equipment		(150,251)	-
Purchase of intangibles		(80,384)	-
Projects Under Construction		(398,171)	(692,202)
Purchase of financial assets at fair value through other comprehensive income	5	(59,573)	(197,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	5	186,332	220,250
Net cash flows used in investing activities		(502,047)	(567,465)
<u>FINANCING ACTIVITIES</u>			
Repayment of loans		(2,813,168)	(1,947,392)
Proceeds from loans		2,884,426	2,262,330
Finance costs paid		(993,098)	(1,069,193)
Net cash flows used in financing activities		(921,840)	(754,255)
Net decrease in cash and cash equivalents		(1,280,148)	(41,407)
Cash and cash equivalents at the beginning of the period		684,257	129,272
Cash and cash equivalents at end of the period	11	(595,891)	87,865

The attached notes from 1 to 16 form part of these interim condensed 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) and paid in capital of JD 15,083,657 divided into 15,083,657 shares at a par value of JD 1 per share.

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

The company’s General Assembly decided at its extraordinary meeting held on 6 September 2019 to extinguish 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 and JD 5,100,312 from the voluntary reserve account.

The interim condensed consolidated financial statements were approved by the Company’s Board of Directors in their meeting held on 28 September 2020.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION -

The interim condensed consolidated financial statements for the nine months period ended in 30 September 2020 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements are prepared under the historical cost convention; except for financial assets at fair value through other comprehensive income which are presented at fair value at the date of the interim condensed consolidated financial statements.

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual report as of 31 December 2019. In addition, the results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(2-2) FUNDAMENTAL ACCOUNTING PRINCIPLES

The accumulated losses of the Group amounted to 65% of the paid-in capital as of 30 September 2020 and its the current liabilities exceeded the current assets by JD 22,657,837 as of 30 September 2020, in addition to incurring a gross loss of JD 2,328,972 for the period then ended. These events and conditions in addition to the other matters related to the impact of coronavirus (Covid-19) outbreak as described in note (16) indicate that a material uncertainty exists that may cast doubt about the Group's ability to continue as a going concern. Management believes that it is appropriate to use the going concern basis for the interim condensed consolidated financial statements based on the Group's future business plans. The Group may maintain liquidity by rescheduling previously obtained financing, or by obtaining new financing from banks.

(2-3) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS -

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

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

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

	<u>Country of Incorporation</u>	<u>Percentage of Ownership</u>	
		<u>30 September 2020</u>	<u>31 December 2019</u>
Al Aseel for Marketing of Ma'asel and Cigarettes	Jordan	100%	100%
Union for Advanced Industries	Jordan	100%	100%

(2-4) CHANGES IN ACCOUNTING POLICIES –

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a 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.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group did not have to revisit such transactions that occurred in prior periods.

These amendments did not have any impact on the Group's interim condensed 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 was 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.

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

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(3) LEGAL RESERVES

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

(4) PROJECTS UNDER CONSTRUCTION

This item represents the cost of the Group's project which is a Tobacco factory in Iraq. It is expected that the projects under construction will be completed by the end of 2020, management has not determined the date these factories will start operating because the legal procedures were not completed yet.

The movement on projects under construction is as follows:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	23,484,748	7,799,219
Additions	398,171	15,685,529
Balance at the end of the period/year	<u>23,882,919</u>	<u>23,484,748</u>

In the opinion of the Group's management the projects under construction are not impaired as of 30 September 2020.

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

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

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Quoted Shares / Inside Jordan		
Union Investments Corporation/ P.L.C (Parent Company)	2,140,215	2,318,981
Union Land Development Corporation/ P.L.C (Sister Company)	5,011,940	5,655,464
	<u>7,152,155</u>	<u>7,974,445</u>

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The movement on the financial assets through other comprehensive income is as follows:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	7,974,445	7,953,001
Purchases throughout the period/year	59,573	323,514
Sales throughout the period/year	(186,332)	(262,460)
Change in fair value of financial assets through other comprehensive income	(695,531)	(39,610)
Balance at the end of the period/year	7,152,155	7,974,445

The movement on the fair value reserve was as follows:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	(1,852,416)	(1,916,691)
Change in fair value of financial assets at fair value through other comprehensive income	(695,531)	(39,610)
Loss on sale of financial assets at fair value through other comprehensive income	40,918	103,885
Balance at the end of the period/year	(2,507,029)	(1,852,416)

(6) INCOME TAX

No Income tax provision was calculated for the nine months ended in 30 September 2020 and the period ended in 30 September 2019, due to the excess of deductible expenses over taxable revenues in accordance with the Income Tax Law No. (34) of 2014 amended by law No. (38) of 2018.

The Company reached a final settlement with the income tax department up to the year 2012. The Income and Sales Tax Department reviewed the accounting records of the Company and its subsidiaries until the end of 2015 and did not issue its final report until the date of preparation of these interim condensed consolidated financial statements. The Income and Sales Tax Department did not review the Group's accounting records for the years 2019, 2018, 2017 and 2016 up to the date of these interim condensed consolidated financial statements.

(7) RELATED PARTIES

Related parties represent associate companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced directly or indirectly by such parties.

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

	30 September 2020	31 December 2019
	JD	JD
Due to related parties:	(Unaudited)	(Audited)
Union Land Development Company (Sister Company)	5,599,617	5,654,414
Union Investment Corporation (Parent Company)	3,747,946	1,402,487
	<u>9,347,563</u>	<u>7,056,901</u>

The Group's investments in Union Land Development Corporation (Sister Company) and Union Investments Corporation (Parent Company) classified as financial assets at fair value through other comprehensive income amounted to JD 7,152,155 as of 30 September 2020 (31 December 2019: JD 7,974,445) The details of the balances and sale and purchases transactions of the financial asset at fair value through other comprehensive income is disclosed in note 5.

Key management salaries and bonuses:

The Group's key management salaries and bonuses amounted to JD 130,470 for the period ended in 30 September 2020 against JD 120,150 for the period ended in 30 September 2019.

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(8) INVENTORIES

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Raw materials	4,222,530	4,955,183
Work in progress	1,255,061	1,035,387
Finished goods	3,404,841	2,479,143
Spare parts	2,515,529	2,108,699
Goods in transit	155,656	401,236
	<u>11,553,617</u>	<u>10,979,648</u>
Provision for slow moving inventories	<u>(2,550,860)</u>	<u>(2,250,860)</u>
	<u>9,002,757</u>	<u>8,728,788</u>

Movement on provision for slow moving inventories is as follows:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/year	2,250,860	2,070,860
Provision for the period/year	<u>300,000</u>	<u>180,000</u>
Balance at the end of the period/year	<u>2,550,860</u>	<u>2,250,860</u>

(9) PROPERTY, PLANT AND EQUIPMENT

The Group had purchased property, plant and equipment in an amount of JD 150,215 for the period ended in 30 September 2020 (30 September 2019: Nil). During the nine months ended 30 September 2020, the Group sold machinery for the production of cigarettes in the amount of JD 710,000 resulting in a gain of JD 710,000 (2019: 84,851)

This item includes Land in the area of Al-Jizah, Jordan, which are mortgaged by a first-degree mortgage in the amount of JD 15,000,000 in the favour of Bank Al-Etihad against the facilities granted to the Group (Note 13).

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(10) BANK OVERDRAFT

	<u>Currency</u>	<u>Average Interest Rate</u>	<u>Ceiling</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
			JD	JD	JD
				(Unaudited)	(Audited)
Bank Al Etihad	JD	5,5%	750,000	1,087,705	68,972
				<u>1,087,705</u>	<u>68,972</u>

This overdraft is guaranteed by the same guarantees disclosed in Note (13) of the interim condensed consolidated financial statements "Bank Al Etihad reducing loan". The Group exceeded the ceiling of the facilities granted from the bank as of 30 September 2020.

(11) CASH AND CASH EQUIVALENTS

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
	JD	JD
	(Unaudited)	(Audited)
Cash and bank balances	491,814	753,229
Less: bank overdraft (Note 10)	<u>(1,087,705)</u>	<u>(68,972)</u>
	<u>(595,891)</u>	<u>684,257</u>

(12) BASIC AND DILUTED LOSS PER SHARE

	<u>30 September 2020</u>	<u>30 September 2019</u>
	JD	JD
	(Unaudited)	(Unaudited)
Loss for the period (JD)	(5,774,269)	(4,693,562)
Weighted average number of shares (Share)	15,083,657	15,083,657
Basic loss per share for the period (JD / Fils)	<u>(0/383)</u>	<u>(0/311)</u>

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

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(13) LOANS

This item represents loans granted from the following parties:

	Currency	Loan installments					
		30 September 2020 (Unaudited)			31 December 2019 (Audited)		
		Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	JD	JD	JD	JD	JD	JD	
Bank Al Etihad – Revolving loan	JD	197,252	297,424	494,676	515,002	-	515,002
Bank Al Etihad – Revolving loan	USD	2,993,880	-	2,993,880	3,148,825	-	3,148,825
Bank Al Etihad – Reducing loan	USD	947,368	13,366,712	14,314,080	1,539,057	12,528,494	14,067,551
		<u>4,138,500</u>	<u>13,664,136</u>	<u>17,802,636</u>	<u>5,202,884</u>	<u>12,528,494</u>	<u>17,731,378</u>

BANK AL ETIHAD - REVOLVING LOAN - JD

During 2017, “Union Tobacco and Cigarette Industries PLC” (a subsidiary) has obtained a revolving loan in the amount of JD 1,000,000 at an annual interest rate of 5.5% without commission subject to the full repayment of the loan during the year ended 31 December 2020. The Group reached an agreement with the bank in February 2020 to reschedule the loan over 33 installments ending in March 2023 with the first payment due on 30 July 2020. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

BANK AL ETIHAD REVOLVING LOAN – USD

During 2017, “Union Tobacco and Cigarette Industries PLC” (a subsidiary) has obtained a revolving loan in the amount of USD 3,000,000 at an annual interest rate of 5.5% without commission. Each utilized balance is due within six months from the date of utilization. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

BANK AL ETIHAD REDUCING LOAN – USD

“Union Tobacco and Cigarette Industries PLC” (a subsidiary) 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 installments of USD 326,000 to be paid starting from 2 February 2014 each except for the last installment which will be due on 1 January 2019 which represents the remaining balance of the loan.

The loan is guaranteed by the purchased shares of the Union Land Development Corporation – PLC and Union Investment Corporation - PLC and the resulting dividends, which are classified as financial assets at fair value through other comprehensive income. 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.

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On 12 August 2015, the declining loan was increased to become USD 17,000,000 at an annual interest rate of 5.5% less a margin of 0.25% without commission. The loan is repayable over 48 equal monthly installments of USD 394,000 each, the first installment was due on 30 September 2015 and the last installment which represents the remaining balance the loan will be due on 30 August 2019 under the same conditions and collaterals mentioned above.

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

On February 2020, the Group agreed with the bank to reschedule this loan, to be paid in monthly installments of USD 180,000 including interest, with the first payment due on 30 July 2020. The guarantee for this loan is the same guarantee as in the declining loan from Bank Al Etihad mentioned in this disclosure.

(14) SALES

	30 September 2020	30 September 2019
	JD	JD
	(Unaudited)	(Unaudited)
Local sales	4,905,171	751,790
Foreign sales	1,377,783	2,747,356
Gross sales	<u>6,282,954</u>	<u>3,499,146</u>
Less: sales discounts	<u>(2,679,264)</u>	<u>(410,288)</u>
	<u><u>3,603,690</u></u>	<u><u>3,088,858</u></u>

Revenue from the sale of goods is recognized at point of time.

(15) 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.

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

- Tobacco and Cigarettes.
- Marketing Tobacco and Cigarettes.

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

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

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

	Tobacco and Cigarette JD	Marketing Tobacco and Cigarette JD	Total JD
For the period ended 30 September 2020 (Unaudited)			
<u>Revenues:</u>			
Revenues	891,995	2,711,695	3,603,690
<u>Business Results:</u>			
Loss for the period	(4,959,018)	(815,251)	(5,774,269)
<u>Other Segment Information:</u>			
Depreciation	(1,126,878)	(29,283)	(1,156,161)
Finance costs	(991,817)	(1,281)	(993,098)
For the period ended 30 September 2019 (Unaudited)			
<u>Revenues:</u>			
Revenues	2,956,453	132,405	3,088,858
<u>Business Results:</u>			
(Loss) profit for the period	(4,751,325)	57,763	(4,693,562)
<u>Other Segment Information:</u>			
Depreciation	1,178,196	18,428	1,196,624
Finance costs	(1,069,193)	-	(1,069,193)
As at 30 September 2020 (Unaudited)			
Segments assets	68,174,098	2,447,770	70,621,868
Segments liabilities	58,446,248	3,553,580	61,999,828
As at 31 December 2019 (Audited)			
Segments assets	63,169,589	1,849,159	65,018,748
Segments liabilities	47,787,188	2,139,720	49,926,908

(16) THE OUTBREAK OF CORONAVIRUS (COVID-19) AND ITS IMPACT OF ON THE GROUP

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, in addition to delays in the projects under construction, which have been affected by business closures including the delays in the projects under construction, 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 2020. 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.