

**AL-EQBAL INVESTMNET COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

**AL-EQBAL INVESTMNET COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN**

FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent Auditor's Report on Consolidated Financial Statements

**To General Assembly
Al-Eqbal Investment Company
(Public Shareholding Company)
Amman – Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al-Eqbal Investment Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements, Present Fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountant Code of Ethics for Professional Accountants (IESBA Code), 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.

Emphasis of matter

Without qualifying our opinion, we draw attention and as mentioned in note (23) to the consolidated financial statements which describes that the group have contingent tax liabilities related to the years from 2009 to 2014, approximately JOD 20 million and lagel compenstion approximately JOD 14 million. The lawsuits are still pending in the tax courts. The Group's Management and legal consultant opinion is that the probability of winning the case is high and the recorded provisions are adequate. The ultimate outcome of the lawsuits cannot reliably be determined and Accordingly, no provision has been recorded in the consolidated financial statements against any consequences that may arise on the Group.



3- Impairment in trade receivables

Description of the key audit matter	How the matter was addressed in our audit
<p>The Group has trade and other receivables with approximately JD 68 million as of December 31, 2017 comparing to approximately 25 million as of 31 December 2016, this increase has mainly resulted from increasing the ceilings granted to some customers in addition to new customers the Group started dealing with during 2017.</p> <p>The adequacy of the recorded provisions for those receivables depend on management estimates, which make it a Key Audit Matters.</p>	<p>Our audit procedures includes testing the Group's controls over the receivables collection processes; including accepting new customers, testing the receipt of cash subsequent to year end; and testing the adequacy of the Group's provisions against trade receivables by assessing the management's assumptions, taking into consideration the external available data on trade credit exposures and our own experience in bad debts in this sector.</p>

Other Information

Management is responsible for the other information. The other information does not include the consolidated financial statements and audit report on the consolidated financial statements any 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.

Through performing our audit on 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. If, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have not been provided with the annual report at the Group or any other information as it relates to this paragraph until the date of this report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management considers is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' 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 our audit report that includes our opinion on the consolidated financial statements.

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 exists.

Misstatements can arise from fraud or error and are considered material if, individually or in 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 audit process 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.
- 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 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 exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we will modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 on the consolidated financial statements of the Group.

We communicate with those charged with governance regarding, 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Determined 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 audit 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 communication.



Report on Other Legal and Regulatory Requirements

The Group maintains proper accounting records. Which are, in accordance in all material respects with the accompanying consolidated financial statements. We recommend the general assembly to approve the consolidated financial statements.

Kawasmy & Partners
KPMG

Hatem Kawasmy
License No, (656)

Amman – Jordan
21 March 2018



AL-EQBAL INVESTMNET COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Jordanian Dinar</i>	Note	As of December 31	
		2017	2016
Assets			
Current Assets			
Cash on hand and at banks	5	21,644,788	49,729,435
Cheques under collection		-	28,360
Trade and other receivables	6	68,633,332	25,617,883
Inventory	7	28,348,285	19,477,577
Other debit balances	8	5,944,212	4,496,347
Total Current Assets		124,570,617	99,349,602
Non-Current Assets			
Financial assets at fair value through statement of other comprehensive income	9	784,716	914,633
Investment property	10	674,552	674,552
Intangible assets-Goodwill from acquisition of subsidiaries	11	45,555,887	6,602,986
Property, plant and equipment	12	21,965,209	18,543,871
Advance payments for Investments	25	65,085,689	897,066
Total Non-Current Assets		134,066,053	27,633,108
Total Assets		258,636,670	126,982,710
Liabilities and Shareholders' Equity			
Current Liabilities			
Deferred cheques -short term		299,479	358,410
Accounts payable		13,901,441	7,163,620
Other credit balances	13	13,723,642	7,406,230
Income tax provision	20	6,021,753	5,609,153
Payables due to acquisition- short term	14	29,505,610	-
Loans and Bank facilities mature within a year	15-1	85,702,430	15,930,000
Total Current Liabilities		149,154,355	36,467,413
Non-Current Liabilities			
Provision of employees' end of service indemnity	22	4,344,446	3,880,311
Payables due to acquisition- long term	14	2,658,750	-
Loans and Bank facilities mature more than a year	15-2	9,130,272	-
Total Non-Current Liabilities		16,133,468	3,880,311
Total Liabilities		165,287,823	40,347,724
Shareholders' Equity			
Capital	1	30,000,000	30,000,000
Statutory reserve	26	13,897,311	13,897,311
Cumulative change in fair value		290,046	340,934
Retained earnings		49,161,490	42,396,741
Total Shareholders' Equity		93,348,847	86,634,986
Total Liabilities and Shareholders' Equity		258,636,670	126,982,710

The accompanying notes from pages (10) to (42) are an integral part of these consolidated financial statements and should be read with them together with the Independent Auditor's report.

Financial Manager

Board Chairman

**AL-EQBAL INVESTMNET COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>Jordanian Dinar</i>	Note	For the year end December 31,	
		2017	2016
Net sales		161,654,931	142,737,072
Cost of sales	16	(99,532,963)	(85,744,745)
Gross profit		62,121,968	56,992,327
Administrative expenses	17	(15,567,199)	(10,466,804)
Selling and distribution expenses	18	(7,174,798)	(5,379,338)
Gain on sale of investment in associate company		-	94,613
Dividends from financial assets at fair value through other comprehensive income		30,811	33,045
Administrative and logistics fees	25	15,467,068	-
Impairment of advance payments for investments	25	(149,000)	(950,000)
Operating income for the year		54,728,850	40,323,843
Finance cost		(2,871,683)	(528,070)
Bank interests revenue		307,956	769,622
Gain on sale of property, plant and equipment		28,900	14,182
Other income	24	243,435	1,259,446
Profit for the year before income tax and board of directors' remuneration		52,437,458	41,839,023
Income tax expense	20	(5,693,123)	(4,440,565)
Profit for the year before board of directors' remuneration		46,744,335	37,398,458
Board of directors' remuneration		(45,000)	(45,000)
Profit for the year		46,699,335	37,353,458
Other comprehensive income items:			
Items will never be reclassified to profit or loss statement			
Gain on sale of financial assets at fair value through other comprehensive income		21,624	738,076
Changes in fair value for financial assets through other Comprehensive income		(7,098)	(680,149)
Total comprehensive income for the year		46,713,861	37,411,385
Basic and diluted earnings per share (JD/Share)	21	1.56	1.25

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Financial Manager

Board Chairman

AL-EQBAL INVESTMNET COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>Jordanian Dinar</i>	Capital	Statutory Reserve	Cumulative change in fair value	Retained earnings *	Total
Balance as at January 1, 2017	30,000,000	13,897,311	340,934	42,396,741	86,634,986
Profit for the year	-	-	-	46,699,335	46,699,335
Other comprehensive income	-	-	(7,098)	21,624	14,526
Transfer from fair value reserve	-	-	(43,790)	43,790	-
Dividends distribution during the year-Note (19)	-	-	-	(40,000,000)	(40,000,000)
Balance as of December 31, 2017	30,000,000	13,897,311	290,046	49,161,490	93,348,847
Balance as at January 1, 2016	25,000,000	13,897,311	1,021,083	34,305,207	74,223,601
Profit for the year	-	-	-	37,353,458	37,353,458
Other comprehensive income	-	-	(680,149)	738,076	57,927
Dividends distribution during the year-Note (19)	-	-	-	(25,000,000)	(25,000,000)
Capital increase	5,000,000	-	-	(5,000,000)	-
Balance as of December 31, 2016	30,000,000	13,897,311	340,934	42,396,741	86,634,986

* According to the Jordanian Securities Commission (JSC) instructions the negative value of the cumulative change in fair value in the retained earnings is prohibited from distribution to shareholders.

The accompanying notes from pages (10) to (42) are an integral part of these consolidated financial statements and should be read with them together with the Independent Auditors report.

**AL-EQBAL INVESTMNET COMPANY
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CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Jordanian Dinar</i>	<i>Note</i>	For the year end December 31,	
		2017	2016
Cash flows from operating activities			
Profit for the year before income tax		52,392,458	41,794,023
Adjustments:			
Impairment of account receivable	6	-	48,415
Key-money amortization	8	453,594	313,669
Depreciation	12	3,015,791	3,480,877
Gain on sale of property, plant and equipment		(28,900)	(14,182)
Provision for employees' end of service indemnity	22	1,017,149	998,107
Dividends from financial assets at fair value through other comprehensive income		(30,811)	(33,045)
Finance costs		2,871,683	528,070
Provision for slow moving items	7	188,442	-
Impairment of advance payments for investments		149,000	950,000
		60,028,406	48,065,934
Change in:			
Trade and other receivables		(43,015,449)	(15,606,780)
Cheques under collection		28,360	169,703
Inventory		(4,120,150)	(102,273)
Other debit balances		(1,724,767)	(1,561,715)
Accounts payable		6,737,821	1,336,223
Due to related party		-	(173,523)
Deferred cheques		(58,931)	168,521
Other credit balances		458,149	1,435,083
Cash flows from operating activities		18,333,439	33,731,173
Income tax paid	20	(5,280,523)	(1,876,892)
Employees' end of service of indemnity paid	22	(553,014)	(23,993)
Net Cash flows from operating activities		12,499,902	31,830,288
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		64,934	23,851
Advance payment for investment		(64,337,623)	(908,403)
Acquisition of property, plant and equipment		(6,447,960)	(2,533,401)
Dividends from financial assets at fair value through other comprehensive income		30,811	33,045
Net cash paid, acquisition of subsidiaries		(6,159,799)	-
Investment property		-	(15,668)
Proceeds from sale of financial assets at fair value through other comprehensive income		144,443	1,673,728
Net cash flows used in investing activities		(76,705,194)	(1,726,848)
Cash flows from financing activities			
Finance costs paid		(2,871,683)	(528,070)
Loans and bank facilities		78,902,702	-
Dividends paid		(39,910,374)	(24,967,312)
Net cash flows from (used in) financing activities		36,120,645	(25,495,382)
Net (decrease) increase in cash on hand and at banks		(28,084,647)	4,608,058
Cash on hand and at banks at the beginning of the year		49,729,435	45,121,377
Cash on hand and at banks at the end of the year	5	21,644,788	49,729,435

The accompanying notes from pages (10) to (42) are an integral part of these consolidated financial statements and should be read with them together with the independent Auditor's report.

**AL-EQBAL INVESTMENT COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) GENERAL

Al-Eqbal Investment Company-PLC (International Tobacco and Cigarettes PLC previously) was incorporated in accordance with Jordan Companies temporary Law no. (1) for the year 1989 as a Jordanian public shareholding company, and registered in the ministry of industry and trade of Jordan under no. (218) on June 1, 1992. The authorized paid up capital is amounted to JOD 5 millions (1 JOD /share).

On October 10, 1993 the capital has raised through special offering by 100% of the capital to reach JOD 10 millions. On May 5, 1998 the capital has raised through distributing free shares by 20% of the capital to reach JOD 12 million. On April 16, 2001 the Company has merged with Eqbal for Financial Investments Company to be the capital JOD 14,304,675. On April 15, 2002 the capital has raised through distributing free shares by 5% of the capital to reach JOD 15 million. On April 10, 2005 the capital has been raised through distributing free shares by 10% to reach JOD 16,500,000. On April 16, 2006 the capital has been raised through distributing free shares by 21% of capital to reach JOD 20 millions. On February 25, 2013 the capital has raised through distributing free shares by 25% of the capital to reach JOD 25 millions.

The general assembly decided on March 24, 2016 to increase its paid-up capital by 5,000,000 shares through distribution from retained earnings JOD 5,000,000 for the paid-up capital to become 30 millions (1 JOD/share). The Company completed the procedures in the Ministry of trade and industry during the second quarter of the year 2016.

The company's main objectives include the following:

- Owning commercial agencies.
- Trade intermediaries (except dealing with International stock).
- Engaging in brokerage and trading tenders.
- Import and export to serve the company's business.
- Guaranty of third parties obligations relevant to the interest of the company.
- Investment of the Company's funds surplus in the appropriate way.
- Ownership of movable and immovable funds, for achieving the company's objectives.
- Ownership of land and real estate for achieving the company's objectives.
- Contracting with any government, commission, authority, company, institution or individual interested in the goals and objectives of the company or any of them.
- Borrowing needed money from banks.

The consolidated financial statements were approved by the Board of Directors on 19 February 2018 and is subject to the General Assembly's approval.

2) BASIS OF PREPARATION CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

The consolidated financial statements have been prepared in accordance with international financial reporting standards.

Basis of consolidated financial statements

The consolidated financial statements comprise of the consolidated financial statements of Al-Eqbal investment Company (the "Parent Company") and its subsidiaries, which subject to its control. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which controls commences until the date on which control ceases.

The parent company controls subsidiaries when it is exposed, or has rights, to variable returns from its involvement with these subsidiaries and has the ability to affect those returns through its power over these subsidiaries.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thus, the principle of control sets out the following three elements of control:

- 1- Power of the investor over the investee;
- 2- Exposure, or rights, to variable returns of the investor from its involvement with the investee; and
- 3- The ability of the investor to use power over the investee to affect the amount of the investee and its returns.

The Parent Company should reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three above mentioned elements.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any gain on bargain purchases is recognized in the statement of profit or loss and other comprehensive income. Extra transactions costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in consolidated statement of profit or loss and other comprehensive income.

Any contingent consideration payable is measured at fair value at the acquisition date if the contingent consideration was classified as equity. As a result, any transactions are treated through equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in consolidated statement of profit or loss and other comprehensive income.

Non-controlling interest are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date.

On loss of control, the parent-subsidiary relationship ceases to exist. The parent no longer controls the subsidiary's individual assets and liabilities and other elements of owners' equity related to the subsidiary and eliminated from the consolidated financial statements.

Gain or loss associated with the loss of control attributable to the former controlling interest are recognized in the consolidated profit or loss and other comprehensive income.

Balances, transactions and unrealized profits and expenses resulted from transactions within the group are eliminated when preparing these consolidated financial statement.

- The company owns the following subsidiaries as of December 31, 2017:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage %</u>	<u>Nature of operation</u>	<u>Country of operation</u>
Al Fakher for Tobacco Trading and Agencies*	6,000,000	100	Tobacco	Jordan
Spectrum International for Renewable Energy	6,000,000	100	Renewable energy	Jordan
International Cigarettes and Tobacco Company	6,000,000	100	Tobacco	Jordan
Al Fakher Holding-global operations-Cayman Island	35,450	100	Investment	Cayman Island

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*Al Fakher for Tobacco Trading and Agencies, owns a subsidiary of which related information is as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Holding for Tobacco Trading and Agencies **	35,450	100	Investments	Cayman Island

**Al Fakher Holding for Tobacco Trading and Agencies (Cayman Island), owns subsidiaries of which related information are as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Tobacco F.Z.E ***	35,705	100	Investments	UAE
Al Fakher International Company	7,100	100	Tobacco	Cayman Island
Pioneer Venture Group Company ****	35,464	100	Trading	UAE
Al Fakher Tobacco Factory- Turkey	18,824	100	Tobacco	Turkey

***Al Fakher Tobacco F.Z.E (UAE), owns a subsidiary of which related information is as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Tobacco Factory F.Z.E	7,720,000	100	Tobacco	UAE

- Al Fakher Tobacco Factory owns a company in Ajman industrial area (Al Fakher for Tobacco Trading and Agencies LLC). Where the financial and administrative control is to Al Fakher Tobacco Factory under the approval and pledge from the other partner.

****Pioneer Venture Group has established a company detailed as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Holding- USA*****	7,100	100	Investment	USA

***** Al Fakher Holding- USA acquired a subsidiary of which related information is as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Sierra Network Company	710	100	Tobacco	USA

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- The following schedule represents the financial position and financial performance of the subsidiaries as of December 31, 2017:

<i>Jordanian Dinar</i>	As of December 31, 2017			Total comprehensive income (loss) for the year
	Total Assets	Total Liabilities	Total Revenue	
Al Fakher for Tobacco Trading and Agencies – Consolidated	251,910,223	190,633,360	152,142,970	49,375,401
Spectrum International for Renewable Energy	6,012,429	1,947,257	9,511,961	(383,483)
International cigarettes and Tobacco Company	4,247,571	-	-	(1,500)
<i>Jordanian Dinar</i>	As of December 31, 2016			Total comprehensive income (loss) for the year
	Total Assets	Total Liabilities	Total Revenue	
Al Fakher for Tobacco Trading and Agencies – Consolidated	120,122,099	38,467,398	140,668,291	43,668,083
Spectrum International for Renewable Energy	5,179,531	705,837	2,068,781	(1,176,186)
International cigarettes and Tobacco Company	4,249,070	-	-	(4,953)

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets at the fair value through profit or loss and other comprehensive income measured at fair value, financial assets and liabilities measured at amortized cost.

(b) Functional and presentation currency

The consolidated financial statements are presented in Jordanian Dinar, which is the Group's functional currency.

(c) Use of Judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Management frequently reviews the lawsuits raised against the group based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the group may incur in the future.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- A provision for impairment on account receivables is taken on the basis and estimates about the recoverability of the receivables approved by management in conformity with International Financial Reporting Standards (IFRS).
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management reviews annually the recoverable amount of the goodwill to determine whether there was any impairment in its value.
- Management estimated the recoverable amount of the other financial assets to determine whether there was any impairment in its value.
- Management estimates the provision for income tax in accordance with the prevailing laws and regulations.

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:

- 1- In the principal market for the asset or liability, or
- 2- 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 asset or liability measured at fair value might be either of the following:

- A- A stand-alone asset or liability; or
- B- A group of assets, a group of liabilities or a group of assets and liabilities (e.g. a cash generating unit or a business).

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit Committee.

- Management believes that its estimates and judgements are reasonable and adequate.

(d) Current liabilities exceeding the current assets of the group

The Group's current liabilities exceeded its current assets by JD 24,583,738 as at 31 December 2017, Due to the short terms loans obtained by the Group to acquire the distributions Companies. Noting that the Group has obtained a long term loan during the first quarter of 2018 and repayment most of the short terms loans.

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3) Significant Accounting Policies

The accounting policies applied by the Group in these consolidated financial statements for the year ended 31 December 2017 are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016, except the International Financial Reporting Standards effective on January 1, 2017 and after.

New standards adopted now:

- Amendments on IAS (7) : Disclosure Initiative
- Amendments on IAS (12) : Recognition of Deferred Tax Assets for Unrealized Losses
- Amendments on IFRS (12) : Ownership of other firms disclosure: Annual Improvements to IFRSs 2014 –2016 Cycle

The application of these amended standards did not have a significant effect on the consolidated financial statements of the Group.

a) Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and Investments at fair value through other comprehensive income. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognizes loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

b) Non-derivative financial assets – measurement

Financial assets at fair value through other comprehensive income (IFRS 9)

These assets represent investments in equity instruments with the intention to keep them as a long term investments.

When purchasing these assets they are recognized at fair value including acquisition expenses then to be re-evaluated later at fair value, where changes in the fair value appears in the consolidated statement of other comprehensive income and shareholders' equity including the change in fair value resulting from the differences in conversion of non-monetary assets items in foreign currencies, in case of selling such assets or part there of profits or losses to be recorded in the consolidated statement of other comprehensive income and shareholders' equity in the consolidated statement of financial position where the valuation reserve balance of the sold assets should be directly transferred to the retained earnings and losses and not through the consolidated statement of profit or loss and other comprehensive income.

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However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or losses as a separate line item.

Financial assets at amortized cost (IFRS 9)

The financial assets held within the Group management whose objective is to hold these assets in order to collect contractual cash flows, which represent payments of principal and interest on the principal amount outstanding on specific dates, these assets are not traded in an active market and group has no intent to sell these assets in near future.

When purchasing these assets they are recognized at cost plus acquisition costs, where premium / discount are amortized using the effective interest method, recording or to the interest account, where any provisions resulted from the impairment in its amount leads to the inability to recover the principal or part of it are deducted, any impairment in its amount to be recognized at the statement of profit or loss and other comprehensive income.

The impairment amount in the value of these assets represents the difference between the value recorded at the books and the present value of the expected discounted cash flows at the original effective interest rate.

Financial assets should not be reclassified from / to this item except in specified cases by the International Financial Reporting Standards. In case of sale of any of these assets before its due date where the sales result should be recorded at the statement of profit or loss and other comprehensive income in a separate line and to be disclosed in accordance to the international financial reporting standards requirements.

Non-derivative financial liabilities – measurement (IFRS 9)

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

c) Property, plant and Equipment

- Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separated items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the consolidated statement of profit or loss and other comprehensive income.

- Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Ongoing costs of repair and maintenance of property, plant and equipment are expensed in the consolidated statement of profit or loss and other comprehensive income as incurred.

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- Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and previous year are as follows:

<u>Items of property, plant and equipment</u>	<u>Depreciation rate %</u>
Vehicles	20-25
Other equipment	20- 25
Computers and office equipment	20- 25
Furniture and fixtures	10-20
Tools	25
Machines and equipment	10-20
Buildings and apartments	5
Leasehold improvements	20

The group reviews the useful lives and depreciation for the property, plant and equipment at the end of each financial year.

d) Impairment

- Financial Assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event had a negative effect on the estimated future consolidated cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future consolidated cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of consolidated profit or loss and other comprehensive income.

- Non-Financial Assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell or its value in use.

All impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

e) Investment in property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investments Property is recognized initially at cost. Their fair values are disclosed in the notes of the consolidated financial statements, independent real-estate experts based on market values, in an active market, revalue investment property annually.

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f) Intangible Assets

Goodwill

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred; plus The recognized amount of any non-controlling interests in the acquire; plus the fair value of the pre-existing equity interest in the acquire; less The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Other intangible assets

Other intangible assets that are acquired through other than acquisition are recognized at cost less accumulated amortization and accumulated impairment losses.

Intangible assets, which have finite useful lives, are amortized over their useful lives. Amortization is recognized in the consolidated profit or loss and other comprehensive income; however, intangible assets without definite useful lives are required to be tested for impairment as of the date the consolidated financial statement. Impairment loss shall be recognized in the consolidated statement profit or loss and other comprehensive income.

Intangible assets arising from company operation are not capitalized and should be recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

Intangible assets are assessed at each consolidated reporting date to determine whether there is any objective evidence that they are impaired as well as the useful lives of the intangible asset are annually reassessed and any adjustments raised are recognized in the subsequent years.

Amortization

Amortization is calculated using the straight-line method over their estimated useful lives, and is generally recognized in consolidated statement of profit or loss and other comprehensive income.

g) Revenues recognition and expenses realization

Revenue is recognized based on accrual basis.

Revenue is recognized when the Group transfers the significant risks and rewards of ownership to the customer and cash recovery of the consideration is probable, when the associated costs and possible costs of goods can be estimated reliably, and there is no continuing management control over the goods. Also, when there is expected economic financial benefits associated from the sale and if trade discount and volume rebate can be measured reliably in order that the trade discount and volume rebate is recorded as recognized.

Interest income and expense presented in the consolidated statement of profit or loss and other comprehensive income include:

- Interest income / expense on financial assets and financial liabilities measured at amortized cost calculated on an effective interest rate basis.
- Interest income on Banks deposits.
- Interest expense on the borrowings and bank facilities.

h) Foreign Currency Transactions

Transactions in foreign currencies during the year are translated at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jordanian Dinar at the exchange rate at that date.

The foreign currency gain (loss) on monetary items is the difference between amortized cost in Jordanian Dinar at the beginning of the year, adjusted for effective interest rate and payments during the year, and the amortized cost in foreign currency translated to JOD at the exchange rate at the end of the year.

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Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Jordanian Dinar at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation of foreign currencies to Jordanian Dinar are recognized in the consolidated statement of profit or loss and comprehensive income.

i) Fair value for financial assets

Fair values represent the amount with which an asset could be exchanged, or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction.

The closing prices (purchase of assets / sale of liabilities) on the consolidated financial statements date in effective markets, represents the fair value of financial assets and liabilities that have market prices.

In the absence of quoted prices or lack of active trading of some financial assets or the in absence of an active market, fair value is determined by comparing with current market value of financial instrument, or by using the discounted future cash flows discounted at the rate of similar financial instrument or by use the net assets value method of investments.

j) Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available or when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

k) Date of recognition of financial assets

Purchase and sell of financial assets are recognized on the trading date (date when company commitment to sell or buy financial assets)

l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

m) Finance expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

n) End of Service Indemnity

A provision for end of service indemnity is recognized if, as a result of a past event, and that can be estimated reliably, and it is probable that an outflow of economic benefits will be required. Provisions for end of service indemnity is calculated bases on the Group's internal bylaw.

o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to a business combination, or items recognized directly in the consolidated statement of profit or loss and other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the consolidated reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax payable is in accordance with prevailing income tax law in Jordan.

p) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

a) New standards and interpretations not yet adopted

The following new and revised IFRSs have been issued but are not effective yet, the Company has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

- IFRS 9 Financial Instruments (effective 1 January 2018 with the exception of insurance companies, effective 1 January 2021 with early adoption).
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018 with early application permitted).
- IAS 16 Leasing (effective 1 January 2019 with early application permitted).
- IFRS 17 Insurance Contracts (effective 1 January 2021 with early application permitted).

Amendments

- IFRS 2 Classification and Measurement of Share-based Payment Account (effective 1 January 2018 with early application permitted).
- IFRS 10 and IAS 28 Sale or Contribution of Assets between Investor and its Joint Venture Partners (no date specified).
- IAS 40 (Clarification of the transfer of investment property (effective 1 January 2018).
- Amendments to IFRS 4 in applying IFRS 9 (effective 1 January 2018).
- IFRIC 23: Uncertainty on Income Tax Processes (effective 1 January 2018).
- Amendments to International Financial Reporting Standards (IFRS) (2014-2016) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (effective January 1, 2018).
- IFRIC 22: Foreign currency transactions and prepayment allowance.

Management anticipates that these standards and amendments will be applied in the preparation of the consolidated financial statements at the dates set out above, which will have no material impact on the Group's consolidated financial statements.

Effect of application of International standards No. (9):

The Group is required to apply IFRS 9 as from 1 January 2018. Accordingly, the Group has estimated the expected impact of the adoption of the Standard on the consolidated financial statements. Because the group will show the effects of all estimates and assessments required by the standards requirements

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when issuing the first condensed consolidated financial information for the Group for the period ended March 31, 2018.

The following are the most important aspects of application:

A- Classification and measurement of financial assets:

The Group's management does not expect any material impact from the application of the Standard. The Group has applied early for the first phase of IFRS 9 as from 1 January 2011 based on the request of the Securities Commission.

B- Classification and measurement of financial liabilities:

IFRS 9 has retained the requirements of IAS 39 regarding the classification of financial liabilities. IAS 39 requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated statement of profit and loss, whereas IFRS 9 requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of profit and loss as a result of changes in credit risk in the consolidated statement of comprehensive income.
- The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

The Group has not classified any financial liabilities in financial liabilities at fair value through profit or loss. There is no intention of the management to classify any financial liabilities in this category. Therefore, there is no impact from the application of IFRS 9, to the consolidated financial statements.

C- Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgments to estimate economic factors. The model will be applied to all financial assets - debt instruments classified at amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Impairment losses will be calculated in accordance with the requirements of IFRS 9 in accordance with the following rules:

- 12 month impairment loss: The expected impairment will be calculated for the next 12 months from the date of the consolidated financial statements.
- Impairment losses for the lifetime of the instrument: The expected impairment of the life of the financial instrument will be calculated until the maturity date from the date of the consolidated financial statements.

The expected credit loss mechanism depends on the probability of default, which is calculated according to the credit risk and future economic factors, the loss in default, which depends on the value of the existing collateral, the exposure at default.

The application of IFRS 9 did not have a significant effect.

4) Segment Reporting

An operating segment is a group of components of the Group affected by risks and returns that distinguish it from others and engages in producing products or services known as operating segments or engages in producing products or services within specific economic environment that distinguish it from other sectors known as geographical segments.

A- Operating Segment

The Company operates its activities in major operating segments, which represents the follows:

- Tobacco manufacturing and trading.
- Investments.
- Energy.

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B- Geographical Segment

The Company operated its activities inside and outside of the Hashemite Kingdom of Jordan.

<i>Jordanian Dinar</i> For the year end December 31, 2017	Tobacco manufacturing and trading	Energy	Investments	Total
Gross Profit	61,622,676	499,292	-	62,121,968
Administrative expenses	(12,735,779)	(743,525)	(2,087,895)	(15,567,199)
Selling and distribution expenses	(7,174,798)	-	-	(7,174,798)
Dividends from financial assets	-	30,811	-	30,811
Impairment in advance payments for investments	-	(149,000)	-	(149,000)
Finance cost	(1,844,466)	(61,592)	(965,625)	(2,871,683)
Bank interests revenue	280,960	-	26,996	307,956
Gain from sale of property, plant and equipment	28,900	-	-	28,900
Administrative and logistics fees	15,467,068	-	-	15,467,068
Other income	242,924	966	(455)	243,435
Segment profits (losses) for the year before tax and board of directors' remuneration	55,887,485	(423,048)	(3,026,979)	52,437,458
Segment total assets	137,605,354	5,404,102	115,627,214	258,636,670
Segment total liabilities	100,948,687	62,857,821	1,481,315	165,287,823
Capital expenditure	6,433,030	5,181	9,749	6,447,960

<i>Jordanian Dinar</i> For the year end December 31, 2016	Tobacco manufacturing and trading	Energy	Investments	Total
Gross Profit	56,380,602	611,725	-	56,992,327
Administrative expenses	(8,270,654)	(614,800)	(1,581,350)	(10,466,804)
Selling and distribution expenses	(5,379,338)	-	-	(5,379,338)
Gain from investment in associate	-	93,525	1,088	94,613
Dividends from financial assets	-	33,045	-	33,045
Impairment in advance payments for investments	-	(950,000)	-	(950,000)
Finance cost	(485,865)	(40,277)	(1,928)	(528,070)
Interest revenue	769,622	-	-	769,622
Gain from sale of property, plant and equipment	9,491	-	4,691	14,182
Other income	778,213	(227)	481,460	1,259,446
Segment profits (losses) for the year before tax and board of directors' remuneration	43,802,071	(867,009)	(1,096,039)	41,839,023
Segment total assets	120,091,643	4,575,102	2,315,965	126,982,710
Segment total liabilities	38,338,418	373,179	1,636,127	40,347,724
Capital expenditure	2,460,241	51,160	22,000	2,533,401

5) Cash on hand and at banks

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Cash on hand	100,806	1,818,220
Current accounts at banks	16,785,280	19,742,803
Deposits at banks *	4,758,702	28,168,412
	21,644,788	49,729,435

* The maturity date of the deposits is February 28, 2018 and interest is between 4.15% to 4.25%.

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6) Trade and other receivables

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Trade receivables	67,622,683	25,414,600
Advance payment to suppliers	1,171,632	364,266
	68,794,315	25,778,866
Provision for impairment on doubtful debts*	(160,983)	(160,983)
	68,633,332	25,617,883

* Provision for impairment on doubtful debts is calculated once the ceilings which agreed in advance with customers are exceeded. Provision is made for the entire balance (the ceiling of the facilities in addition to over limit) in the case of late payment from the customer.

*The movement on the provision for impairment on doubtful debts is as follow:

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Balance as of January 1,	160,983	213,798
Provision made during the year	-	48,415
Written off provision during the year	-	(101,230)
	160,983	160,983

*Aging customer accrued accounts as follow :

<i>Jordanian Dinar</i>	Total	0-90 day	91-180 day	270-181 day	271-365 day	More than 365 day
2017	67,622,683	44,360,499	15,563,299	7,366,610	171,292	160,983
2016	25,414,600	24,633,912	541,120	51,559	27,026	160,983

7) Inventory

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Raw material	20,168,810	15,152,781
Work in process	88,908	164,721
Finished goods	5,919,453	1,980,067
Goods in transit	439,102	60,481
Spare parts inventory	896,070	844,708
Advertisement and accessories goods inventory	890,175	1,170,752
Consumable goods inventory	134,209	104,067
	28,536,727	19,477,577
Provision for slow-moving inventory *	(188,442)	-
	28,348,285	19,477,577

*The factory management and sales and marketing department calculate the provision for slow moving items which will not use in production process.

The movement on the provision on slow moving items was as follow:

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Balance as of 1 January	-	-
Provision made during the year	188,442	-
	188,442	-

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8) Other debit balances

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Key-money*	1,374,013	1,750,407
Accrued interest revenue	9,018	337,450
Prepaid expenses	1,481,753	1,022,157
Prepaid income tax	553,418	552,017
Refundable deposits	525,769	619,977
Employees receivable	79,991	79,888
Sales and income tax deposits	22,185	23,681
Deferred taxes	54,846	-
Taxes on interests	147,669	117,199
Advance payment on projects under construction	180,934	9,412
Excise tax	1,519,676	-
Other	14,940	4,159
	5,964,212	4,516,347
Impairment in employees' account	(20,000)	(20,000)
	5,944,212	4,496,347

*Key-money details are illustrated as follow:

<i>Jordanian Dinar</i> Item	Warehouse E24	Key-money Rafy	Key-money Land 72-76	Key-money Tas Land	Total
Cost					
Balance at the beginning of January 2017	-	289,500	862,710	1,254,500	2,406,710
Additions during the year	77,200	-	-	-	77,200
Balance as of December 31, 2017	77,200	289,500	862,710	1,254,500	2,483,910
Balance at the beginning of January 2016	-	289,500	862,710	-	1,152,210
Additions during the year	-	-	-	1,254,500	1,254,500
Balance as of December 31, 2016	-	289,500	862,710	1,254,500	2,406,710
Accumulated amortization					
Balance at the beginning of January 2017	-	159,225	371,628	125,450	656,303
Amortization during the year	77,200	28,950	159,269	188,175	453,594
Balance as of December 31, 2017	77,200	188,175	530,897	313,625	1,109,897
Balance at the beginning of January 2016	-	130,275	212,359	-	342,634
Amortization during the year	-	28,950	159,269	125,450	313,669
Balance as of December 31, 2016	-	159,225	371,628	125,450	656,303
Net book value as of December 31, 2017	-	101,325	331,813	940,875	1,374,013
Net book value as of December 31, 2016	-	130,275	491,082	1,129,050	1,750,407

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9) Financial assets at fair value through statement of other comprehensive income

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Quoted market prices *	483,691	613,608
Unquoted market prices **	301,025	301,025
	784,716	914,633

* This account represents the fair value of listed financial assets markets for the Group's share in Bank of Jordan according to the market value as of December 31, 2017 and 2016.

** This account represents the fair value of non-listed in the financial assets markets for the Group's share in North Industrial Company (Palestine), the Group has determined the fair value of this account using Net Assets Method for the last audited financial statements available.

10) Investment property

<i>Jordanian Dinar</i>				As of December 31,	
Country	Area	Land no	Piece number	2017	2016
UAE – Ajman *	Aljorf	2S	2/1/271	271,028	271,028
Jordan – Amman **	Aljbayha	1	1	403,524	403,524
				674,552	674,552

*The fair value for Ajman's land as of December 31, 2017 according to average real estate expert valuation amounted to JOD 331,960 (2016: JOD 318,450) the fair value measurement for land has been categorized under level 2 fair value based on the inputs that has been determined either directly (i.e., as prices) or indirectly (i.e., derived from prices of similar assets).

** The fair value for Amman's land as of 31, December 2017 according to average real estate expert valuation amounted to JOD 2,022,535 (2016: JOD 1,845,063) the fair value measurement for land has been categorized under level 2 fair value based on the inputs that has been determined either directly (i.e., as prices) or indirectly (i.e., derived from prices of similar assets).

11) Intangible assets – Goodwill from acquisition of subsidiary

A- Fakher international trading tobacco and agencies purchased on June 1, 2006 100% of Fakher trading tobacco and agencies – Ajman as follow:

<i>Jordanian Dinar</i>	Fair value on acquisition	Book value on acquisition
Property, plant and equipment	418,293	418,293
Land	251,817	251,817
Other debit balances	38,857	38,857
Inventory	418,390	418,390
	1,127,357	1,127,357
Account payables and other credit balances	(10,343)	(10,343)
Net assets	1,117,014	1,117,014
Cash paid	7,720,000	
Goodwill from acquisition	6,602,986	

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B- Fakher Holding- USA purchased on December 4, 2017 100% of Sierra Network as follow:

<i>Jordanian Dinar</i>	Fair value on acquisition	Book value on acquisition
Cash and cash equivalents	1,645,571	1,645,571
Other debit balances	176,692	176,692
Inventory	4,939,000	4,939,000
Property, and equipment	25,203	25,203
	6,786,466	6,786,466
Account payables and other credit balances	(5,699,634)	(5,699,634)
Net assets	1,086,832	1,086,832
Cash paid	38,622,629	
Goodwill from acquisition	37,535,797	

C- Alfakher Holding for Tobacco Trading and Agencies – Cayman Island purchased during 2017 100% of Alfakher Factory- Turkey as follow:

<i>Jordanian Dinar</i>	Fair value on acquisition	Book value on acquisition
Net assets	(70,004)	(70,004)
Cash paid	1,347,100	
Goodwill from acquisition	1,417,104	

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Total Goodwill from acquisitions	45,555,887	6,602,986

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12) Property, plant and equipment

<i>Jordanian Dinar</i>	Land	Vehicles	Other equipment	Computers and office equipment	Furniture and fixture	Tools	Machines and equipment	Buildings	Leasehold improvements	Projects under construction	Total
Cost											
Balance as of January 1, 2017	3,515,741	887,971	1,482,197	431,646	780,277	3,083,455	15,527,705	10,668,131	227,246	1,409,986	38,014,355
Additions	-	160,818	174,266	81,687	40,242	245,224	411,630	531,245	-	4,828,051	6,473,163
Disposal	-	(24,939)	(5,191)	(9,246)	-	(17,618)	(405,017)	(980,155)	-	-	(1,442,166)
Transfers	-	-	264,024	84,219	-	2,260	159,912	3,059,799	-	(3,570,214)	-
Balance as of December 31, 2017	3,515,741	1,023,850	1,915,296	588,306	820,519	3,313,321	15,694,230	13,279,020	227,246	2,667,823	43,045,352
Accumulated depreciation											
Balance as of January 1, 2017	-	498,539	1,150,734	320,046	402,762	2,037,824	7,945,877	7,046,529	68,173	-	19,470,484
Depreciation for the year	-	159,378	138,545	53,101	74,611	453,122	1,357,428	734,157	45,449	-	3,015,791
Disposal	-	(24,939)	(5,191)	(8,657)	-	(16,684)	(371,492)	(979,169)	-	-	(1,406,132)
Balance as of December 31, 2017	-	632,978	1,284,088	364,490	477,373	2,474,262	8,931,813	6,801,517	113,622	-	21,080,143
Net book value as of December 31, 2017	3,515,741	390,872	631,208	223,816	343,146	839,059	6,762,417	6,477,503	113,624	2,667,823	21,965,209
Cost											
Balance as of January 1, 2016	3,515,741	746,380	1,439,606	360,995	736,889	2,520,964	14,766,184	10,515,996	227,246	946,139	35,776,140
Additions	-	48,897	59,044	70,651	43,388	222,520	821,873	72,580	-	1,194,448	2,533,401
Disposal	-	(15,000)	(16,453)	-	-	(191,647)	(72,086)	-	-	-	(295,186)
Transfers	-	107,694	-	-	-	531,618	11,734	79,555	-	(730,601)	-
Balance as of December 31, 2016	3,515,741	887,971	1,482,197	431,646	780,277	3,083,455	15,527,705	10,668,131	227,246	1,409,986	38,014,355
Accumulated depreciation											
Balance as of January 1, 2016	-	358,111	1,035,791	283,809	329,495	1,826,831	6,671,976	5,746,387	22,724	-	16,275,124
Depreciation for the year	-	155,119	131,395	36,237	73,267	400,612	1,338,656	1,300,142	45,449	-	3,480,877
Disposal	-	(14,691)	(16,452)	-	-	(189,619)	(64,755)	-	-	-	(285,517)
Balance as of December 31, 2016	-	498,539	1,150,734	320,046	402,762	2,037,824	7,945,877	7,046,529	68,173	-	19,470,484
Net book value as of December 31, 2016	3,515,741	389,432	331,463	111,600	377,515	1,045,631	7,581,828	3,621,602	159,073	1,409,986	18,543,871

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13) Other credit balances

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Accrued expenses – advertisement material	1,807,542	713,179
Yearly rewards provision	4,902,942	4,132,272
Accrued interest	1,075,861	-
Shareholders deposits	769,068	679,442
Contingent liability provision	1,600,103	1,600,103
Accrued expenses	2,793,497	62,130
Jordanian universities provision	76,448	76,448
Board of directors' remuneration	45,000	45,000
Humanitarian cases fund	66,711	49,940
Social security deposits	11,402	10,494
Others	575,068	37,222
	13,723,642	7,406,230

14) Payables due to acquisition

In December 4, 2017, Al Fakher Holding- USA acquired 100% of the capital of Sierra Network USA, as the remaining investment payment will be paid among two years from the consolidated financial statements.

15) Loans and bank facilities

15-1 Loans and bank facilities mature within a year

Bank's name	Facility type	Maturity date	As of December 31,	
			2017	2016
<i>In Jordanian Dinar</i>				
Bank of Jordan	Overdraft	-	1,080,815	-
Bank of Jordan *	Loan	December 31, 2018	15,930,000	15,930,000
Bank of Jordan **	Loan	December 31, 2018	32,931	-
Bank of Jordan ***	Loan	February 28, 2018	25,000,000	-
Cairo Amman Bank ****	Loan	March 31, 2018	28,359,868	-
Housing Bank*****	Loan	December 31, 2018	1,098,816	-
Arab Jordanian Investment Bank *****	Loan	April 25, 2018	14,200,000	-
			85,702,430	15,930,000

15-2 Loans and Bank facilities mature within more than a year

Bank's name	Facility type	Maturity date	As of December 31,	
			2017	2016
<i>In Jordanian Dinar</i>				
Bank of Jordan **	Loan	October 13, 2026	317,088	-
Housing Bank *****	Loan	April 1, 2024	8,813,184	-
			9,130,272	-

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*Al Fakher Tobacco for Trading and Agencies Company – subsidiary company obtained a credit facilities in the year 2013 from the Bank of Jordan amounted 25,000,000 USD, (17,700,000 JOD) which represent a reducing loan, that will be settled in one payment on January 4, 2014 with a LIBOR of +2%. The loan payment due date has been extended during the years 2014, 2015, 2016 and lastly in December 27, 2017, as the loan payments due date has been extended to be settled in one payment on December 31, 2018 with a LIBOR 3 months + %3.5 and without a limit and with the guarantee of Al- Eqbal investment company.

The purpose of these credit facilities is to pay dividends to shareholders.

** Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JOD 571,200. The loan is subject to 4.25% and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 108 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.

*** Al-Eqbal investment company obtained a credit facilities from Bank of Jordan amounted to JOD 25 million with an interest of 6.75% and ZERO commission. The purpose was for financing working capital were the loan is repayable in one payment on February 28, 2018. The Company repayment the loan during the first quarter of 2018.

**** Al-Fakher Tobacco Holding (UAE) obtained credit facilities from Cairo Amman Bank with an amount of USD 40 million where the loan matures in one installment on December 31, 2017 with interest of 1 month LABOR + 2.5% margin per annum, provided that it is not less than 5.5% per annum calculated based on the daily balance of the loan and added on the monthly balance of the loan, and paid on maturity date of the payment the purpose is expanding the Group's activity. The credit facilities guaranteed by Al-Eqbal Investment Company. In December 7, the loan payments due date were extended to be settled in one payment on March 31, 2018 with the same conditions and guarantees mentioned. The Company repayment the loan during the first quarter of 2018.

***** Al-Fakher for Trading Tobacco and Agencies Company obtained credit facilities from the Housing Bank with an amount of USD 14 million for the purpose of distributing dividends, where the loan is paid over maximum seven years including one year of grace period and installments are paid monthly per annum amounted to USD 194,000 and by the end of the seventh year, the remaining balance of the loan will be paid in one installment with interest of 1 month LABOR + 2.25% margin per annum and minimum of 3.25% guaranteed by Al-Eqbal Investment Company.

***** Al-Fakher for Trading Tobacco and Agencies Company obtained credit facilities from Arab Jordanian Investment Bank with an amount of USD 20 Million where the loan matures in one installment on April 25, 2018 with interest of 1 month of 3% above LABOR. The Company repayment the loan during the first quarter of 2018.

Bank of Jordan is considered related party as the group has obtained total loans and bank credit facilities amounted to JOD 42,360,834 from bank of Jordan.

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16) Cost of sales

<i>Jordanian Dinar</i>	For the year end December 31,	
	2017	2016
Raw Materials-beginning of the year	15,152,781	13,321,295
Raw Material purchases-during the year	85,126,717	70,059,517
Raw Materials-end of the year	(20,168,810)	(15,152,781)
Raw Materials used in production	80,110,688	68,228,031
Work in process - beginning of the year	164,721	139,017
Indirect manufacturing cost*	17,809,543	15,300,663
Work in process - end of the year	(88,908)	(164,721)
Cost of goods Manufactured	97,996,044	83,502,990
Finished Goods-beginning of the year	1,980,067	1,592,530
Finished Goods- End of the year	(5,919,453)	(1,980,067)
Cost of goods sold	94,056,658	83,115,453
Add:		
Cost of distributed goods and promotional materials	9,548,809	8,739,940
Cost of selling advertising goods	1,116,897	1,378,664
Cost of selling Alo Argheleh	-	15,597
Subtract:		
Cost of free distributed goods	(5,100,445)	(7,365,467)
Cost of goods returned to manufacturing	(88,956)	(139,442)
	99,532,963	85,744,745

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*Manufacturing cost includes the following

<i>Jordanian Dinar</i>	For the year end December 31,	
	2017	2016
Depreciation and amortization	3,158,881	3,668,850
Salaries and wages, overtime and related expenses	5,248,481	4,649,262
Employees' rewards	1,156,597	1,496,245
Fuel	851,249	807,147
General maintenance	606,395	416,205
Repairs expenses and spare parts	745,461	686,335
Consumed materials and tools	626,017	478,141
Rent	707,619	739,963
End of services indemnity	405,544	389,799
Damaged materials	56,681	50,809
Training expenses and employees' residency	193,692	159,096
Electricity and water	520,063	396,283
Insurance expense	333,000	291,696
Customs expenses	248,560	-
Research and development fees	85,364	-
Cost of returned goods to manufacturing	6,551	42,695
Project expenses	1,966,697	262,080
Export and shipping fees	62,196	86,480
Fees and subscriptions	162,555	183,069
Food and hospitality expenses	206,896	195,598
Communications expenses	19,566	20,479
Provision for slow moving items	188,442	-
Other expenses	253,036	280,431
	17,809,543	15,300,663

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17) Administrative expenses

<i>Jordanian Dinar</i>	For the year end December 31,	
	2017	2016
Salaries, wages and related expenses	4,942,519	3,215,342
Employee's rewards	2,892,880	3,057,701
Donations	361,464	327,649
Travel expenses	716,777	496,088
Studies and consultations	1,648,264	894,158
End of service indemnity	451,239	467,065
Depreciation and amortization	294,169	274,675
Rent expenses	364,889	116,103
Legal and consulting fees	677,197	57,545
Professional, Studies and consultations fees	1,258,403	243,563
Fees and subscriptions	299,505	163,532
Health insurance	194,847	109,381
Communications expenses	147,514	123,359
Board of directors transportation	174,950	168,000
Bdaya project	112,985	98,981
Trade marks expenses	20,899	69,328
Advertisement	20,275	39,422
Transportation	116,273	67,640
Governmental expenses	10,991	12,895
Hospitalities	45,745	54,016
Bank commission	47,111	39,144
Stationary and printings	47,149	36,696
Vehicles expenses	20,022	48,352
General maintenance	33,748	28,591
Consumed materials	11,075	7,527
Computer expenses	53,220	36,072
Electricity and water	14,643	12,076
Cleaning expenses	16,367	15,226
Fuel	24,269	206
Security	1,934	-
Property and equipment insurance	12,376	8,351
Consumed tools and materials	4,040	3,552
Training expenses	66,534	52,328
Audit committee fees	6,000	6,000
Advertising material management	86,159	33,245
Other	370,767	82,995
	15,567,199	10,466,804

- The Company higher executive management Short term salaries and remunerations for the year ended December 31, 2017 amounted to : JOD 358,315 (December 31, 2016: JOD 327,323).

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18) Selling and distribution expenses

<i>Jordanian Dinar</i>	For the year end December 31,	
	2017	2016
Distributed goods advertising budget	43,148	30,342
Salaries, wages, overtime and related expenses	1,484,467	1,006,001
Employees' rewards	664,047	814,446
Export and shipping expenses	267,218	289,401
Allowed discount	-	8,046
Exhibit expenses	407,644	287,407
Lawsuits expenses	671,893	142,111
Travel and residency	325,455	197,157
Studies and consultations	56,301	2,125
Designs expense	1,820,551	1,853,413
Materials	235,478	258,525
End of service of indemnity	160,366	141,243
Communications expenses	38,546	23,375
Damaged and absolute goods	154,571	42,932
Advertising expense	664,550	12,398
Rent	11,882	10,844
Health insurance	41,087	26,754
Depreciation and amortization	16,335	9,040
Transportation	43,846	27,405
Hospitality	11,823	11,392
Impairment provision in account receivables	-	48,415
Goods returned to manufacturing	5,893	46,590
Fees and penalties	-	31,511
Training	19,965	17,745
Bills ratification	4,245	13,063
Other	25,487	27,657
	7,174,798	5,379,338

19) Dividends

The following table described the declared dividends by the Group:

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Cash Dividends distributed*	40,000,000	25,000,000
	40,000,000	25,000,000

* The General assembly decided in its meeting held on March 6, 2017 to distribute an amount of 40,000,000 JD as dividends for the year 2016.

* The General assembly decided in its meeting held on February 25, 2016 to distribute an amount of 25,000,000 as dividends for the year 2015.

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20) Income tax

Income tax expense is recognized based on the group's tax consultant and Group Management estimates of the annual weighted average income tax rate expected for the full financial year applied to the pre-tax income of the year.

The movement on income tax provision during the year was as follows:

<i>Jordanian Dinar</i>	For the year ended as of December 31,	
	2017	2016
Balance at the beginning of the year	5,609,153	3,045,480
Allowance for the year	5,693,123	4,440,565
Income tax paid during the year	(5,280,523)	(1,876,892)
Balance at the end of the year	6,021,753	5,609,153

Group tax position

a- Parent company – Al Eqbal for Investment PLC

The income tax was settled until 2015. The income and sales tax department audited the financial year 2012 where the company has objected on the final decision of the income and sales tax department at court. In the tax consultant opinion the claim was misplaced and will be separated for the company.

The tax return for the year 2016 was submitted within the legal period and the department hasn't audited the company's accounts and did not issue the final decision till the date of the consolidated financial statements.

In the tax consultant and company's management opinion, the company doesn't need to account any provision for the income tax liability for the business results.

b- Subsidiary – AL Fakher for Tobacco trading and Agencies LLC

Al Fakher – Amman

The Income Tax was settled until the financial year 2008. The Income Tax Department audited the accounts of the company and issued its final decision for the financial years 2009, 2010, 2011, 2012, 2013, 2014 which was objected to the court of the tax, in the Company's management and tax consultant's opinion, the decision of the Tax Department is misplaced and will be dismissed in favor of the company.

The tax return was submitted for the financial year 2015 and 2016 within the legal period of submission, the department did not audit the company's accounts and did not issue its final decision till the date of the preparation of the consolidated financial statements.

In the tax consultant and company's management opinion, the company should take a provision by an amount of JD 5,693,123 as a provision of 10% of net profit of the investment in Al Fakher Holding-Cayman Island for the year ended December 31, 2017.

Al Fakher – Aqaba private

The Income Tax was settled until 2012. The tax return was submitted for the years 2013, 2014, 2015, and 2016 within the legal period of submission, the department did not audit the company's accounts and didn't issue its final decisions till the date of the preparation of the consolidated financial statements.

The division has stopped operating since the end of 2016, and a tax clearance form was sent showing that the taxes owed were paid and clear.

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c- Subsidiary – Spectrum International for Renewable Energy LLC

The Income Tax was settled until the financial year 2014. The tax return was submitted for the financial year 2015 and 2016 within the legal period for submission of statements, the department did not audit the company's accounts and issue final decisions until the date of the preparation of the consolidated financial statements.

In the tax consultant and company's management opinion, the company is not obligated to take a provision for the income tax liability for the business results.

Income tax expense recognized based on group's management estimate of enacted of average annual tax rate for the whole financial year which is applied on the profit before tax for the year. The group makes a reconciliation between taxable income and financial income. The tax rate based on prevailing local law is 20% for Al Eqbal Company and Al Fakher Amman and 10% on the profit of Al Fakher Holding- Cayman Island, in addition, the effective tax rate for the group which applied on the profit is 10.85% as for the year ended December 31, 2017 (December 31, 2016: 10.61%) .

21) Earnings per share

<i>Jordanian Dinar</i>	For the year ended as of December 31,	
	2017	2016
Profit for the year (JD)	46,699,335	37,353,458
Weighted average for number of shares (Share)	30,000,000	30,000,000
Earnings per share for the year	1.56	1.25

The earnings per share was calculated by dividing the profit for the year on the number of outstanding shares amounting to 30 million shares as of December 31, 2017.

22) Provision of employees' end of service indemnity

End of service indemnity is calculated according to the group's internal policy, the movement on the provision during the year was as follows:

<i>Jordanian Dinar</i>	For the year ended as of December 31,	
	2017	2016
Balance as of 1 January	3,880,311	2,906,197
Provision for the year	1,017,149	998,107
Paid during the year	(553,014)	(23,993)
Balance at the end of the year	4,344,446	3,880,311

23) Contingent liabilities

The contingent liabilities at the date of these consolidated financial statements date are as the following:

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Bank guarantees	2,405,471	2,504,422
	2,405,471	2,504,422

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Against cash margins represented as follow:

Jordanian Dinar

	As of December 31,	
	2017	2016
Cash margins	170,755	181,096
	170,755	181,096

The Company filed a lawsuit with the First Instance Court to object to the decisions passed on by the Income Tax Department for imposing income tax on the year 2012 with an amount of JOD 111,756 in addition to a legal compensation amount of JOD 46,123. A decision was issued in the case to accept the lawsuit and prevent the tax department from claiming the company the amount of the tax difference because of a formal error in the procedures of issuing the final decision of the Tax Department.

Note that the lawsuit and before the issuance of the decision was conducted with accounting experience in which the expert concluded that the company is obliged to pay amount of JOD 23,960 as a tax difference for the same year and the amount of JOD 10,920 as legal compensation.

Based on the tax consultant and the group's management opinion, the company will not commit to more than the amounts contained in the experience report, and it will gain the final degree.

- The Company filed a lawsuit with the First Instance Court to object to the decisions passed on by an employee passed on the Tax Department for imposing sales tax on the company amounted to JD 288,000 in addition to Legal Fees JD 576,000 and fees resulted from selling lands and buildings which are related to Phillip Morris. The Tax Court Decision was issued containing the cancellation of the decision of the Income Tax Department as well as preventing them from claiming the company for the amounts mentioned.

Based on the tax consultant and company's management the probability of winning the legal case and cancelling the claims is high and it will gain the final degree.

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes for the years of 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation amount of JD 3,889,245 and 111,372 for the education support fund. During 2017, the Tax Court decision was issued containing the cancelation of the decision of the Income Tax Department as well as preventing them from claiming the company for the amounts mentioned, and reserving an amount of JOD 2,635,992 for income tax and JOD 111,372 for the education support fund and JOD 1,620,845 as a legal compensation. The company appealed the decision issued in the case in the section concerning not to calculate the amounts paid by the Aqaba Income Tax department as the payment was JOD 2,447,311 and the case was still under appeal.

Based on the group's management and tax consultant opinion, the probability of winning the legal case is high because Aqaba tax department is related to income and sales tax department in Amman, and the payment in Aqaba is not considered under any circumstances that the company has not paid the taxes. hence the profit is from a branch and not from an investment, and the company will not have any further liability more than what already paid to the income sales tax department in Aqaba private zone in addition to tax rate differences.

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes for the year 2012 with an amount of JOD 3,253,058 and Legal compensation amount of JOD 2,602,446, the case is still pending in the tax first instance court to make a conclusion on the required evidences by the company.

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Based on the Group's management and tax consultant opinion, the probability of winning the legal case is high because the profit is from a branch and not from an investment. In Addition, the company has paid the amounts owed for the Taxes Department in Aqaba private zone.

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes on the company for the amount of JOD 4,432,006 for the year of 2013 and legal compensation amount of JOD 3,508,048 the case is still pending in the tax first instance court in the stage performing expert assessment.

Based on the Group's management and tax consultant opinion, the probability of winning the legal case is high because the profit is from a branch and not from an investment.

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes on the company for the amount of JOD 4,250,595 for the year of 2014 and legal compensation amount of JOD 3,400,476 the case is still pending in the tax first instance court in the stage performing expert assessment.

Based on the Group's management and tax consultant opinion, the probability of winning the legal case is high because the profit is from a branch and not from an investment.

24) Other (Expenses) Income

	For the year end December 31,	
	2017	2016
<i>Jordanian Dinar</i>		
Foreign exchange rate and prices	(749,619)	594,787
Scrap sales	966,140	138,880
Lawsuit provision reversal	-	480,151
Other	26,914	45,628
	243,435	1,259,446

25) Advance Payment for Investments

The details for the advance payments for investments are as follows:

- The Company has paid an amount of JD 64,301,744 for purchasing the distribution activities of AL- Fakher Products in 53 country on 26 July 2017, and based on the agreed terms and conditions, Al Fakher Holding Company in the process of completing the control over distribution companies which choose Al Fakher Holding to distribute the products on the markets. That were acquired with reference that the agreement is purchasing agreement for the rights of distribution activities.

Accordingly, and until the date of transfer of ownership and control of the distribution activity, the financial statements will not be consolidated for the companies based on IFRS

The owner of the distribution activity will be charged costs related administrative and logistic services, by an amount to JOD 13,103,735 for the year ended 31 December 2017.

The previous owner of Sierra Network Company will be charged costs related to administrative and logistic services before acquisition process by an amount of JOD 2,363,333 for the year ended 31 December 2017.

- Spectrum International for Renewable Energy- a subsidiary company invest in a joint venture agreement amounted of JOD 1,882,945.

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The company has booked impairment provision with an amount of JOD 950,000 during the year of 2016 to face the foreign currency differences. During 2017, an extra provision was taken for the amount of JOD 149,000 to face the foreign currency.

26) Statutory Reserve

The amounts in this account represent what transferred from the annual profit before taxes and fees. By 10% during the year and previous years, according to the Companies Act, and is not available for distribution to shareholders. The Company stopped calculating the statutory reserve at 31% and it is subject to General Assembly approval.

27) Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of Group's risk management framework.

The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Group management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

- Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's Cash at banks and deposits, cheques under collections, trade and other receivables and other debit balances.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the date of consolidated financial statements was as follows:

<i>Jordanian Dinar</i>	Carrying value as at	
	2017	2016
Current accounts and deposits at banks	21,543,982	47,911,215
Cheques under collection	-	28,360
Trade and other receivables	68,633,332	25,617,883
Other debit balances	1,015,353	1,259,126
	91,192,667	74,816,584

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- Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains line of credit from its bank for sudden cash requirements.

The following are the contracted maturities of financial liabilities:

	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
<u>As of December 31, 2017</u>				
<i>Jordanian Dinar</i>				
Deferred cheques -Short Term	299,479	(299,479)	(299,479)	-
Accounts payable	13,901,441	(13,901,441)	(13,901,441)	-
Other credit balances	13,723,642	(13,723,642)	(13,723,642)	-
Income tax provision	6,021,753	(6,021,753)	(6,021,753)	-
Payables due to acquisitions	32,164,360	(32,164,360)	(29,505,610)	(2,658,750)
Loans and Bank facilities	94,832,702	(94,832,702)	(85,702,430)	(9,130,272)
Provision of employees' end of service indemnity	4,344,446	(4,344,446)	-	(4,344,446)
	<u>165,287,823</u>	<u>(165,287,823)</u>	<u>(149,154,355)</u>	<u>(16,133,468)</u>
	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
<u>As of December 31, 2016</u>				
<i>Jordanian Dinar</i>				
Deferred cheques -Short Term	358,410	(358,410)	(358,410)	-
Accounts payable	7,163,620	(7,163,620)	(7,163,620)	-
Other credit balances	7,406,230	(7,406,230)	(7,406,230)	-
Income tax provision	5,609,153	(5,609,153)	(5,609,153)	-
Loans and Bank facilities mature within a year	15,930,000	(15,930,000)	(15,930,000)	-
Provision of employees' end of service indemnity	3,880,311	(3,880,311)	-	3,880,311
	<u>40,347,724</u>	<u>(40,347,724)</u>	<u>36,467,413</u>	<u>3,880,311</u>

- Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the group's profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- Currency Risk

Most of the group's financial assets and liabilities are in Jordanian Dinar, US Dollar and UAE Dirhams, and due to the fact that the Jordanian Dinar is pegged with US Dollar and UAE Dirhams, the Company's management believes that the foreign currency risk is not material on the consolidated financial statements.

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- Interest rate risk

At the reporting date of consolidated financial statements the interest rate profile of the Group's interest-bearing financial instruments was as follows:

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Fixed Rate Instruments:		
Financial Assets	4,758,702	28,168,412
Variable rate instrument		
Financial Liabilities	(94,832,702)	(15,930,000)

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 948,327, a decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 948,327.

- Other market price risk

Equity price risk arises from financial assets at fair value through other comprehensive income held for meeting partially the unfunded portion of the Group's obligations as well as investments at fair value through profit or loss. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

- Share price risk

A change of 5% in fair value of the securities at the consolidated financial statements date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<i>Jordanian Dinar</i>	Equity	
	5% Increase	5% decrease
<u>As of December 31, 2017</u>		
Financial assets at fair value through other comprehensive income	39,236	(39,236)
	39,236	(39,236)
<u>As of December 31, 2016</u>		
<i>Jordanian Dinar</i>		
Financial assets at fair value through other comprehensive income	45,732	(45,732)
	45,732	(45,732)

- Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and interests of the Group.

The management monitors the return on capital, which the management defined as net operation income divided by total shareholders' equity.

The management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The group is not subject to externally imposed capital requirements.

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Debt-to-adjusted Capital Ratio

<i>Jordanian Dinar</i>	As of December 31,	
	2017	2016
Total Debt	165,287,823	40,347,724
(Less) cash on hand and at banks	(21,644,788)	(49,729,435)
Net Debt	143,643,035	(9,381,711)
Net Shareholders' equity	93,348,847	86,634,986
Adjusted capital	93,348,847	86,634,986
Debt - to- adjusted capital ratio	1.54	-

28) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: valuation method can be determined either directly (i.e., as prices) or indirectly (i.e., derived from prices). This level includes instruments valued based on:

Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- Assets and liabilities measured at fair value:

The Group measures below assets and liabilities at fair value

<i>Jordanian Dinar</i>	Fair Value			
	Book value Fair Value	level (1)	level (2)	level (3) *
<u>December 31, 2017</u>				
Cash on hand and at banks	21,644,788	21,644,788	-	-
Financial assets at fair value through statement of other comprehensive income	784,716	483,691	-	301,025
<u>December 31, 2016</u>				
Cash on hand and at banks	49,729,435	49,729,435	-	-
Financial assets at fair value through statement of other comprehensive income	914,633	613,608	-	301,025

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Assets and liabilities not measured at fair value:

These financial instruments are measured at amortized cost and the fair value of these instruments do not differ significantly from their amortized cost.

<i>Jordanian Dinar</i>	Fair Value			
	Book value Fair Value	level (1)	level (2)	level (3)
<u>December 31, 2017</u>				
Trade and other receivable	68,633,332	-	-	-
Deferred cheques	(299,479)	-	-	-
Accounts payable	(13,901,441)	-	-	-
Payables due to acquisition	(32,164,360)	-	-	-
Loans and bank facilities	(94,832,702)	-	-	-
<u>December 31, 2016</u>				
Cheques under collection	28,360	-	-	-
Trade and other receivable	25,617,883	-	-	-
Deferred cheques	(358,410)	-	-	-
Accounts payable	(7,163,620)	-	-	-
Loans and bank facilities	(15,930,000)	-	-	-

Fair value

The fair value of financial assets and liabilities are not materially different from its book value in the consolidated statements of financial position. As of December 31, 2017 and 2016.

*** Fair value in accordance with 3 level**

This item represents the cost of financial assets through other comprehensive income that is not listed in financial markets for the Group portion in North manufacturing Company -Jenin-. The Group performed test over the fair value for this item using Net asset value of the last available audited financial statements, the company's management believes that this is the most convenient way to measure the fair value of the investment due to the lack of updated information on the market value of this investment.

29) Comparative figures

Certain comparative figures have been reclassified to conform to current year figures. The effect of reclassification as at 31 December 2016 is shown in the following table:

Item	2016		
	Before reclassification	Reclassification Effect	After reclassification
Cost of Sales	(77,004,805)	(8,739,940)	(85,744,745)
Selling and distribution expenses	(14,119,278)	8,739,940	(5,379,338)

30) Subsequent events

The Group obtained syndicated loan during the first quarter of 2018 amounted to USD 250 Million to complete the process of a acquired the distribution Companies and repayment the short terms as 31 December 2017.