



معاية وشركاه  
Maayah & CO.

محاسبون قانونيون  
Certified Public Accountants

A Correspondent of Crowe Global

## Independent Auditors' Report

**To the Shareholders of  
Jerusalem Cigarette Company Ltd.**

### Opinion

We have audited the financial statements of Jerusalem cigarette Company Ltd., Public Shareholding Company (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, consolidated statement of profit and 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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' International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in Palestine, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters that we focused on in our audit included:

#### 1- Banderol:

This item was emphasized because it represents the largest proportion of the cost of producing cigarette packs. Purchased balances used in production and the year-end balance were matched to the balances of the resident customs' officers.

#### 2- Right to use assets and lease liabilities:

We reviewed the lease contracts that were added during the year and reviewed the application of IFRS (16) on them.



### **Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 company'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.

The Board of directors is 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 guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 the board of directors 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 the board of directors 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 the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 reasonably be expected to outweigh the public interest benefits of such communications.

#### **Report of Regulatory Requirements:**

The Group maintains duly organized accounting records that comply with applicable laws and related regulations.

**Maayah & Co.**

**Abla S. Maayah, CPA**

**License no. 167**

**Ramallah on March 27, 2023**

**Jerusalem Cigarette Company Ltd.  
Bethany/ Jerusalem**

**Statement 1**

**Consolidated statement of financial position as at 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>JOD</b>	<b>JOD</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,967,305	2,529,999
Trade and other receivables	9,240,756	10,040,812
Inventory	5,584,522	5,511,126
Biological assets- current portion	21,321	-
Other debit balances	83,782	204,618
Income tax	309,060	502,915
<b>Total current assets</b>	<b>17,206,746</b>	<b>18,789,470</b>
<b>Non- current assets</b>		
Property, plant and equipment	13,387,066	13,794,988
Right of use assets	1,518,620	19,153
Investment property	9,266,445	9,266,445
Biological assets- noncurrent portion	1,050,184	978,239
Project in progress	1,646,175	547,874
Financial notes	1,577,547	1,577,547
Financial assets at fair value through other comprehensive income	5,384,222	5,745,429
<b>Total non-current assets</b>	<b>33,830,259</b>	<b>31,929,675</b>
<b>Total assets</b>	<b>51,037,005</b>	<b>50,719,145</b>

	<b>2022</b>	<b>2021</b>
	<b>JOD</b>	<b>JOD</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Due to banks	8,623,123	8,494,680
Trade and other payables	5,863,812	4,653,435
Accruals and other credit balances	736,182	892,315
Cigarette banderol - Palestine	1,718,652	3,183,570
Value added tax	1,956,841	2,098,880
Lease liabilities- current portion	175,398	
Board of directors expenses	187,507	245,137
<b>Total current liabilities</b>	<b>19,261,515</b>	<b>19,568,017</b>
<b>Non-current liabilities</b>		
Cigarette banderol- Palestine- long term portion	-	1,637,153
Lease liabilities-long term portion	1,329,987	-
Bank loans	2,596,436	2,706,227
Provision for severance pay	523,294	556,062
<b>Total non-current liabilities</b>	<b>4,449,717</b>	<b>4,899,442</b>
<b>Total liabilities</b>	<b>23,711,232</b>	<b>24,467,459</b>
<b>Equity</b>		
Share capital	10,000,000	10,000,000
Treasury stock	(1,233,779)	(1,223,249)
Statutory reserve	9,474,923	3,477,373
Voluntary reserve	1,120,879	4,672,098
Retained earnings	2,034,349	3,213,106
Investments revaluation to fair value reserve	808,083	733,737
Currency translation into Jordanian Dinars	1,110,182	1,538,432
<b>Total equity attributable to parent</b>	<b>23,314,637</b>	<b>22,411,497</b>
Non-controlling interests	4,011,136	3,840,189
<b>Total equity</b>	<b>27,325,773</b>	<b>26,251,686</b>
<b>Total liabilities and equity</b>	<b>51,037,005</b>	<b>50,719,145</b>

**Jerusalem Cigarette Company Ltd.**  
**Bethany /Jerusalem**

**Statement 2**

**Consolidated statement of profit or loss for the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>JOD</b>	<b>JOD</b>
Sales of cigarettes	64,590,782	70,131,947
Cost of sales	(59,377,647)	(65,915,070)
<b>Gross profit</b>	<b>5,213,135</b>	<b>4,216,877</b>
Loss on sale of agricultural produce	(53,139)	-
Net revenues of leased property	443,672	459,918
Other revenues	116,530	78,501
Selling and distribution expenses	(786,390)	(652,415)
General and administrative expenses	(1,947,771)	(1,737,850)
Other operating expenses	(435,725)	(120,951)
Bank charges and interest	(911,992)	(701,907)
Currency translation and other expenses	(693,101)	(135,042)
Gain on disposal of financial assets and investment property, net of capital gain tax	-	22,827
Impairment loss on financial assets	(15,000)	-
Share of results of associates	1,533,092	1,414,380
<b>Profit before tax</b>	<b>2,463,311</b>	<b>2,844,338</b>
Investment property revaluation	-	1,499,728
<b>Profit before income tax</b>	<b>2,463,311</b>	<b>4,344,066</b>
Income tax expense	(274,769)	(147,716)
Income tax- prior years	(12,094)	-
<b>Profit for the year</b>	<b>2,176,448</b>	<b>4,196,350</b>
<b>Attributable to:</b>		
Owners of the company	2,259,864	4,114,416
Non-controlling interests	(83,416)	81,934
<b>Earnings per share</b>	<b>0.226</b>	<b>0.411</b>

**Jerusalem Cigarette Company Ltd.  
Bethany / Jerusalem**

**Statement 3**

**Consolidated statement of comprehensive income for the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>JOD</b>	<b>JOD</b>
Profit for the year- statement 2	2,176,448	4,196,350
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Currency translation into Jordanian Dinar	(428,250)	512,943
Changes in fair value of investments designated as FVTOGI	74,346	199,231
<b>Total comprehensive income for the year</b>	<b>1,822,544</b>	<b>4,908,524</b>
<b>Attributable to:</b>		
Owners of the company	1,905,960	4,826,590
Non-controlling interests	(83,416)	81,934
<b>Total</b>	<b>1,822,544</b>	<b>4,908,524</b>

**Jerusalem Cigarette Company Ltd.  
Bethany /Jerusalem**

	Consolidated statement of changes in equity for the year ended 31 December 2022										
	Share capital	Treasury stock	Statutory reserve	Voluntary reserve	Retained earnings	Investments revaluation reserve	Translation into JOD	Attributable to owners of the parent	Non-controlling interest	Total equity	
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	
<b>Balance at 1 January 2021</b>	10,000,000	(1,223,249)	3,042,966	4,672,098	(372,817)	534,506	1,025,489	17,678,993	3,652,502	21,331,495	
Profit for the year- statement 2	-	-	-	-	4,114,416	-	-	4,114,416	81,934	4,196,350	
Other comprehensive income	-	-	-	-	-	199,231	512,943	712,174	-	712,174	
<b>Total comprehensive income</b>	-	-	-	-	4,114,416	199,231	512,943	4,826,590	81,934	4,908,524	
Reserved for severance pay	-	-	-	-	(94,086)	-	-	(94,086)	-	(94,086)	
Transfer to statutory reserve	-	-	434,407	-	(434,407)	-	-	-	-	-	
Non-controlling interest	-	-	-	-	-	-	-	-	105,753	105,753	
<b>Balance at 31 December 2021</b>	10,000,000	(1,223,249)	3,477,373	4,672,098	3,213,106	733,737	1,538,432	22,411,497	3,840,189	26,251,686	
Profit for the year- statement 2	-	-	-	-	2,259,864	-	-	2,259,864	(83,416)	2,176,448	
Other comprehensive income	-	-	-	-	-	74,346	(428,250)	(353,904)	-	(353,904)	
<b>Total comprehensive income</b>	-	-	-	-	2,259,864	74,346	(428,250)	1,905,960	(83,416)	1,822,544	
Treasury stock	-	(10,530)	-	-	-	-	-	(10,530)	-	(10,530)	
Reserved for severance pay	-	-	-	-	3,310	-	-	3,310	-	3,310	
Transfer to statutory reserve	-	-	5,997,550	(3,551,219)	(2,446,331)	-	-	-	-	-	
Profit for the year 2021	-	-	-	-	(1,000,000)	-	-	(1,000,000)	-	(1,000,000)	
Difference in depreciation rates from previous periods	-	-	-	-	4,400	-	-	4,400	-	4,400	
Non-controlling interest	-	-	-	-	-	-	-	-	254,363	254,363	
<b>Balance at 31 December 2022</b>	10,000,000	(1,233,779)	9,474,923	(1,120,879)	2,034,349	808,083	1,110,182	23,314,637	4,011,136	27,325,773	

**Jerusalem Cigarette Company Ltd.**  
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**Statement 5**

**Consolidated statement of cash flows for the year ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>JOD</b>	<b>JOD</b>
<b>Cash flows from (used in) operating activities</b>		
Profit for the year before income tax- statement 2	2,463,311	4,344,066
Previous period difference in depreciation rates	4,400	-
<b>Adjustments:</b>		
<b>Non-cash items:</b>		
Depreciation	768,726	684,149
Amortization of right of use assets	159,187	-
Reserved for severance pay	29,458	27,960
Currency translation into JOD	(428,250)	512,943
Gain on sale of land	16,701	-
Share of results of associates	-	(615,946)
Investments revaluation reserve	-	(1,611,853)
Non-controlling interests	254,363	105,753
<b>Changes in working capital:</b>		
Accounts receivable	800,056	1,039,925
Inventory	(73,396)	409,902
Other current assets	120,836	(3,093)
Accounts payable	1,211,608	1,629,895
Other current liabilities	(3,468,859)	(2,828,807)
Income tax –paid inclusive of currency variance	(92,644)	(131,742)
Severance payments	(697)	(30,182)
<b>Net cash flows from (used in) operations</b>	<b>1,764,800</b>	<b>3,532,970</b>
<b>Cash flows from (used in) investing activities</b>		
Purchases of property, plant and equipment	(1,487,019)	(2,499,439)
Disposal of property, plant and equipment	26,567	697
Net additions to investments	361,207	(1,343,108)
Purchases of biological assets	(71,945)	(455,410)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,171,190)</b>	<b>(4,297,260)</b>
<b>Cash flows from (used in) financing activities</b>		
Dividends paid	18,652	2,761,472
Decrease in due to banks and loans	(1,000,000)	-
Treasury stock	(10,530)	-
Repayment of lease liabilities	(260,947)	-
interest on contract obligations	96,521	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,156,304)</b>	<b>2,761,472</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(562,694)</b>	<b>1,997,182</b>
Cash and cash equivalent, beginning of year	2,529,999	532,817
<b>Cash and cash equivalent, end of year- note 5</b>	<b>1,967,305</b>	<b>2,529,999</b>