

# Twenty-Fifth Annual Report 2016



**His Majesty King Abdullah Bin Al Hussein the Second**



His Royal Highness Crown Prince Al-Hussein Bin Abdullah the Second

## **Company Identity**

AI – Eqbal Investment Co. (PLC) is an investment company with subsidiaries in the Hashemite Kingdom of Jordan and the United Arab Emirates. It is specialized in the manufacturing and distribution of molasses and development and construction of renewable energy projects.

## **Our Vision**

To be a dynamic investment company with growing influence in the global market.

## **Our Mission**

Maximizing shareholders' returns whilst actively carrying out our positive role in social and economic development.

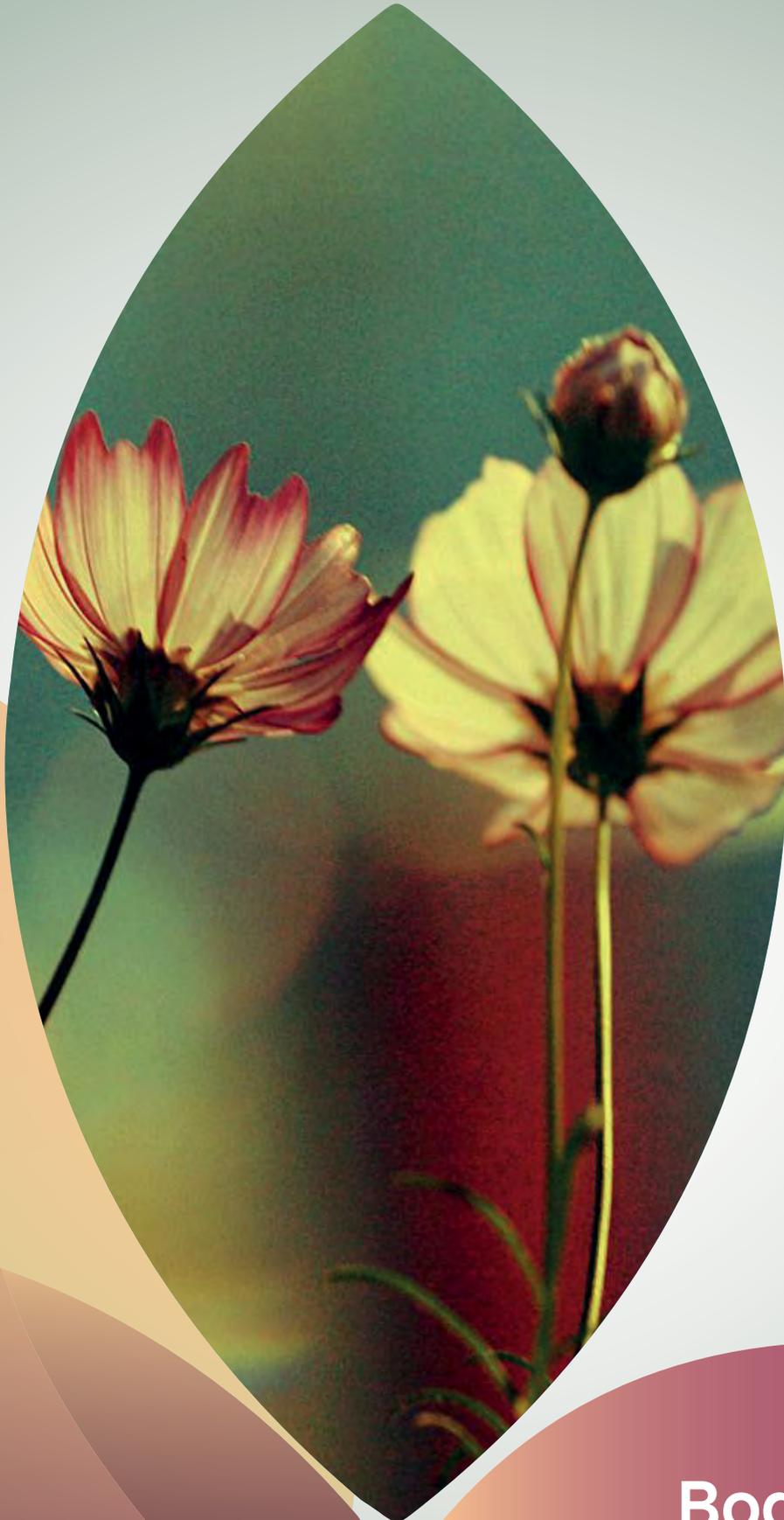
## **Company Values**

- Commitment to excellence.
- Ensuring significant financial growth to our partners.
- A competitive and comfortable working environment for our employees.
- A vital contribution to the development and prosperity of society.

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**Board of  
Directors**

## Members of the Board of Directors



**Mr. Samer Tawfiq Fakhouri**



**Mr. Waleed Tawfiq Fakhouri**  
Deputy Chairman



**Mr. Haitham Mohammed Quteishat**



**Mr. Abd-Alraheem Ali Al-Zoubi**  
Representing Pearl Commercial for  
Reconstruction and Investment Company



**Mr. Yazeed Adnan Al-Mufti**  
Representing Al-Sabil Investment  
Company



**Dr. Naser Mustafa Kherishi**  
Representing Bank of Jordan



**Mr. Saleh Rajab Hammad**  
Representing Arabian Gulf Investment  
Company and Public Transportation Company



**Mr. Mohammad-Naser Nasib Barakat**  
Representing Al Yamamah Public Investment  
Company



**Mr. Fares Osama Al-Talhouni**

**Messrs Kawasmy & Partners**  
Independent Financial Auditor

## Chairman's Message



Mr. Samer Tawfiq Fakhouri  
Chairman of the Board of Directors

### Dear fellow shareholders,

It gives me great pleasure to present you with EICO's annual report for the year 2016. This report comes at a very special time as it marks the company's 25th anniversary.

Allow me first to take you through a brief recap of the company's history and achievements and how the first quarter century since its establishment has positioned EICO to take on the challenges and opportunities ahead.

As you are aware, Eqbal Investment Co (Known as International Tobacco and Cigarette Company up until 2008) was founded in 1992 as a small cigarette manufacturer with an initial capital of JOD 5M. The company started its operations in October of 1994 producing generic brands it owned along with international brands for the local market (under license) for a duration of five years with Rothmans International and a subsequent ten years with Philip Morris International. These strategic relationships contributed to elevating the company's experience and know-how in

different aspects related to production, procurement, quality control as well as sales & marketing.

In the early 2000s the cigarette business began to face major challenges with the imposition of higher taxes and the influx of illicit products causing serious damage to the market. Faced with these challenges, management took the initiative to seek new opportunities in order to diversify and reduce its exposure to the disrupted cigarette business in Jordan. In 2006, the opportunity presented itself when management learned that a small flavored molasses company based in the UAE (known as Al Fakher) was up for sale. A swift due diligence process was conducted and Al Fakher was acquired for USD 11M in June of 2006 with a clear mission in mind: **"TO TRANSFORM THE SHISHA EXPERIENCE FROM A MIDDLE EASTERN TRADITION TO A UNIVERSAL PHENOMENON"**.

Given the vast experience gained, management was able to elevate Al Fakher from a single small workshop to a few cutting-edge facilities rivaling the best in the world in automation, cleanliness, and organization. As a result, Al Fakher today is the world's leading shisha tobacco company by volume, revenue and profit with its products reaching more than 125 countries around the world.

This success did not go unnoticed and has led to the recent inclusion of EICO in the MSCI-FRONTIER MARKETS attracting International investors to acquiring significant positions in the company.

While we are mindful and proud of our achievements, we are working diligently to reach further heights. As our company and the industry overall continue to grow so will the complexity of the challenges we face such as keeping up with the ever-increasing regulatory constraints in different markets, the entry of multinational competition, and managing the

rapidly expanding sales and distribution network. With that in mind the next couple of years will be characterized with significant investments in human capital, geographic expansion, compliance & public affairs, as well as further strengthening the positioning of our brand.

Fortunately, management has not had to face those challenges alone, the boards of EICO and Al Fakher have been instrumental to the success of the company and have provided great guidance to management. Going forward, we are encouraged by the entry of new key shareholders who will add value in developing the vision and long-term strategic initiatives for the company. Their global reach will help us expand into new markets, deal with regulators around the world, and help us find and attract the best talent. The entry of such institutional investors will mark a new chapter of our growth and evolution as we strive to reach new heights.

Allow me now to go over the results of last year. Despite of the serious political and economic challenges facing our region and the world, 2016 marked yet another record year for EICO. Through the diligent and hard work of our team we have managed to achieve 15.2% growth in revenue to reach JOD 142.7M while both gross margin and net profit margin after tax reached 46.05% and 26.17 % of revenue which is equal to JOD 65.7M and JOD 37.4M respectively. Our total assets grew by 17.3% to reach a record JOD 127M and shareholders' equity reached JOD 87M considering a dividend distribution of JOD 25M in March of 2016. Taking these achievements into consideration, the Board of Directors has recommended a dividend distribution of JOD 40M or JOD 1.333 per share.

Giving back through corporate social responsibility (CSR) programs is an integral part of our culture. The company continues to invest and support numerous programs focused on education, healthcare and sustainable development of local communities. In 2016 the company spent around JOD 427 thousand on these programs taking the total amount spent on CSR in the last five years to JOD 2.1M, and the total since its inception to over JOD 3.4M.

Finally, I would like to share my special thanks to all our partners for being a vital part of our success. Allow me also to express my sincere gratitude to the Board of Directors for their continued support, and their invaluable contributions in formulating our strategies. Last but not least, my deep appreciation goes out to our employees across the different subsidiaries for their hard work, relentless desire for improvement, and their dedication. May 2017 be another year of record achievements for everyone involved.

**Sincerely,**  
**Samer Tawfiq Fakhouri**  
**Chairman of the Board of Directors**





**Report of  
the Board  
of Directors**

## Company's main activities:

AI – Eqbal Investment Co. (PLC) is an investment company with subsidiaries in the Hashemite Kingdom of Jordan and the United Arab Emirates. It is specialized in the manufacturing and distribution of molasses and the development and construction of renewable energy projects. It owns the following companies:

1. Al Fakher for Tobacco Trading and Agencies Company Ltd.
2. Spectrum International for Renewable Energy Ltd.
3. International Tobacco and Cigarettes Ltd. (under liquidation).
4. Pioneer Venture Group Ltd.

## Geographic locations of the Company and number of employees at each location:

Company headquarters are in the Hashemite Kingdom of Jordan, Amman / Um Uthaina - Sa'ad Ibn Abi Waqqas Street - Building No. (39)  
P.O. Box 911145 Amman 11191 Jordan

Telephone: +962 6 5561333

Fax: +962 6 5561339

Email: [info@eqbal-invest.com](mailto:info@eqbal-invest.com)

Website: [www.eqbal-invest.com](http://www.eqbal-invest.com)

There are (11) employees.

Its capital is (30,000,000) Dinars.

The company is registered with the Ministry of Industry and Trade under the number (218) as of 1/6/1992, with the national identification number (200022790).

## Number of Employees

- As of the end of 2016, the number of employees of AI – Eqbal Investment Company and its subsidiaries amounted to a total of 620 employees.

- The number of employees categorized in accordance to qualifications as of end 2016:

Qualification	AI-Eqbal Investment Co.	Subsidiaries				Total
		Al Fakher for Tobacco Trading and Agencies Company/Jordan	Al Fakher Tobacco Factory/United Arab Emirates/Ajman	Al Fakher Al Dhahab General Trading/United Arab Emirates/Ajman	Spectrum International for Renewable Energy /Jordan	
Doctorate	-	-	-	-	1	1
Masters	1	-	10	-	-	11
Higher Diploma	-	-	-	-	-	-
Bachelors	7	-	79	2	6	94
Diploma	1	1	23	-	-	25
High School	1	-	71	-	1	73
Less than High School	1	-	411	3	1	416
Total	11	1	594	5	9	620

## Training Courses:

### Employees Training Courses in 2016

#### Al-Fakher For Tobacco Trading:

Training Course	Number
NEBOSH	1
Certified Quality Technician(CQT)	1
Business Continuity Management & IT Disaster Recovery	1
Cisco Network Administration-CCNA	1
Adminstering SQL Server 2014	1
Essentionals of Value Added Tax(VAT) in UAE	3
Mergers & Acquisitions	3
Competitive Strategy	3
Certified International Transportation and Logistics	1
Certified International Trade,Shipping&Logistics Professional	1
Social Media management for communication and PR	1
CISCP	7
Ms- Excel Advance	5
Payroll: Preparation,Analysis and Management	1
Certificate in HR Skills 1	1
Ms-Excel Basic	10
English Language	3
Preparation & Analysis of Financial Statements	5
Advanced Budgeting Workshop	1
Ms-Access (Basic-Inter-Advance)	3
Effective Budgeting and Cost Control	1
Advanced Financial Statement Analysis	1
Excel for Finance & Accounts Professionals	4
Maintenance Management Systems Design	1
ISO 55000 & Risk Based Assessment Management	3
Advanced Maintenance Management	1
Auto CAD 2D	4
Autodesk Auto CAD Electrical	2
Advanced PLC Program Professional (APP)	1
<b>Total</b>	<b>71</b>

### Employees Training Courses in 2016

#### Spectrum International for Renewable Energy

Training Course	Number
Certified Renewable Energy Project Developer	1
Photovoltaic Professional	2
<b>Total</b>	<b>3</b>

## Nature of work and fields of activity of the subsidiary companies

Name of Company	Company Type	Main Activity	Paid-up capital (JOD)	Shareholding percentage
Al Fakher for Tobacco Trading and Agencies *	Limited Liability	Manufacturing and sale of molasses and its supplies to various countries	6,000,000	100%
International Tobacco and Cigarettes **	Limited Liability	Manufacturing of cigarettes	6,000,000	100%
Spectrum International for Renewable Energy	Limited Liability	Investment in alternative energy	7,000,000	100%
Pioneer Venture Group	Limited Liability	Investing in businesses and companies	35,464	100%

\* Al Fakher for Tobacco Trading and Agencies has a subsidiary (Al Fakher Holding for Tobacco Trading and Agencies) in the Cayman Islands (Paid up capital: USD 50,000) which owns the following companies:

- 1) Al Fakher International Company (Cayman Islands) with capital of USD 10,000.
- 2) Al Fakher Tobacco (in the United Arab Emirates – Ajman Free Zone) has a subsidiary Al Fakher Tobacco factory which owns:
  - Al Fakher Tobacco Trading L.L.C
  - Al Fakher Al Dahabi General Trading L.L.C

\*\* The company is currently under liquidation procedures.

### Al Fakher for Tobacco Trading and Agencies

- Limited Liability.
- Manufacturing of tobacco and manufacturing and sales of Flavoured molasses and related accessories.
- Capital of 6,000,000 Jordanian Dinars.
- Percentage of shareholding is 100%.
- Company headquarters are in the Hashemite Kingdom of Jordan, Amman / Um Uthaina - Sa`ad Ibn Abi Waqqas Street - Building No. (39).
- Number of employees: (1).
- The company is registered with the Ministry of Industry and Trade under the number (12208) as of 30/05/2006, with the national identification number (200010064).

### Spectrum International for Renewable Energy Company

- Limited Liability.
- Capital of 7,000,000 Jordanian Dinars.
- Percentage of shareholding is 100%
- Company headquarters are in the Hashemite Kingdom of Jordan, Amman / Um Uthaina - Sa`ad Ibn Abi Waqqas Street - Building No. (39).
- Number of employees: (9).
- The company is registered with the Ministry of Industry and Trade under the number (23148) as of 28/10/2010, with the national identification number (200114522).

### International Tobacco and Cigarettes Company/under liquidation

- Limited Liability.
- Manufacturing cigarettes,
- Capital of 6,000,000 Jordanian Dinars.
- Percentage of shareholding is 100%.
- Company headquarters are in the Hashemite Kingdom of Jordan, Amman / Um Uthaina - Sa`ad Ibn Abi Waqqas Street - Building No. (39).
- The company is under liquidation.
- The company is registered with the Ministry of Industry and Trade under the number (16206) as of 16/4/2008, with the national identification number (200094979).

### Pioneer Venture Group ( PVG ) :

- Limited Liability.
- DIFC Company
- Capital of 50,000 USD
- Percentage of shareholding is 100%.
- Company headquarters are in Dubai International Financial Center
- The company is registered with the World Trade Center in the United Arab Emirates under the number (1667) as of 9/9/2014.

## Bios of the Members of the Board of Directors as of 31/12/2016

### Mr. Samer Tawfiq Fakhoury

Current position: Chairman of the Board of Directors

Date of Birth: 1/5/1972

Qualifications: Bachelors of Business Administration/1993

#### Current memberships and positions

- General Manager of Al-Eqbal Investment Company as of 1995
- Chairman of the Management Board of International Tobacco and Cigarettes Company (Under Liquidation) as of 2008
- Chairman of the Management Board of Al-Fakher for Tobacco Trading and Agencies Company as of 2009
- Chairman of the Management board of Spectrum International for Renewable Energy as of 2015

#### Previous memberships and positions

- Chairman of the Board of Directors of Al-Eqbal for Printing and Packaging Company during the period (2001- 7/11/2007)
- Deputy Chairman of the Board of Directors of Al-Eqbal Investment Company during the period (2001 -03/10/2009)
- General Manager of Al Fakher for Tobacco Trading and Agencies Company during the period (30/5/2006 –5/7/2009)
- Chairman of the Board of Directors of Pearl Sanitary Paper Converting Company during the period (1999-2000)
- Chairman of the Management Board of Spectrum International for Renewable Energy Company until 2013
- General Manager of the Arab Company for the Distribution of Cigarettes during the period (2000-2013)

### Mr. Waleed Tawfiq Fakhoury

Current position: Deputy Chairman of the Board of Directors

Date of Birth: 12/2/1972

Qualifications: Bachelors of Advertising/1992

Masters of Business Administration/1999

#### Current memberships and positions

- Deputy Chairman of the Board of Directors of Zahrat Alurdon Real Estate and Hotels Investment Company as of 2006
- Deputy Chairman/Chief Executive Officer of Al-Tawfiq Investment House as of 2007
- Founder and Chief Executive Officer of Adaa' for Sports Management as of 2011
- Chairman of Management Board of Spectrum International for Renewable Energy (2013-2015)
- CEO of Petroeurops as of 2014
- CEO of Inversiones Inmobiliarias JABA as of 2014
- Chairman of Management Board of AL Fakher for Tobacco Trading and Agencies as of 2006

#### Previous memberships and positions

- Member of the Board of Directors of Al-Eqbal Investment Company/Representative of Al-Eqbal Jordan General Trading Company during the period (2001-2005)
- Member of the Board of Directors of Al-Eqbal Investment Company/Representative of Bank of Jordan during the period (2005-25/3/2007)
- Member of the Board of Directors of Al-Eqbal Investment Company during the period (25/3/2007 – 3/10/2009)
- Employee/Bank of Jordan during the period (1992-1995)
- Executive Director/Bank of Jordan during the period (1995-1999)
- Assistant General Manager of Treasury and Investment /Bank of Jordan during the period (1999-2003)
- Assistant General Manager for Investment and Branches/Bank of Jordan during the period (2003-2004)
- Chairman of the Board of Directors of Trust International Transport Company during the period (2009-2014)
- Chairman of the Board of Directors of Arab Islamic Bank during the period ( 2001-2016)
- Member of the Board of Directors of Bank of Jordan during the period ( 2005-2016)
- Deputy Chairman of the Board of Directors of Tafawoq for Financial Investment during the period ( 2006-2016)
- Member of the Board of Directors of Al-Shamal For International Industry during the period ( 2001-2016)
- Member of the Board of Directors of ADRITEC during the period (2009-2011)
- Member of the Board of Directors of JETT during the period ( 2003-2009)
- Member of the Board of Directors of Al-Yarmouk for Insurance during the period (1995- 1999)

## Mr. Abd-Alraheem Ali Al-Zoubi

Current position: Representative of Pearl Commercial for Reconstruction and Investment Company

Date of Birth: 1/1/1953

Qualifications: Higher Diploma in Media and Journalism/1981

Bachelors in Business Administration and Political Science/1975

### Current memberships and positions

- General Manager/Alqamar for Energy and Infrastructure Company as of 2013

### Previous memberships and positions

- General Manager/Sultani International Oil Private Shareholding during the period (2012-6/2013)
- General Manager/Jordan Oil Shale Energy Company during the period (2008-2012)
- Retired Brigadier/Jordan Armed Forces (1976-2007)

## Dr. Naser Mustafa Kherishi

Current position: Member of the Board of Directors - Representing Bank of Jordan as of 16/2/2014

Date of Birth: 25/4/1962

Qualifications: Doctorate of Electrical Engineering/1990

Masters of Electrical Systems and Economy /1985

Bachelors of Electrical Engineering/1984

### Current memberships and positions

- Assistant General Manager – Management Operations Division/Bank of Jordan as of 2014

### Previous memberships and positions

- Various executive positions with research, consulting and information technology companies/United States of America during the period (1988-2004)
- General Manager/Monere LLC/United States of America during the period (2011-2014)
- Assistant General Manager – Information Systems Operations/Etihad Bank – Amman during the period (2009-2011)
- Assistant general Manager – Information Systems/Jordan Kuwait Bank – Amman during the period (2004-2009)

## Mr. Saleh Rajab Hammad

Current position: Member of the Board of Directors - Representing Arabian Gulf Investment Company and Public Transportation

Date of Birth: 27/7/1962

Qualifications: Bachelors of Computer Science – Jordan University/1985

### Current memberships and positions

- Secretary of the Board of Directors/Bank of Jordan as of 2007
- Chairman of the Board of Directors of Jordan Financial Leasing Company as of 2011
- Assistant General Manager of the Compliance and Risk Division / Bank of Jordan as of 2014

### Previous memberships and positions

- Banking Systems Programmer Analyst and Developer / Jordan Bank Amman - During the period (1987-1994)
- Executive Director / Compliance and Risk Division - Secretary of the Board of Directors / Bank of Jordan – During the period (1994-2014)

## Mr. Mohammad-Naser Nasib Barakat

Current position: Member of the Board of Directors - Representing Al Yamamah Public Investment Company

Date of Birth: 15/1/1969

Qualifications: Bachelors of Banking & Finance Sciences /1989  
Masters in Business Administration & Accounting / 1992

### Current memberships and positions

- Member of Certification in Control Self-Assessment (CCSA)
- Member of Certified Public Accountants Association (CPA)
- Partner responsible for Work Risk Management Services in the Middle East / Grant Thornton Company as of 2010
- Chairman of the Board of Directors of Al Dar International Governance Consulting Company Previous memberships and positions

### Previous memberships and positions

- Regional Office Assistant Manager and Manager of The Professional Development Department / Talal Abu Ghazaleh International Company during the period (1992-1994)
- Financial Manager / Bank of Jordan during the period (1994-1997)
- Consultations Manager / Al Dar for Accounts Auditing Company during the period (1997-2010)

## Mr. Haitham Mohammad Quteishat

Current position: Member of the Board of Directors as of 1/2/2015

Date of Birth: 3/4/1948

Qualifications: Bachelors of Business Administration 1972

### Previous memberships and positions

- Representative of the Member of the Board of Directors of Pearl Commercial for Reconstruction and Investment Company in Al-Eqbal for Printing and Packaging Company during the period (2004-7/11/2007)
- Representative of the Member of the Board of Directors of Al Yamamah Public Investment Company in Al-Eqbal for Printing and Packaging Company during the period (29/12/2010 – 27/2/2011)
- Program broadcaster and announcer with the Hashemite Kingdom of Jordan Broadcasting Network during the period (1972-1975)
- General Supervisor and Customs Director at the Jordanian Customs Department at Queen Alia International Airport during the period (1975-2002)
- Advisory to the Prime Minister and General Coordinator of “Jordan First” Commission during the period (2002-2003)
- Representative of the Member of the Board of Directors of Bank of Jordan in Al-Eqbal Investment Company during the period (28/2/2011-25/2/2013)
- Media Consultant at the Bank of Jordan during the period (2004-31/12/2015)
- Member of the Board of Directors of Trust International Transport Company -Representative of the Arabian Gulf for Investment and Transportation during the period ( 01/09/2005 – 30/04/2016))

## Mr. Yazeed Adnan Al-Mufti

Current position: Representative of the Member of the Board of Directors ofWay Financial Investment Increases

Company as of 5/3/2015

Date of Birth: 27/3/1953

Qualifications: Bachelors of Business Administration 1976

### Current memberships and positions

- Main Shareholder in Al Hikma Company for Financial Services (Financial Agent) as of 2005
- Chairman of the Board of Directors / Cairo Amman Bank as of 07/10/2012
- Member of the Board of Directors in each of the following as of 2005:
  - Middle East Insurance Company
  - Zara Investment Holding Company
  - Palestine Development and Investment Company (PADICO)

### Previous memberships and positions

- Various positions the last of which was Deputy Chairman / City Bank during the period (1977-1989)
- General Manager / Cairo Amman Bank during the period (1989-2004)

## Mr. Fares Osama Al-Talhouni

Current position: Member of the Board of Directors as of 1/2/2015

Date of Birth: 20/5/1985

Qualifications: Bachelors - Economic and Political Science (Florida State University, Miami, United States of America) 2009

Masters – Real Estate Development (Columbia University, New York, United States of America) 2013

### Current memberships and positions

- Assistant Manager / Al'Usool for Investment & Economy as of 2009
- Executive Director / Modern Fashion Design Company as of 2009
- General Manager / Nite Company for Real Estate Development and Investment as of 2013
- Member of the Investment Committee / Science and Technology University as of 2010

## Mr. Hussein Abduljaleel Alfawa'eer

Current position: Secretary of the Board of Directors as of 19/1/2014 and Public Relations Manager

Date of Birth: 7/9/1959

Qualifications: Bachelors of Business Administration / 1994

Masters of International Marketing / 1996

### Current memberships and positions

- Private Business during the period (1980-1989)
- Economic Researcher / Enterprise Development Corporation during the period (1989-1996)
- Regional Manager / The Islamic Corporation for Food Products – Palestine during the year 1996
- General Manager / The Islamic Corporation for Food Products – Palestine during the period (1996-1998)
- Manager of Lubna Group during the period (1998-2000)
- Assistant Public Relations Manager / International Tobacco and Cigarettes Company during the period (2001-2010)
- Member of the Board of Directors of Trust International Transport Company – Representative of Eqbal Company for General Trading during the period ( 06/08/2014- 30/04/2016)

Current position: Financial Manager as of 1/6/2013

Date of Birth: 27/7/1972

Qualifications: Bachelors of Accounting / 1995

**Current memberships and positions**

- Member of the Board of Directors of Al-Eqbal Company for Steel Trading and Minerals as of 2015

**Previous memberships and positions**

- Assistant Financial Manager / International Tobacco and Cigarettes Company during the period (1995-2011)
- Internal Auditing Manager / Al-Eqbal Investment Company during the period (2011-2013)
- Member of the Board of Directors of Trust International Transport Company – Representative of Al-Eqbal Company as of (2014-2016)

## Major Shareholders (Owning 5% or more)

Name of Shareholder	31/12/2015			31/12/2016		
	Number of shares	Number of shareholders	Percentage	Number of shares	Number of shareholders	Percentage
IFG Hermes –Oman			0%	6,852,438		22,841%
Tawfiq Shaker Khader Fakhoury	4,432,533		17.730%	3,822,002		12.740%
Bank of Jordan	2,500,000		10.000%	3,000,000		10.000%
Al-Eqbal Jordan General Trading Company	2,738,195		10,953%	2,008,834		6.696%
Total	9,670,728	4	38,683%	15,683,274	4	52,278%
Remaining shareholders	15,329,272	1,865	61,317%	14,316,726	1,822	47,722%
<b>Grand Total</b>	<b>25,000,000</b>	<b>1,869</b>	<b>100.000%</b>	<b>30,000,000</b>	<b>1,826</b>	<b>100.000%</b>

## Competitive Position of the Company

The Company has continued to strengthen its position as one of the most successful investment companies in the region. In the flavored molasses sector we have cemented our position as the global leader. In 2016 we have achieved record revenues, and profits. Consequently the company currently enjoys a strong financial position which will allow us to invest in human capital, further growing existing markets, penetration of new markets as well as geographic expansion of our operations. As for the Renewable Energy business, the company continues to grow its technical capabilities and win bigger and more important projects such the recent award of the 13MWp PV plant for the benefit of the Royal Hashemite Court.

## Achievements and future plans

### Most significant achievements for Al Fakher for Tobacco Trading in 2016:

- Increasing total production capacity by 17.5%.
- Commissioning of an automated 250-gram production line which has increased the efficiency.
- Development of new products
- Earned ISO 9001 certification based on the latest ISO system requirements issued in 2015
- Commissioned the primary tobacco factory and the cold storage warehouses
- Commissioned the automated mixing system in the primary tobacco factory
- Completed 75% of the works of the work force accommodation facilities with a capacity of 550 people
- Acquired the rights to utilize a new lot of land with a total area of 6,100 sqm which will be used to expand finished goods storage capacity

### Future plans for 2017

- Build a new finished goods warehouse to expand the total storage capacity
- Complete construction of the accommodation facilities
- Expand geographically by opening new markets and establishing new facilities and factories
- Introducing new tobacco products and accessories

### Most significant achievements for Spectrum International for Renewable Energy in 2016:

1. Installed a 3.6 MW solar project for the Bank of Jordan
2. Signed a contract with the Royal Hashemite Court to design, build and maintain a 13 MW solar project in Madouna
3. Awarded a project to design, build and maintain a 6MW solar project for the King Hussein Business Park
4. Spectrum was qualified to design and construct a combined capacity of 17MW in solar projects during 2017

## **The financial effects on operations of a non-repetitive nature which took place during the financial year and which does not fall within the company's main activities**

Within the year used assets ( cars, furniture and equipment ) were sold and the financial effect thereof was the achievement of profits amounting to 14,182JOD.

## **Non – Recurring Expenses**

It is worth mentioning that in 2016 the company incurred some expenses that are non-recurring in nature. Below is a list of the major non-recurring elements:

- Impairment of investment in egypt (due to currency devaluation) of 950,000 JOD.
- Adjustment for bonus accounting of 2,482,272 JOD.

## The extent of dependency on specific vendors or main agents (local and international)

### Agents

Name of Agent	Percentage of Dealings
The National Corporation	20.43%
Al Fakher Al Dhahabi General Trading	13.67%
Serantork	8.48%
Asel Alfakher for Trading	7.12%
Al-Mutawasitah for General Trading	7.17%

### Vendors

Name of Vendor	Percentage of Dealings with Total Purchases
Alliance One Rotag AG	13.98%
Majan Printing & Packaging Company LLC	9.71%
Cosmoplast Industrial Company	7.29%
Mella SRL Societa Unipersonale	9.22%
Hertz Flavors GMBH & Co. KG	7.74%

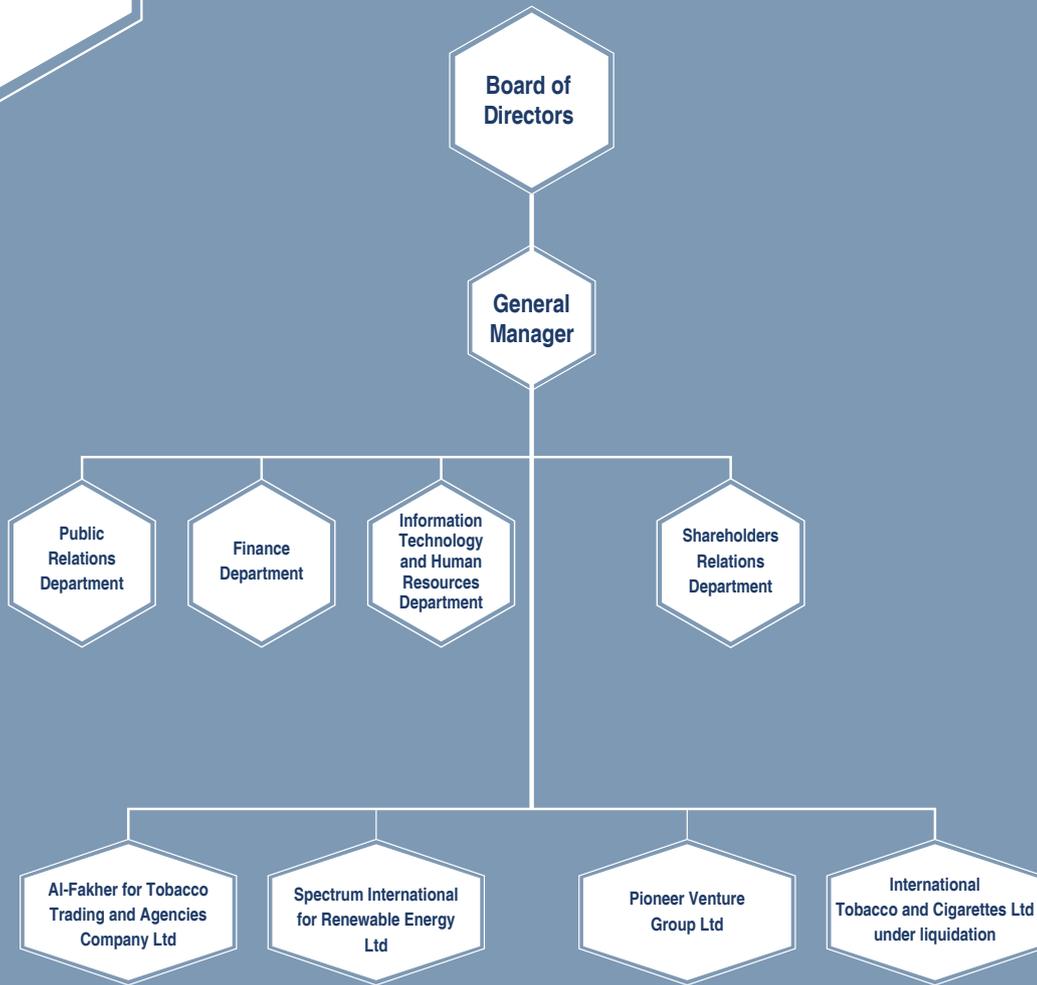
## Decisions issued by the government or by international organizations or others which have a material impact on the work of the company, its products or, competitive capabilities.

Al-Eqbal Investment Company is entitled to rights under the currently enforced laws and regulations in Jordan, whereby the company enjoys: -

- Protection under enforced intellectual property and trademarks law in the Kingdom, noting that it owns the following trademarks:
  - Al-Eqbal Investment Company number (2) trademarks
  - International Tobacco and Cigarettes Company number (50) trademarks
  - Al Fakher for Tobacco Trading and Agencies Company number (6) trademarks
- Alternative renewable energy systems have obtained exemptions from customs duties and sales tax and that is in accordance with decisions issued by the Ministry of Finance and General Customs Department.
- There are no patents or concession rights
- The company's committed to enforcing international quality standards, and that is by placing the necessary health warnings on its products in terms of molasses packaging in addition to supervision and conformity of the product to the standards and specifications adopted locally and internationally.

**Organizational Structures**

**Al-Eqbal Investment Company**



**International Tobacco and Cigarettes under Liquidation**



## Al-Fakher Companies & Subsidiaries



## Spectrum International for Renewable Energy



## Risks which the Company is subject to

Due to the nature of its activities, the Company is subject to various risks, which may be summarized as follows:

- Market risks, currency exchange rates, and credit and interest rates
- Adverse economic condition in the region
- Changes to laws and legislations and their potential negative effect on the company
- Production of counterfeit products carrying our brand name which would negatively affect the reputation of the Company

### Financial Highlights in 2016:

- The consolidated revenue of the company increased from 123.9 million JOD in 2015 to 142.7 million JOD in 2016 an increase of 18.8 million JOD or 15.2%.
- The operational profits of the company increased from 34.4 million JOD in 2015 to 40.3 million JOD in 2016 with an increase of 5.9 million JOD and a percentage increase of approximately 17.2%.
- Increase in company shareholder equity by 12.4 million JOD despite the distribution of 25 million JOD in a cash dividend to shareholders during the year 2016 whereby shareholder equity by end 2016 amounted to 86.6 million JOD as opposed 74.2 million JOD for the year 2015.
- The working capital of the company by year end 2016 amounted to 62.9 million JOD as compared with 46.9 million JOD for the year 2015.
- The liquidity of the company and its ability to meet its short-term commitments is considered to be very strong with a current ratio of 2.7.
- Gross profit percentage in 2016 was 46.1% compared to 42.7% for 2015.
- General and administrative expenses amounted to 10.5 million JOD compared to 9.4 million JOD in the previous year. Meanwhile costs of sales and distribution increased to 14.1 million JOD compared to 9.4 million JOD for the previous year.

### Analysis of financial percentages

Statement / year	2015	2016
Return on investment	42.7%	44%
Return on assets	30%	32.4%
Return on equity	45%	47%
Proficiency indicator (expenses/income)	15%	17.2%
General & Administrative expenses to revenue	7.6%	7.3%
Net profit to revenue	25.6%	26.7%
Distribution & Selling expenses to revenue	7.4%	9.9%

## Profit progression and net shareholder equity and price of share and dividends

statement/year	2010	2011	2012	2013	2014	2015	2016
Assets	86,687,889	67,662,846	67,873,197	97,701,774	99,620,066	108,234,546	126,982,710
Equity	45,814,431	56,546,503	57,465,334	66,096,666	67,568,459	74,223,601	86,634,986
Profits before tax	17,571,111	22,739,380	22,463,850	30,012,905	28,312,913	33,531,000	41,839,023
Profits after tax	16,194,873	21,340,989	21,004,698	28,039,900	26,462,297	31,280,583	37,398,458
Share distribution				1,821,693			5,000,000
Dividends	10,000,000	20,000,000	20,000,000	20,000,000	25,000,000	25,000,000	25,000,000
Earnings per share	0.799	1.063	1.048	1.120	1.056	1.249	1,245
Per Share Dividends	0.500	1.000	1.000	1.000	1.000	1.000	1
Share price by year end (Dinars)	5.08	6.7	9.45	14	11.62	17.40	24,95

Jordanian Dinar = 1.4104 US Dollars

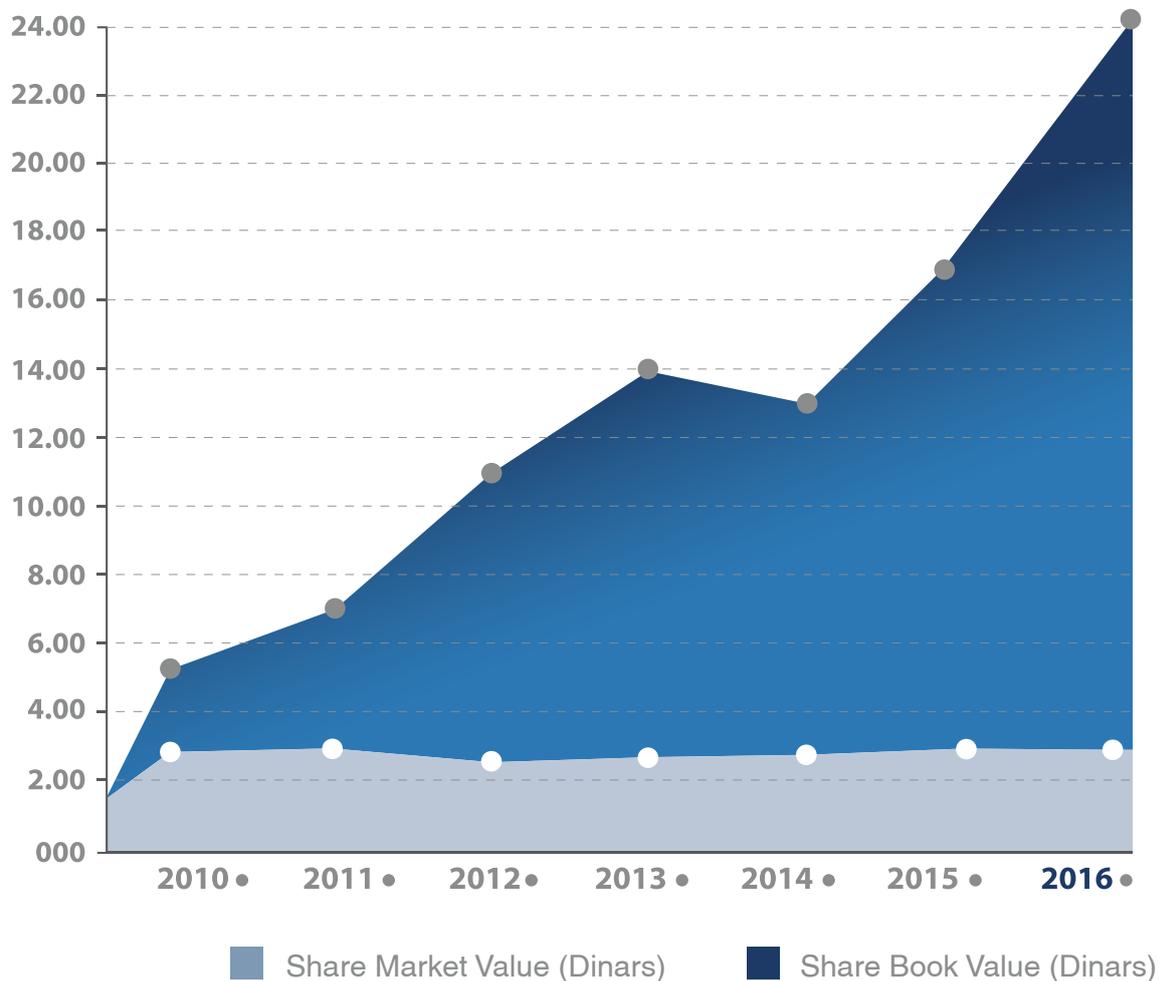
### Net Profit (JOD)



### Equity and Fixed Assets



### Eico Shares Market Price VS. Book Value



### Auditor's Fees for the year 2016

Statement	Auditor's Fees	Total
Al-Eqbal Investment Company	13,000	13,000
Al-Fakher for Tobacco Trading and Agencies Company	19,000	19,000
Spectrum International for Renewable Energy	3,000	3,000
<b>Total</b>	<b>35,000</b>	<b>35,000</b>

Shares owned by each the chairman, members of the board of directors, the general manager, senior management and each of their wives, minor children in Al-Eqbal Investment Company and companies in which it has shares and in companies under the control of any of them

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
<b>Members of the board of directors and their representatives</b>										
Mr. Samer Tawfiq Fakhouri	9721050578	Jordanian	Al-Eqbal Investment Company	General Manager	1995		Share	1.000	11,118	7,500
				Chairman of the Board of Directors	2009/10/3					
Child/Jafaar Samer Fakhouri	2001154306	Jordanian	Al-Eqbal Investment Company	Shareholder		Son of Mr. Samer Tawfiq Fakhouri	Share	1.000	157	188
			Bank of Jordan	Shareholder in member of the board of directorscompany owning more than 5% of Al-Eqbal Investment Company Shareholder			Share	1.000	1,461	1,971
Child/Ne'mat Samer Fakhouri	2001419606	Jordanian	Al-Eqbal Investment Company	Shareholder		Daughter of Mr. Samer Tawfiq Fakhouri	Share	1.000	126	151
			Bank of Jordan	Shareholder in member of the board of directorscompany owning more than 5% of Al-Eqbal Investment Company Shareholder			Share	1.000	1,220	1,660
Child/Hamza Samer Fakhouri	2003178343	Jordanian	Bank of Jordan	Shareholder in member of the board of directorscompany owning more than 5% of Al-Eqbal Investment Company Shareholder		Son of Mr. Samer Tawfiq Fakhouri	Share	1.000	21	27

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Mr. Waleed Tawfiq Fakhouri	9721000980	Jordanian	Al-Eqbal Investment Company	Deputy Chairman of the Board of Directors			Share	1.000	6,250	7,500
			Bank of Jordan	Member of the board of directors of a company own- ing more than 5% of Al-Eqbal Investment Company			Share	1.000	8,796	11,342
			Zahrat Alurdon Real Estate and Hotels Investment Company	Deputy Chairman of the Board of Directors of a company having shares in Al-Eqbal Investment company			Share	1.000	5,000	5,000
Mrs. Shatha Abdelhameed Al Dabbas	9732038721	Jordanian	Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Wife of Mr. Waleed Tawfiq Fakhouri	Share	1.000	286	368
Child/Maryam Waleed Fakhouri	2000346160	Jordanian	Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Daughter of Mr. Waleed Tawfiq Fakhouri	Share	1.000	44,604	62,656
			Al-Eqbal Investment Company	Shareholder			Share	1.000	322	386
Child/Rakan Waleed Fakhouri	2000737776	Jordanian	Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Son of Mr. Waleed Tawfiq Fakhouri	Share	1.000	24,211	34,622
			Al-Eqbal Investment Company	Shareholder			Share	1.000	302	362
Child/Aisha Waleed Fakhouri	2001097308	Jordanian	Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Daughter of Mr. Waleed Tawfiq Fakhouri	Share	1.000	10,088	14,794
			Al-Eqbal Investment Company	Shareholder			Share	1.000	321	385

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Child/Ahmad Waleed Fakhouri	2001974088	Jordanian	Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Son of Mr. Waleed Tawfiq Fakhouri	Share	1.000	8,952	12,780
			Al-Eqbal Investment Company	Shareholder			Share	1.000	321	369
			Al-Eqbal Investment Company	Member of Board of Directors	2005/3/9	Represented by Mr. Naser Mustafa Kherishi	Share	1.000	2,500,000	2,500,000
			Transport Tourism Company Jet	Owning more than 5%			Share	1.000	1,080,000	1,080,000
			Bank of Jordan Syria	Owning more than 5%			Dollar	1\$	2,940,000	2,015,370
			Al Batoun Al Jahez Wal Tawreedat Al Insha'yeh	Member of the Board of Directors		Represented by Mr. Sohrab Owais	Share	1.000	40,000	40,000
			Asas Lilsinat Al Kharasanyeh	Member of the Board of Directors		Represented by Mr. Sohrab Owais	Share	1.000	250,000	250,000
			Tafawoq for Financial Investments Company	Subsidiary Company			Share	1.000	3,500,000	3,500,000
M/S Bank of Jordan	1105698671	Jordanian	Trust International Transport Company	Ownership of more than 5% in Trust International Transport Company for which Al-Eqbal Investment Company is a member on its board of directors			Share	1.000	310,100	-
			Consulting Investment Group	Owning more than 5%			Share	1.000	-	-
			National Industries Company	Owning more than 5% Affiliate Company			Share	1.000	2,140,576	2,140,576
			Jordan Company for FinancialLeasing	Subsidiary Company			Share	1.000	10,000,000	10,000,000
			Middle East Insurance Company	Member of the Board of Directors		Represented by Mr. Shaker Fakhouri	Share	1.000	828,253	828,253
			Solutions for Mobile Phone Services Company	Owning more than 5%			Share	1.000	250,000	250,000

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Mr. Naser Mustafa Mohammad Saeed Kherishi	9621018291	Jordanian	Al-Eqbal Investment Company	Representative of Member Board of Directors Bank of Jordan	2014/10/16		-	-	-	-
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Share	1.000	4	1.000	
Child/Saleen Naser Mustafa Kherishi	2000605132	Jordanian	Al-Eqbal Investment Company	Shareholder	2015/9/15		Share	1.000	-	250
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al- Eqbal Investment Company	2015/9/15	Daughter of Mr. Naser Mustafa Kherishi	Share	1.000	1.000	2,500
M/S Pearl Commercial for Reconstruction and Investment Company	1109416944	Jordanian	Al-Eqbal Investment Company	Member of the Board of Directors	2005/3/9	Represented by Mr. Abdelraheem Ali Abdelraheem Al Zubi	Share	1.000	14,782	5,000
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company		Share	1.000	9,408	12,131	
			Trust International Transport Company	Member of the Board of Directors of Trust International Transport Company for which Al-Eqbal Investment Company is a member on its board of directors		Represented by Mr. Yousef Omar	Share	1.000	5,000	-
			Consulting Investment Group	Member of the Board of Directors		Represented by Dr. Salah Almawajda	Share	1.000	10,000	10,000

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Al Yamamah Public Investment Company	1612880043	Jordanian	Al-Eqbal Investment Company	Member of the Board Directors	2005/3/9	Represented by Mr. Mohammad Naser Barakat	Share	1.000	8,332	5000
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company			Share	1.000	1,898,325	2,490,648
Mr. Mohammad Naser Naseeb Barakat	9691032238	Jordanian	Al-Eqbal Investment Company	Representative of Member of the Board of Directors Al Yamamah Public Investment Company	2010/12/29		-	-	-	-
Mrs. Eqbal Tawfiq Fakhoury	9712000812	Jordanian	Al-Eqbal Investment Company	Shareholder		Wife of Mr. Mohammad Naser Barakat	Share	1.000	34,407	-
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company			Share	1.000	76,847	99,093
Ms. Zain Mohammad Naser Barakat	2000402278	Jordanian	Al-Eqbal Investment Company	Shareholder		Daughter of Mr. Mohammad Naser Barakat	Share	1.000	5,179	6,214
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company			Share	1.000	16,419	21,172
Ms. Hala Mohammad Naser Barakat	2002052730	Jordanian	Al-Eqbal Investment Company	Shareholder		Daughter of Mr. Mohammad Naser Barakat	Share	1.000	324	388
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company			Share	1.000	1,834	2,364

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Mr. Haytham Mohammad Ali Al Kteishat	9481005364	Jordanian	Al-Eqbal Investment Company	Member of the Board of Directors	1/2/2015		Share	1.000	84,100	100,920
			Bank of Jordan	Shareholder in member of the board of directors company owning more than 5% of Al-Eqbal Investment Company			Share	1.000	200,000	307,898
			Trust International Transport Company	Representative of Member of the Board of Directors Arabian Gulf Investment Company and Public Transportation as of 30/4/2016			-	-	-	-
M/S Alsabeel for Financial Investments Company	1102850799	Jordanian	Al-Eqbal Investment Company	Member of the Board of Directors	5/3/2015	Represented by Mr. Raed Fathi Moneeb Samara	Share	1.000	2,738,195	2,738,195
Mr. Yazeed Adnan Mustafa Al Mufti	9531000644	Jordanian	Al-Eqbal Investment Company	Representative of Member of the Board of Directors Alsabeel for financial Investments Company	5/3/2015		-	-	-	-
Mr. Fares Osama Mohammad Yassin Al Talhouni	9851033202	Jordanian	Al-Eqbal Investment Company	Member of the Board of Directors	1/2/2015		Share	1.000	13,500	16,200

Name	ID Number/ Center Number	Nationality	Name of company issuing security	Position in company issuing security (and/or) companies in which Al-Eqbal Investment Company is a shareholder	Election / Appointment Date	Person represented or relation (husband/ wives/children)	Type	Nominal value (JOD)	Number of securities as of 31/12/2015	Number of securities as of 31/12/2016
Mr. Hussein Abdel Jaleel Abdel Fawaeer	9591001635	Jordanian	AI-Eqbal Investment Company	Secretary of the Board of Directors	19/1/2014	-	-	-	-	-
			Trust International Transport Company	Representative of Member of the Board of Directors Al- Eqbal Jordan General Trading Company	19/2/2001	-	-	-	-	-
Mr. Malek Hussein Yassin Mahmoud	9721002955	Jordanian	AI-Eqbal Investment Company	Financial Manager			-	-	-	-
			Trust International Transport Company	Representative of Member of the Board of Directors Al- Eqbal Investment Company	2007/3/3		-	-	-	-
<b>Higher Management</b>										
Mr. Hussein Abdel Jaleel Abdel Fawaeer	9591001635	Jordanian	AI-Eqbal Investment Company	Secretary of the Board of Directors	2014/1/19		-	-	-	-
				Public Relations Manager	2001/2/19		-	-	-	-
			Trust International Transport Company	Representative of Member of the Board of Directors AI-Eqbal Jordan General Trading Company	2014/8/6					
Mr. Malek Hussein Yassin Mahmoud	9721002955	Jordanian	AI-Eqbal Investment Company	Financial Manager	2013/6/1		-	-	-	-
			Trust International Transport Company	Representative of Member of the Board of Directors AI-Eqbal Investment Company			-	-	-	-

## Benefits and rewards to which the Chairman and members of the Board of Directors were entitled during the year 2016:

Name	Position	Annual Salaries	Transport Allowances	Annual Rewards	Auditing fees	Total Benefits
Samer Tawfiq Fakhouri	Chairman of the Board of Directors/General Manager	-	12,000	5,000	-	17,000
Waleed Tawfiq Fakhouri	Deputy Chairman of the Board of Directors	-	12,000	5,000	-	17,000
Abd-Alraheem Ali Al-Zoubi	Member of the Board of Directors	-	12,000	5,000	-	17,000
Mohammad Naser Barakat	Member of the Board of Directors	-	12,000	5,000	2000	19,000
Saleh Rajab Elayan	Member of the Board of Directors	-	12,000	5,000	-	17,000
Naser Mustafa (Mohammad Saeed) Kherishi	Member of the Board of Directors	-	12,000	5,000	2000	19,000
Haitham Mohammad Ali Qteishat	Member of the Board of Directors	-	12,000	4,583	-	16,583
Yazeed Adnan Al-Mufti	Member of the Board of Directors	-	12,000	4,167	2000	18,167
Fares Ousama Al-Talhouni	Member of the Board of Directors	-	12,000	4,583	-	16,583
Sakher Marwan Akram Dodeen	Previous Member of the Board of Directors	-	-	833	-	833
Yousef Mohammad Omar	Previous Member of the Board of Directors	-	-	417	-	417
Ra'ed Fathi Samara	Previous Member of the Board of Directors	-	-	417	-	417

## Benefits and rewards of Senior Management during 2016:

Name	Position	Total Annual Salaries	Transport Allowances	Secretary Bonus	Annual Travel Expenses	Rewards	End of Service Benefit	Total Benefits
Samer Fakhouri	General Manager	29,762	12,000	-	-	5,000	-	46,762
Malek Hussein	Financial Manager	82,673	-	-	-	-	-	82,673
Hussein Alfa'oury	Public Relations Manager	51,688	Car for work affairs	4,200	-	-	-	55,888

The management of the mother company (Al-Eqbal) and all its employees receive wages in return for services provided to Al Fakher Factory for Treated Tobacco and its subsidiaries which are paid out directly from Al Fakher Factory for Treated Tobacco.

## Contracts, projects and commitments entered into by the Company or its subsidiaries

Spectrum Company has sold a Photovoltaic system to the Member of the Board of Directors Messrs. Bank of Jordan for the amount of 3,5 Million dinars. Otherwise, there are no contracts or projects or commitments entered into by the company with any of its subsidiaries, the Chairman of the Board of Directors, the members of the Board of Directors, the General Manager, or any employee working for the company or their relatives

## Social Responsibility

On the social responsibility level, our Company's experience is full of achievements and initiatives, whereby we have launched many programs which aim at servicing the society and its continued development, and that is by way of financial, moral and educational support to families in need and to various charity organizations. On such note, the value of donations provided by the company for the past 5 years amounts to approximately 2.1 million JOD.

### Donations and grants for the year 2016

Name of entity to which donations were made	Amount/JOD
Al-Eqbal Investment Grants Fund Program (Initial)	98,980
Ri'ayat A'ilat Mastoorah Fund	95,897
Senior Centers Assistance Program	25,700
Arab Patients Assistance Program	28,784
Health Care Program	65,097
Ramadan Assistance Program	16,800
Eid Al Adha Assistance Program	12,450
Charity Foundations Assistance Program	36,000
Employee Families Assistance Program	26,962
Subsidiary Donations (Al-Fakher)	19,958
<b>Total</b>	<b>426,630</b>

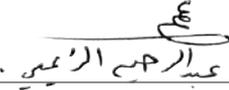
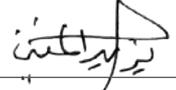
## Declarations of the Board of Directors

### First Declaration

The Board of Directors of Al-Eqbal Investment Company declares there are no fundamental matters which would affect the continuance of the Company for the year 2017.

### Second Declaration

The Board of Directors of Al-Eqbal Investment Company declares its responsibility in preparing the financial statements and the existence of a supervisory system within the Company.

Name	Position	Signature
Samer Tawfiq Fakhouri	Chairman of the Board of Directors	
Waleed Tawfiq Fakhouri	Deputy Chairman of the Board of Directors	
Haitham Mohammad Qteishat	Member of the Board of Directors	
Abd-Alraheem Ali Al-Zoubi	Member of the Board of Directors	
Yazeed Adnan Al-Mufti	Member of the Board of Directors	
Dr. Naser Mustafa Kherishi	Member of the Board of Directors	
Saleh Rajab Elayan	Member of the Board of Directors	
Mohammad Naser Barakat	Member of the Board of Directors	
Fares Ousama Al-Talhouni	Member of the Board of Directors	

### Third Declaration

We, the below signatories, hereby declare correctness, accuracy and completeness of the information and statements in the annual report of 2016.

Name	Position	Signature
Samer Tawfiq Fakhouri	Chairman of the Board of Directors	
Samer Tawfiq Fakhouri	General Manager	
Malek Hussein Yaseen	Financial Manager	

## The Company's contribution to protection of the environment

- As related to the activities of Al-Eqbal Investment Company, Al-Fakher for Tobacco Trading and Agencies Company and International Tobacco and Cigarettes Company, these companies do not own any factories within Jordan which could impact the environment.
- As related to the activities of Spectrum International for Renewable Energy, this company ensures that it installs environmentally-friendly systems whilst implementing renewable energy projects.





**Independent  
Financial  
Auditor Report**

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## **Auditor's Report on Consolidated Financial Statements**

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

### **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 of December 31, 2016, 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, comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements, in all material aspects, give a true and fair view of the consolidated financial position of the Company as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to the followings:

- As mentioned in note (23) to the consolidated financial statements which describes that the company's subsidiary (Al Fakherfortobacco trading and agencies) filed a lawsuit with the first instance court to object on the decision taken by the Income and Sales Tax department of Jordan for imposing taxes for the years 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation with an amount of JD 3,889,245 due to the fact that the Income and Sales Tax department of Jordan considers Al Fakherfortobacco trading and agencies in Ajman - (United Arab Emirates) as a subsidiary and not a branch. The lawsuit is still pending in the tax first instance court. The Company's management, tax consultant and legal consultant opinion is that the probability of winning the lawsuit is high and the recorded provisions are adequate. The ultimate outcome of the lawsuit cannot reliably be determined and accordingly, no additional provision has been recorded in the consolidated financial statements against any consequences that may arise on the Group.
- As mentioned in note (23) to the consolidated financial statements which describes that the company filed a lawsuit with the First Instance Court to object on the decision taken by income and sales tax employee's for imposing sales tax on the company amounting to JD 288,000 in addition to penalty amounting to JD 576,000. The Company's Management and legal consultant opinion is that the probability of winning and cancelling the lawsuit is high. Accordingly, no provision has been recorded in consolidated financial statements against any consequences that may arise on the Group.



**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 Accountants 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and not for the purpose of providing a separate opinion about these matters. We have determined the matters described below to be the Key Audit Matters to be communicated in our report.

**1- Income Tax**

Description of the key audit matter	How the matter was addressed in our audit
<p>Income tax provision requires the management to make judgments and estimates in relation to income tax lawsuits and tax provisions. This matter is considered one of the key areas in our audit on the Group, taking into consideration that subsidiaries are located in different taxable areas.</p>	<p>Our audit procedures included to assessment of the Group's tax positions, its correspondence with the relevant tax authorities and with Group's legal and tax consultant and to analyze and challenge the assumptions used to determine tax provisions based on our knowledge and experience of the application of legislation by the relevant authorities and courts. Our assessment included consideration of the adequacy of the taken provisions by the Group to face the liabilities that may rise from income tax lawsuits.</p> <p>Based on the audit procedures performed, we noted that the Group's estimate of the amounts to be recognized as a tax liabilities to be appropriate and that the disclosures provide an adequate description of the current tax status of the Group.</p>



## 2- Impairment in Goodwill

Description of the key audit matter	How the matter was addressed in our audit
<p>In 2006 Al-Eqbal Investment Company purchased Al Fakher Tobacco Factory with an amount of AED 40,053,590, which is equal to JOD 7,730,000. This purchase resulted in goodwill in favor of the company with an amount of JOD 6,602,986, where it was recorded as goodwill in the financial statements. There were no changes in the book value of this goodwill until the date of the consolidated financial statements. The Group's management performs an annual goodwill evaluation to determine whether there is any indication of impairment of goodwill.</p> <p>Evaluating goodwill includes many assumptions and estimates, which make it a Key Audit Matter.</p>	<p>We have evaluated the report that was submitted by an expert for the coming five years, where the expert used the discounted future cash flows using a growth rate which is consistent with the average growth rate for the last five years, and a discount rate which is consistent with borrowing interest rate.</p> <p>The study showed that there is no decline in goodwill value and therefore there is no indication of impairment of goodwill value as of December 31, 2016.</p>

## 3- Impairment in trade receivables

Description of the key audit matter	How the matter was addressed in our audit
<p>The Group has trade receivables with an amount of around 25 million as of December 31, 2016, comparing to approximately 10 million as of 31 December 2015, this increase resulted from increasing the ceilings granted to some customers in addition to new customers the Group started dealing with during 2016.</p> <p>The adequacy of the recorded provisions for those receivables depend on management estimates, which make it a Key Audit Matter.</p>	<p>Our audit procedures include 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 debt in this sector.</p>



### **Other Information**

Management is responsible for the other information. The other information does not include the consolidated financial statements and an audit report on the consolidated financial statements or 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. Noting that, nothing has drawn our attention to matters that require reporting.

### **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 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 consolidated financial reporting preparation 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 it 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, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit 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.

Determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore, the key audit matters. We describe these matters in our 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.

These financial statements are translated copy to the English language of the original consolidated financial statements issued in the Arabic language.

**Kawasmy & Partners**

KPMG

Hatem Kawasmy  
License No. (656)

**KPMG**  
Kawasmy & Partners Co.

Amman- Jordan  
January 26, 2017

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31<sup>st</sup>

<i>Jordanian Dinar</i>	Note	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand and at banks	5	49,729,435	45,121,377
Cheques under collection		28,360	198,063
Trade and other receivables	6	25,617,883	10,059,518
Inventory	7	19,477,577	19,375,304
Other debit balances	8	4,496,347	3,248,301
<b>Total current assets</b>		<b>99,349,602</b>	<b>78,002,563</b>
<b>Non-current assets</b>			
Financial assets at fair value through statement of other comprehensive income	9	914,633	2,530,434
Investment property	10	674,552	658,884
Intangible assets-Goodwill from acquisition of subsidiary	11	6,602,986	6,602,986
Property, plant and equipment	12	18,543,871	19,501,016
Advance payment for Investments	25	897,066	938,663
<b>Total non-current assets</b>		<b>27,633,108</b>	<b>30,231,983</b>
<b>Total assets</b>		<b>126,982,710</b>	<b>108,234,546</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Deferred cheques -Short Term		358,410	189,889
Accounts payable		7,163,620	5,827,397
Due to related party	13	-	173,523
Other credit balances	14	7,406,230	5,938,459
Income tax provision	20	5,609,153	3,045,480
Loans and Bank facilities Mature within a year	15	15,930,000	15,930,000
<b>Total current liabilities</b>		<b>36,467,413</b>	<b>31,104,748</b>
<b>Non-current liabilities</b>			
Provision of Employees end of service indemnity	22	3,880,311	2,906,197
<b>Total non-current liabilities</b>		<b>3,880,311</b>	<b>2,906,197</b>
<b>Total liabilities</b>		<b>40,347,724</b>	<b>34,010,945</b>
<b>Shareholders' Equity</b>			
Capital	1	30,000,000	25,000,000
Statutory reserve	26	13,897,311	13,897,311
Cumulative change in fair value		340,934	1,021,083
Retained earnings		42,396,741	34,305,207
<b>Total Shareholders' Equity</b>		<b>86,634,986</b>	<b>74,223,601</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>126,982,710</b>	<b>108,234,546</b>

The accompanying notes from pages (61) to (91) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR END DECEMBER 31<sup>st</sup>

<i>Jordanian Dinar</i>	Note	2016	2015
Net sales		142,737,072	123,894,339
Cost of sales	16	(77,004,805)	(70,964,884)
<b>Gross profit</b>		<b>65,732,267</b>	<b>52,929,455</b>
Administrative expenses	17	(10,466,804)	(9,432,129)
Selling and distribution expenses	18	(14,119,278)	(9,161,840)
Impairment of Investment in associate company		-	(151,883)
Gain from investment in associate		94,613	-
Dividends from financial assets at fair value through other comprehensive income		33,045	227,586
Impairment of advance payments for investments	25	(950,000)	
<b>Operating income for the year</b>		<b>40,323,843</b>	<b>34,411,189</b>
Finance Cost		(528,070)	(539,135)
Interest Revenue		769,622	684,142
Gain from sale of property, plant and equipment		14,182	49,718
Other income	24	1,259,446	311,188
<b>Profit for the year before contingent liability provision, income tax and board of directors' remuneration</b>	<b>23</b>	<b>41,839,023</b>	<b>34,917,102</b>
Contingent liabilities provision		-	(1,386,102)
<b>Profit for the year before income tax and board of directors' remuneration</b>		<b>41,839,023</b>	<b>33,531,000</b>
Income tax expense	20	(4,440,565)	(2,250,417)
<b>Profit for the year before board of directors' remuneration</b>		<b>37,398,458</b>	<b>31,280,583</b>
Board of directors' remuneration		(45,000)	(45,000)
<b>Profit for the year</b>		<b>37,353,458</b>	<b>31,235,583</b>
<b>Other comprehensive income items:</b>			
<b>Items will never be reclassified to profit or loss statement</b>			
Gain from sale of financial assets at fair value through other comprehensive income		738,076	487,718
Change in fair value for financial assets through other Comprehensive income		(680,149)	(68,662)
<b>Total comprehensive income for the year</b>		<b>37,411,385</b>	<b>31,654,639</b>
Basic and diluted earnings per share (JD/Share)	21	1.245	1.041

The accompanying notes from pages (61) to (91) are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Jordanian Dinar	Capital	Statutory Reserve	Shares owned by subsidiary company	Cumulative change in fair value	Retained Earnings	Total
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 during the year - Note (19)	-	-	-	-	(25,000,000)	(25,000,000)
Capital Increase	5,000,000	-	-	-	(5,000,000)	-
<b>Balance as of December 31, 2016</b>	<b>30,000,000</b>	<b>13,897,311</b>	<b>-</b>	<b>340,934</b>	<b>42,396,741</b>	<b>86,634,986</b>
Balance as at January 1, 2015	25,000,000	13,897,311	(503)	1,089,745	27,581,906	67,568,459
Profit for the year	-	-	-	-	31,235,583	31,235,583
Other comprehensive income	-	-	-	(68,662)	487,718	419,056
Shares owned by a subsidiary	-	-	503	-	-	503
Dividends during the year - Note (19)	-	-	-	-	(25,000,000)	(25,000,000)
<b>Balance as of December 31, 2015</b>	<b>25,000,000</b>	<b>13,897,311</b>	<b>-</b>	<b>1,021,083</b>	<b>34,305,207</b>	<b>74,223,601</b>

\*According to the Jordanian Securities Commission 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 (61) to (91) are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Jordanian Dinar	Note	For the year end December 31,	
		2016	2015
<b>Cash flows from operating activities</b>			
<b>Profit for the year before Income tax</b>		<b>41,794,023</b>	<b>33,486,000</b>
<b>Adjustments:</b>			
Contingent liabilities provision	23	-	1,386,102
Impairment of account receivable	6	48,415	-
Key-money amortization	8	471,688	346,238
Depreciation	12	3,480,877	3,727,837
Gain from sale of property, plant and equipment		(14,182)	(49,718)
Impairment of Investment in associate		-	151,883
Provision for employees' end of service indemnity	22	998,107	1,030,626
Dividends from financial assets at fair value through other comprehensive income		(33,045)	(227,586)
Finance costs		528,070	539,135
Impairment of advance payments for investments		950,000	-
		<b>48,223,953</b>	<b>40,390,517</b>
<b>Change in:</b>			
Trade and other receivables		(15,606,780)	2,635,065
Cheques under collection		169,703	(167,268)
Inventory		(102,273)	(2,598,270)
Other debit balances		(1,719,734)	(462,904)
Accounts payable		1,336,223	(1,151,585)
Due to related party		(173,523)	141,751
Deferred cheques		168,521	(166,745)
Other credit balances		1,435,083	1,541,206
<b>Cash flows from operating activities</b>		<b>33,731,173</b>	<b>40,161,767</b>
Income tax paid	20	(1,876,892)	(1,264,148)
Employees' end of service of indemnity paid	22	(23,993)	(304,286)
<b>Net Cash flows from operating activities</b>		<b>31,830,288</b>	<b>38,593,333</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		23,851	1,099,286
Advance payment for investment		(908,403)	(938,663)
Acquisition of property, plant and equipment	12	(2,533,401)	(3,429,572)
Dividends from financial assets at fair value through other comprehensive income		33,045	227,586
Investment property		(15,668)	(58,124)
Proceeds from sale of financial assets at fair value through other comprehensive income		1,673,728	1,262,370
<b>Net cash flows used in investing activities</b>		<b>(1,726,848)</b>	<b>(1,837,117)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid		(528,070)	(539,135)
Loans and bank facilities mature within a year		-	(1,770,000)
Dividends paid	19	(24,967,312)	(24,734,000)
<b>Net cash flows used in financing activities</b>		<b>(25,495,382)</b>	<b>(27,043,135)</b>
<b>Net increase in cash on hand and at banks</b>		<b>4,608,058</b>	<b>9,713,081</b>
Cash on hand and at banks at the beginning of the year		45,121,377	35,408,296
<b>Cash on hand and at banks at the end of the year</b>	5	<b>49,729,435</b>	<b>45,121,377</b>

The accompanying notes from pages (61) to (91) are an integral part of these consolidated financial statements.





**Clarifications  
on Consolidated  
Financial Statements**

## 1) GENERAL

Al-Eqbal PLC Investment Company (International Tobacco and Cigarettes PLC previously) was established 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 amounted 5million (1 JD /share).

On 10/10/1993 the capital has raised through special offering by 100% of the capital to reach JD (10) million. On 5/5/1998 the capital has raised through distributing free shares by 20% of the capital to reach JD (12) million. On 16/4/2001 the company has merged with Eqbal for Financial Investments Company to be the capital JD 14,304,675. On 15/4/2002 the capital has raised through distributing free shares by 5% of the capital to reach JD (15) million. On 10/4/2005 the capital has raised through distributing free shares by 10% to reach JD 16,500,000. On 16/4/2006 the capital has raised through distributing free shares by 21% of capital to reach JD (20) million. On 25/2/2013 the capital has raised through distributing free shares by 25% of the capital to reach JD (25) million. The general assembly decided on March 24, 2016 to increase its paid-up capital by 5,000,000 shares through distribution from retained earnings JD 5,000,000. The Company's paid-up capital become 30 million (1 JD/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 inside and outside the kingdom 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 January 25, 2017 and is subject to the General Assembly's approval.

## 2) BASIS OF PREPARATION CONSOLIDATED FINACIAL STATEMENTS

### (a) Statement of Compliance

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

### (b) 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.

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 invetor 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 December31, 2016:

Company Name	Capital	Percentage Ownership	Nature of Operation	Country of Operation
Al Fakher for Tobacco Trading and Agencies*	6,000,000	100%	Tobacco	Jordan
Spectrum International for Renewable Energy	7,000,000	100%	Renewable Energy	Jordan
International Cigarettes and Tobacco Company	6,000,000	100%	Tobacco	Jordan
Pioneer Venture Group Company	35,464	100%	Trading	UAE

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

Company Name	Capital	Percentage Ownership	Nature of operation	Country of Operation
AlFakher Holding for Tobacco Trading **	35,450	100%	Investments	UAE
AlFakher Tobacco F.Z.E ***	357,05	100%	Investments	UAE
AlFakher International ****	7,100	100%	Tobacco	Cayman Islands

During the last quarter of 2016, the Group's management restructured the Group as follow:

- The Group has transferred the investment in Al Fakher Tobacco Factory – UAE from Al Fakher for Tobacco trading and Agencies to Al Fakher Tobacco F.Z.E. \*\*\*
- The Group has established Al Fakher Holding for Tobacco Trading and Agencies in Cayman Islands fully owned by Al Fakher for Tobacco Trading and Agencies – Jordan, which owns AlFakher International in the Cayman Islands \*\*\*\*
- The Group has established Al Fakher Tobacco F.Z.E in UAE fully owned by Al Fakher Holding for Tobacco Trading and Agencies - Cayman Islands.

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

Company Name	Partner Contribution	Ownership Percentage	Nature of operation	Country of Operation
Al Fakher Tobacco Factory	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.

- The following table represents the financial position and financial performance of the subsidiaries as of December 31, 2016:

Jordanian Dinar	As of December 31, 2016			
	Total Assets	Total Liabilities	Total Revenue	Total comprehensive income (loss) for the year
Al Fakher for Tobacco Trading and Agencies – Consolidated	120,091,643	38,338,418	140,668,291	43,802,071
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)
Pioneer Venture Group Company	30,456	128,980	-	(133,988)

### (c) 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 measured at fair value, financial assets and liabilities measured at amortized cost.

### (d) Functional and presentation currency

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

### (e) 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 incurred in the future.

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 review 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

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 (eg 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.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period.

### 3) Significant Accounting Policies

The Group has adopted early International Financial Reporting Standard IFRS 9 Financial Instruments to be applied on the financial statement that begins on the first of January 2018 based on the instructions of security exchange commission. This standard is mandatory well be applied internationally on January 1, 2018:

The accounting policies applied by the Group in these consolidated financial statements for the year ended 31 December 2016 are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015, except for the following International Financial Reporting Standards effective on January 1, 2016 and after:

Standards	Effective Date
Amendments to IFRS 10, IFRS 12, and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1st, 2016
Amendments to IFRS 11, Accounting for Acquisition of Interests in Joint Operations	January 1st, 2016
Amendment to IAS 1 Disclosures Initiatives	January 1st, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1st, 2016
Amendments to IAS 41 Agriculture	January 1st, 2016
Amendments to IAS 27	January 1st, 2016
Annual Improvements to IFRSs 2012- 2014 Cycle	January 1st, 2016

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: financial assets at fair value through profit or loss, 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 owners' 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 owners' equity 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.

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 OCI. For such investments measured at fair value through OCI, 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.

### • UNon-derivative financial liabilities – measurement (IAS 39 and 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) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss of equity accounted investees, until the date on which significant influence or joint control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from Intra-group transactions, are eliminated. Unrealized gains or losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

### d) 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.

#### - 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:

Items of property, plant and equipment	Depreciation rate %
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.

## e) 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.

## f) 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.

## g) 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.

## **h) 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.

## **i) 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.

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.

## **j) 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.

## **k) 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.

## **l) 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)

## **m) 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.

## **n) 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.

## **o) 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.

## **p) 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.

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.

## **q) 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**

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning on January 1, 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Group, is set out below.

### **Amendments**

- IFRS (2): Classification and Measurements of Share-Based Payments (effective on January 1st, 2018 with earlier application permitted).
- IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. (date to be determined).
- IAS (7): Disclosure Initiative (effective on January 1st, 2017 with earlier application permitted).
- IAS (12): Recognition of Deferred Tax Assets for Unrealized Losses (effective on January 1st, 2017 with earlier application permitted).
- IAS (40): Clarify Transfers of Property to, or from, Investment Property (effective on January 1st, 2018)

## Improvements

- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 12 disclosure of interest of other entities (effective on January 1st, 2017).
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 1 First-Time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures (effective on January 1st, 2018)

## New standards

- International Financial Reporting Standards (9): Financial Instruments (effective on January 1st, 2018 except for Insurance Companies which will be effective on January 1st, 2021 with earlier application permitted).
- International Financial Reporting Standards (15): Revenue from Contracts with Customers (effective on January 1st, 2018 with earlier application permitted).
- International Financial Reporting Standards (16): Leases (effective on January 1st, 2019 with earlier application permitted).

## 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.

## B- Geographical Segment

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

For the year end December 31, 2016	Tobacco manufacturing and trading	Energy	Investments	Total
Segment net revenue	65,120,542	611,725	-	<b>65,732,267</b>
Administrative expenses	(8,270,654)	(614,800)	(1,581,350)	<b>(10,466,804)</b>
Selling and distribution expenses	(14,119,278)	-	-	<b>(14,119,278)</b>
Gain from investment in associate	-	93,525	1,088	<b>94,613</b>
Dividends from financial assets at Fair value through other comprehensive income	-	33,045	-	<b>33,045</b>
Impairment in advance payments for investments	-	(950,000)	-	<b>(950,000)</b>
Finance cost	(485,865)	(40,277)	(1,928)	<b>(528,070)</b>
Interest revenue	769,622	-	-	<b>769,622</b>
Gain from sale of property, plant and equipment	9,491	-	4,691	<b>14,182</b>
Other income	778,213	(227)	481,460	<b>1,259,446</b>
<b>Segment profits (losses) for the year before tax and board of directors' remuneration</b>	<b>43,802,071</b>	<b>(867,009)</b>	<b>(1,096,039)</b>	<b>41,839,023</b>
Segment total assets	120,091,643	4,575,102	2,315,965	<b>126,982,710</b>
Segment total liabilities	38,338,418	373,179	1,636,127	<b>40,347,724</b>
Capital expenditure	2,460,241	51,160	22,000	<b>2,533,401</b>

For the year end December 31, 2015 Jordanian Dinar	Tobacco manufacturing and trading	Energy	Investments	Total
Segment net revenue	52,766,954	162,501	-	<b>52,929,455</b>
Administrative expenses	(7,803,191)	(402,173)	(1,226,765)	<b>(9,432,129)</b>
Selling and distribution expenses	(9,161,840)	-	-	<b>(9,161,840)</b>
Impairment in investment in associate	-	(146,550)	(5,333)	<b>(151,883)</b>
Dividends from financial assets at Fair value through other comprehensive income	325	227,261	-	<b>227,586</b>
Finance Expenses	(539,135)	-	-	<b>(539,135)</b>
Interest Revenue	684,142	-	-	<b>684,142</b>
Gain from sale of property, plant and equipment	13,091	-	36,627	<b>49,718</b>
Other income	309,149	2,541	(502)	<b>311,188</b>
Contingent liabilities provision	(1,386,102)	-	-	<b>(1,386,102)</b>
<b>Segment profits (losses) for the year before tax and board of directors' remuneration</b>	<b>34,883,393</b>	<b>(156,420)</b>	<b>(1,195,973)</b>	<b>33,531,000</b>
Segment total assets	101,098,480	5,827,704	1,308,362	<b>108,234,546</b>
Segment total liabilities	31,891,744	200,587	1,918,614	<b>34,010,945</b>
Capital expenditure	2,792,010	632,993	4,569	<b>3,429,572</b>

## 5) Cash on hand and at banks

Jordanian Dinar	As of December 31,	
	2016	2015
Cash on hand	1,818,220	2,128,087
Current accounts at banks	19,742,803	16,368,598
Deposits at banks *	28,168,412	26,624,692
	<b>49,729,435</b>	<b>45,121,377</b>

\* The maturity date of the deposits is March 31, 2017 and their interest is between 4.15% to 4.25%.

## 6) Trade and other receivables

Jordanian Dinar	As of December 31,	
	2016	2015
Trade receivables	25,414,600	9,425,421
Advancepayment to suppliers	364,266	746,665
Other	-	101,230
	<b>25,778,866</b>	<b>10,273,316</b>
Provision for impairment on doubtful debts*	(160,983)	(213,798)
	<b>25,617,883</b>	<b>10,059,518</b>

Impairment of trade receivables is calculated when the ceilings agreed in advance with customers is exceeded. Provision is made for the entire balance (the ceiling of the facilities in addition to excess) in the case of late payment from the customer.

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

Jordanian Dinar	As of December 31,	
	2016	2015
Balance as of January 1	213,798	213,798
Provision made during the year	48,415	-
Written off provision during the year	(101,230)	-
	<b>160,983</b>	<b>213,798</b>

\*Aging customer accrued accounts as follow :

Jordanian Dinar	Total	0 – 90 day	91-180 day	181-270 day	271-365 day	More than 365 day
2016	25,414,600	24,633,912	541,120	51,559	27,026	160,983
2015	9,425,421	8,829,235	279,647	102,741	-	213,798

## 7) Inventory

Jordanian Dinar	As of December 31,	
	2016	2015
Raw material	15,152,781	13,321,295
Work in process	164,721	139,017
Finished goods	1,980,067	1,592,530

Goods in transit	60,481	1,937,517
Spare parts inventory	844,708	1,681,630
Advertisement and accessories goods inventory	1,170,752	1,485,466
Consumable goods inventory	104,067	217,331
	<b>19,477,577</b>	<b>20,374,786</b>
Provision for slow-moving inventory*	-	(999,482)
	<b>19,477,577</b>	<b>19,375,304</b>

\*During the year 2016, the Group write off inventory amounted of JOD 999,482 that related to international Cigarettes Company.

## 8) Other debit balances

Jordanian Dinar	As of December 31,	
	2016	2015
Key-money*	1,750,407	967,595
Accrued interest revenue	337,450	271,767
Prepaid expenses	1,022,157	794,414
Prepaid income tax	552,017	593,639
Refundable deposits	619,977	366,531
Employees receivable	79,888	117,603
Sales and income tax deposits	23,681	41,818
Taxes on interests	117,199	81,998
Advance payment on projects under construction	9,412	9,312
Other	4,159	23,624
	<b>4,516,347</b>	<b>3,268,301</b>
Impairment in employees account	(20,000)	(20,000)
	<b>4,496,347</b>	<b>3,248,301</b>

\*Key-money details are illustrated as follow:

Item	Key-money free zone	Key-money Rafy	Key-money Land 72-76	Key-money Tas Land	Total
Jordanian Dinar					
<b>Cost</b>					
Balance at the beginning of January 2016	1,264,150	289,500	862,710	-	2,416,360
Additions during the year	-	-	-	1,254,500	1,254,500
<b>Balance as of December 31, 2016</b>	<b>1,264,150</b>	<b>289,500</b>	<b>862,710</b>	<b>1,254,500</b>	<b>3,670,860</b>
Balance at the beginning of January 2015	1,264,150	289,500	862,710	-	2,416,360
<b>Balance as of December 31, 2015</b>	<b>1,264,150</b>	<b>289,500</b>	<b>862,710</b>	<b>-</b>	<b>2,416,360</b>
<b>Accumulated amortization</b>					
Balance at the beginning of January 2016	1,106,131	130,275	212,359	-	1,448,765
Amortization during the year	158,019	28,950	159,269	125,450	471,688
<b>Balance as of December 31, 2016</b>	<b>1,264,150</b>	<b>159,225</b>	<b>371,628</b>	<b>125,450</b>	<b>1,920,453</b>
Balance at the beginning of January 2015	948,113	101,325	53,089	-	1,102,527
Amortization during the year	158,018	28,950	159,270	-	346,238
<b>Balance as of December 31, 2015</b>	<b>1,106,131</b>	<b>130,275</b>	<b>212,359</b>	<b>-</b>	<b>1,448,765</b>
<b>Net book value as of December 31, 2015</b>	<b>158,019</b>	<b>159,225</b>	<b>650,351</b>	<b>-</b>	<b>967,595</b>
<b>Net book value as of December 31, 2016</b>	<b>-</b>	<b>130,275</b>	<b>491,082</b>	<b>1,129,050</b>	<b>1,750,407</b>

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

Jordanian Dinar	As of December 31,	
	2016	2015
Quoted market prices	613,608	2,229,409
Unquoted market prices	301,025	301,025
	<b>914,633</b>	<b>2,530,434</b>

\* This item represents the fair value of financial assets in listed financial markets for the Group's share in Bank of Jordan according to the market value as of December 31, 2016 and 2015.

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

## 10) Investment property

Country	Area	Land no	Piece number	As of December 31,	
				2016	2015
UAE – Ajman*	Aljorf	2 S	2/1/271	271,028	271,028
Jordan – Amman**	Aljbayha	1	1	403,524	387,856
				<b>674,552</b>	<b>658,884</b>

\* The fair value for Ajman's land as of December 31, 2016 according to weighted average real estate expert valuation amounted to JOD 318,450 (2015: JOD 337,750) 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 2016 according to weighted average real estate expert valuation amounted to JOD 1,845,063 (2015: JOD 1,889,772) 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

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

Jordanian Dinar	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
	<b>1,127,357</b>	<b>1,127,357</b>
Account payables and other credit balances	(10,343)	(10,343)
<b>Net assets</b>	<b>1,117,014</b>	<b>1,117,014</b>
Cash paid	7,720,000	
<b>Goodwill from acquisition</b>	<b>6,602,986</b>	
<b>Cash flow at acquisition</b>		
Net cash obtained from subsidiary company	-	
Cash paid	7,720,000	
<b>Net cash paid</b>	<b>7,720,000</b>	

Based on the expert report for the next five years, where the expert used the discounted future cash flows using a growth rate which is consistent with the average growth rate for the last 5 years, and a discount rate which is consistent with borrowing interest rate taking in consideration the revenue growth by calculating the growth rate during the 5 years, and assuming the selling prices which is consistent with the expected gross profit for the next 5 years.

The study showed that there is no decline in goodwill value and therefore there is no impairment in goodwill value as of 31 December 2016.

The realizable value is the value which arises from cash flow units, where it is calculated based on fair value after deducting the cost of disposal based on the expected amount of the discounted future cash flows. Accordingly, it can be classified within the fair value under second level.

## 12) Property, plant and equipment

Jordanian Dinar	Land	Vehicles	Other equipment	Computers and office equipment	Furniture and fixture	Tools	Machines and equipment	Buildings	Leasehold investment	Projects under construction	Total
<b>Cost</b>											
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
Addition	-	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)	-
<b>Balance as of December 31, 2015</b>	<b>3,515,741</b>	<b>887,971</b>	<b>1,482,197</b>	<b>431,646</b>	<b>780,277</b>	<b>3,083,455</b>	<b>15,527,705</b>	<b>10,668,131</b>	<b>227,246</b>	<b>1,409,987</b>	<b>38,014,355</b>
<b>Accumulated depreciation</b>											
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	36,239	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)
<b>Balance as of December 31, 2016</b>	<b>-</b>	<b>498,539</b>	<b>1,150,734</b>	<b>320,046</b>	<b>402,762</b>	<b>2,037,824</b>	<b>7,945,877</b>	<b>7,046,529</b>	<b>68,173</b>	<b>-</b>	<b>19,470,484</b>
<b>Net book value as of December 31, 2016</b>	<b>3,515,741</b>	<b>389,432</b>	<b>331,463</b>	<b>111,600</b>	<b>377,515</b>	<b>1,045,631</b>	<b>7,581,828</b>	<b>3,621,602</b>	<b>159,073</b>	<b>1,409,986</b>	<b>18,543,871</b>
<b>Cost</b>											
Balance as of January 1, 2015	3,515,741	626,262	1,303,888	319,944	417,008	2,126,236	14,182,302	10,906,930	-	329,471	33,727,782
Addition	-	225,491	135,718	42,267	319,881	401,184	657,531	393,853	227,246	1,026,401	3,429,572
Disposal	-	(105,373)	-	(1,216)	-	(6,456)	(73,649)	(784,787)	-	(409,733)	(1,381,214)
<b>Balance as of December 31, 2015</b>	<b>3,515,741</b>	<b>746,380</b>	<b>1,439,606</b>	<b>360,995</b>	<b>736,889</b>	<b>2,520,964</b>	<b>14,766,184</b>	<b>10,515,996</b>	<b>227,246</b>	<b>946,139</b>	<b>35,776,140</b>
<b>Accumulated depreciation</b>											
Balance as of January 1, 2015	-	325,761	933,781	235,013	261,893	1,332,954	5,363,459	4,426,072	-	-	12,878,933
Depreciation for the year	-	137,350	102,010	49,181	67,602	498,227	1,335,006	1,515,737	22,724	-	3,727,837
Disposal	-	(105,000)	-	(385)	-	(4,350)	(26,489)	(195,422)	-	-	(331,646)
<b>Balance as of December 31, 2015</b>	<b>-</b>	<b>358,111</b>	<b>1,035,791</b>	<b>283,809</b>	<b>329,495</b>	<b>1,826,831</b>	<b>6,671,976</b>	<b>5,746,387</b>	<b>22,724</b>	<b>-</b>	<b>16,275,124</b>
<b>Net book value as of December 31, 2015</b>	<b>3,515,741</b>	<b>388,269</b>	<b>403,815</b>	<b>77,186</b>	<b>407,394</b>	<b>694,133</b>	<b>8,094,208</b>	<b>4,769,609</b>	<b>204,522</b>	<b>946,139</b>	<b>19,501,016</b>

### 13) Due to related party

Jordanian Dinar	Nature of transaction	Nature of relationship	As of December 31,	
			2016	2015
Due to related party	Finance	Associate company	-	173,523
			-	<b>173,523</b>

As shown in note (16) the group took a loan from Bank of Jordan where the remaining amount of the loan equals to 15,930,000 JD, which is considered due to related party.

As shown in note (2-B) the Group has invested in Pioneer Venture Group which was previously owned by a related party.

#### Key management remuneration

Salaries and benefits of the key management personnel for the year-end December 31, 2016 amounted to JOD 327,323 (December 31, 2015: JOD291,917).

### 14) Other credit balances

Jordanian Dinar	As of December 31,	
	2016	2015
Accrued expenses – advertisement material	713,179	1,341,951
Yearly rewards provision	4,132,272	1,649,994
Shareholders deposits	679,442	646,754
Legal provision	-	480,151
Contingent liability provision	1,600,103	1,600,103
Accrued expenses	62,130	18,495
Jordanian universities provision	76,448	76,448
Board of directors' remuneration	45,000	45,000
Humanitarian cases fund	49,940	34,021
Insurance cheques issued	9,650	9,650
Social security deposits	10,494	8,741
Others	27,572	27,151
	<b>7,406,230</b>	<b>5,938,459</b>

### 15) Loans and bank facilities mature within a year

AlFakher Tobacco for Trading and Agencies Company – subsidiary company got 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 till January 4, 2015.

In December 28, 2014 the maturity date of the loan was extended to be paid in a full amount at December 31, 2015 with a LIBOR 3 months + 2.5% with a limit 3% with the following conditions and insurances:

- The guarantee of Al- Eqbal investement company.
- Reduce the early repayment commission to become zero.

In December 31, 2015 the company paid 10% of the loan amount and extended the maturity date of the remaining amount of 15,390,000 JD till December 31, 2016 with LIBOR 3 months + 2.5% with a limit of 3%.The purpose from these facilities is to distribute dividends.

In December 8, 2016 the maturity date of the remaining amount of 15,390,000 was extended to be paid in one installment in December 31, 2017 with LIBOR 3 months + 2.5% with a limit of 3% with the same conditions.

## 16) Cost of sales

Jordanian Dinar	For the year end December 31,	
	2016	2015
Raw Materials-beginning of the year	13,321,295	11,609,986
Raw Material purchases-during the year	70,059,517	60,951,573
Raw Materials-end of the year	(15,152,781)	(13,321,295)
<b>Raw Materials used in productions</b>	<b>68,228,031</b>	<b>59,240,264</b>
Work in process - beginning of the year	139,017	84,437
Manufacturing cost during the year*	15,300,663	14,013,165
Work in process - end of the year	(164,721)	(139,017)
<b>Cost of goods Manufactured</b>	<b>83,502,990</b>	<b>73,198,849</b>
Finished Goods-beginning of the year	1,592,530	1,708,446
Finished Goods- End of the year	(1,980,067)	(1,592,530)
<b>Cost of goods sold</b>	<b>83,115,453</b>	<b>73,314,765</b>
<b>Add:</b>		
Cost of selling advertising goods	1,378,664	939,047
Cost of selling Alo Arghelah	15,597	69,355
<b>Subtract:</b>		
Cost of free distributed goods	(7,365,467)	(3,272,043)
Cost of goods returned to manufacturing	(139,442)	(86,240)
	<b>77,004,805</b>	<b>70,964,884</b>

\*Manufacturing cost includes the following

Jordanian Dinar	For the year end December 31,	
	2016	2015
Depreciation and amortization	3,668,850	3,768,565
Salaries and wages, overtime and related expenses	4,649,262	3,935,853
Employees' rewards	1,496,245	911,500
Fuel	807,147	1,059,493
General maintenance	416,205	385,890
Repairs expenses and spare parts	686,335	657,876
Consumed materials and tools	478,141	716,697
Rent	739,963	629,946
End of services indemnity	389,799	356,445
Damaged materials and goods	50,809	59,651
Training expenses and employees' residency	159,096	105,498
Electricity and water	396,283	264,130
Insurance expense	291,696	207,812
Research and development fees	-	76,819
Cost of returned goods to manufacturing	42,695	12,545
Project expenses	262,080	115,625
Export and shipping fees	86,480	25,205
Fees and subscriptions	183,069	359,371
Food and hospitality expenses	195,598	177,781
Phone and post mail	20,479	21,103
Other expenses	280,431	165,360
	<b>15,300,663</b>	<b>14,013,165</b>

## 17) Administrative expenses

Jordanian Dinar	For the year end December 31,	
	2016	2015
Salaries, wages and related expenses	3,215,342	2,653,257
Employee's rewards	3,057,701	3,459,440
Donations	327,649	310,015
Travel	496,088	218,203
Studies and consultations	894,158	434,368
End of service indemnity	467,065	401,840
Depreciation and amortization	274,675	296,093
Rent	116,103	150,171
Legal and consulting fees	57,545	149,365
professional fees	243,563	121,452
Fees and subscriptions	163,532	110,155
Health insurance	109,381	110,087
Phone and post mail	123,359	116,599
Board of directors transportation	168,000	146,790
Bdaya project	98,981	128,364
Trade marks	69,328	143,717
Advertisement	39,422	31,227
Transportation	67,640	51,451
Governmental expenses	12,895	17,676
Hospitalities	54,016	45,235
Bank commission	39,144	32,158
Stationary and printings	36,696	35,618
Vehicle expenses	48,352	36,561
General maintenance	28,591	24,789
Consumed materials	7,527	14,945
Computer expenses	36,072	51,570
Electricity and water	12,076	16,041
Cleaning	15,226	15,618
Fuel	206	12,677
Security	-	17,544
Property and plant insurance	8,351	7,227
Consumed tools and materials	3,552	8,566
Training expenses	52,328	3,754
Audit committee fees	6,000	5,500
Advertising material management	33,245	42,248
Other	82,995	11,808
	<b>10,466,804</b>	<b>9,432,129</b>

## 18) Selling and distribution expenses

Jordanian Dinar	For the year end December 31,	
	2016	2015
Promotion expenses	8,321,707	5,152,277
Salaries, wages, overtime and related expenses	1,006,001	676,683
Employees' rewards	814,446	300,954
Trade commission	448,576	256,363
Export and shipping expenses	289,401	289,542
Allowed discount	8,046	-
Exhibit expenses	287,407	248,089
Lawsuit expenses	142,111	36,212
Travel and residency	197,157	131,339
Studies and consultations	2,125	16,136
Designs expense	1,853,413	600,499
Materials	258,525	74,389
End of service of indemnity	141,243	157,997
Phone and post mail	23,375	24,166
Damaged and absolute goods	42,932	1,066,979
Advertising expense	12,398	16,617
Rent	10,844	10,369
Health insurance	26,754	20,626
Depreciation and amortization	9,040	9,417
Transportation	27,405	24,364
Hospitality	11,392	9,704
Impairment provision in account receivables	48,415	-
Goods returned to manufacturing	46,590	9,512
Fees and penalties	31,511	-
Training	17,745	-
Bills ratification	13,063	26,342
Other	27,656	3,264
	<b>14,119,278</b>	<b>9,161,840</b>

## 19) Dividends

The following table described the declared dividends by the Group:

Jordanian Dinar	For the year end December 31,	
	2016	2015
Cash Dividends*	25,000,000	25,000,000
	<b>25,000,000</b>	<b>25,000,000</b>

\* 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.

\* The General assembly decided in its meeting held on March 4, 2015 to distribute an amount of 25,000,000 as dividends for the year 2014.

\*The general assembly decided on March 24, 2016 to increase its paid-up capital by 5,000,000 shares through distribution from retained earnings JD 5,000,000. The Company's paid-up capital become 30 million (1 JD/share).

\*The Company's Board of Directors in its meeting held on January 25, 2017 recommended to the general assembly to distribute an amount of 40,000,000 as cash dividends.

## 20) Income tax

Income tax expense is recognized based on management's estimate of the weighted average annual 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:

Jordanian Dinar	For the year end December 31,	
	2016	2015
Balance at the beginning of the year	3,045,480	2,059,211
Allowance for the year	4,440,565	2,250,417
Income tax paid for the year	(1,876,892)	(1,264,148)
<b>Balance at the end of the year</b>	<b>5,609,153</b>	<b>3,045,480</b>

## Group tax position

### a- Parent company – AI Eqbal for Investment PLC

The income tax was settled until 2014. 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 was misplaced and will be separated for the company.

The tax return for the year 2015 was submitted within the legal period and the department hasn't audited the company's accounts till the date of the consolidated financial statements.

In the tax consultant 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

#### AI-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 and 2011 which was objected to the court of the tax, in the Company's management and tax consultant's opinion, the decisions of the Tax Department is misplaced and will be dismissed in favor of the company.

The tax return for the year 2013 was accepted within the unaudited sample.

The tax return was submitted for the financial year 2012, 2014 and 2015 within the legal period of submission, the department did not audit the company's accounts and did not issue its final decisions till the date of the preparation of the consolidated financial statements.

In the tax consultant opinion the company should take a provision by an amount of JD 37,620 for the income tax liability resulting from the company's business in Amman for the year ended December 31, 2016 and an amount of JOD 4,361,561 as a provision of 10% of net profit of Al Fakher Tobacco Factory (UAE).

### Al-Fakher – Aqaba private

The Income Tax was settled until 2011. The tax return was submitted for the years 2012, 2013, 2014 and 2015 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.

In the tax consultant opinion the company should take a provision by an amount of JOD 166 for the income tax liability for the year ended December 31, 2016.

### c- Subsidiary – Spectrum International for Renewable Energy LLC

The Income Tax was settled until the financial year 2011. The tax return was submitted for the financial year 2012, 2013, 2014 and 2015 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 opinion the company should take a provision by an amount of JOD 41,218 for the income tax liability for the year ended December 31, 2016 for the external investments.

Income tax expense recognized based on management estimate of enacted of average annual tax rate for the whole financial year which is applied on the profit for tax for the year. The company 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 Fakhar- Aqaba 5% and 10% on the Al Fakher Tobacco Factory (UAE), the effective tax rate for the group is 10.43% for the profit for the year ended December 31, 2016 (December 31, 2015: 6.35%)

## 21) Earnings per share

Jordanian Dinar	As of December 31,	
	2016	2015
Profit for the year for the shareholders (JD)	37,353,458	31,235,583
Weighted average for number of shares (Share)	30,000,000	30,000,000
<b>Earnings per share for the year</b>	<b>1.245</b>	<b>1.041</b>

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, 2016.

The weighted average for number of shares was adjusted for the comparative year, as the company has capitalized 5 million free stock from the retained earnings in according with IFRS 33.

## 22) Provision of employees' end of service indemnity

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

Jordanian Dinar	As of December 31,	
	2016	2015
Balance at the beginning of the year	2,906,197	2,179,857
Provision for the year	998,107	1,030,626
Paid during the year	(23,993)	(304,286)
<b>Balance at the end of the year</b>	<b>3,880,311</b>	<b>2,906,197</b>

## 23) Contingent liabilities

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

Jordanian Dinar	As of December 31,	
	2016	2015
Bank guarantees	2,504,422	198,826
	<b>2,504,422</b>	<b>198,826</b>

Against cash margins represented as follow:

Jordanian Dinar	As of December 31,	
	2016	2015
Cash margins	181,096	198,826
	<b>181,096</b>	<b>198,826</b>

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.

Based on the company's management and tax consultant, it is probable to win the case due to the fact that the objection committee didn't deduct the yearly donations, the BOD rewards and the full amount of retained earnings and also, it didn't take into account the necessity of subtracting the interest expense and currency differences from the interest revenue.

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 and the lawsuit still pending at the tax first instance court in the stage of submitting data.

Based on the tax consultant and company's management the probability of winning the legal case and cancelling the claims is very high.

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, the case is still pending in the tax first instance court in the stage performing expert assessment.

Based on the Company's management and tax consultant the probability of winning the legal case is high because the profit is from the branch and not from the investment, and the company will not have any further liability more than what already paid to the income and sales tax department in Aqaba private zone on addition to tax rate differences.

The company booked an additional contingent liability provision to face any contingent tax and legal liabilities that may arise during the coming period.

## 24) Other income

Jordanian Dinar	For the year end December 31,	
	2016	2015
Foreign exchange rate and prices	594,787	121,882
Scrap sales	138,880	210,559
Lawsuit provision reversal	480,151	-
Other	45,628	(21,253)
	<b>1,259,446</b>	<b>311,188</b>

## 25) Advance Payment for Investments

The amount represents entering Spectrum International for Renewable Energy in a joint project agreement as the following:

- Joint project with Altawakol Company and Getsamp Asetym Solar to develop solar power plant with capacity of 24 MW.
- Joint project with Getsamp Asetym Solar to develop solar power plant with capacity of 58 MW.

This joint venture is still under formation and registration.

The company has booked impairment provision with an amount of JOD 950,000 to face the foreign currency differences.

## 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 reporting date was as follows:

Jordanian Dinar	Carrying value as of	
	2016	2015
Current accounts and deposits at banks	47,911,215	42,993,290
Cheques under collection	28,360	198,063
Trade and other receivables	25,617,883	10,059,518
Other debit balances	2,777,133	1,712,807
	<b>76,334,591</b>	<b>54,963,678</b>

## - 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:

December 31, 2016	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
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)	-	<b>(3,880,311)</b>
	<b>40,347,724</b>	<b>(40,347,724)</b>	<b>(36,467,413)</b>	<b>(3,880,311)</b>
December 31, 2015	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
Deferred cheques	189,889	(189,889)	(189,889)	-
Accounts payable	5,827,397	(5,827,397)	(5,827,397)	-
Due to related party	173,523	(173,523)	(173,523)	-
Other credit balances	5,938,459	(5,938,459)	(5,938,459)	-
Income tax provision	3,045,480	(3,045,480)	(3,045,480)	-
Loan and bank facilities mature within a year	15,930,000	(15,930,000)	(15,930,000)	-
Provision for end of service indemnity	2,906,197	(2,906,197)	-	(2,906,197)
	<b>34,010,945</b>	<b>(34,010,945)</b>	<b>(31,104,748)</b>	<b>(2,906,197)</b>

## - 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 and UAE Dirhams

The summary of quantitative data about the Group's exposure to foreign currency risk provided to management of the Group based on its risk management policy was as follows:

December 31, 2016	JOD	UAE Dirhams	Total
Cash on hand and at banks	30,179,957	19,549,478	<b>49,729,435</b>
Cheques under collection	28,360	-	<b>28,360</b>
Trade and other receivables	320,843	25,297,040	<b>25,617,883</b>
Other debit balances	1,392,664	3,103,683	<b>4,496,347</b>
Deferred cheques	-	(358,410)	<b>(358,410)</b>
Accounts payable	(363,105)	(6,800,515)	<b>(7,163,620)</b>
Other credit balances	(2,458,697)	(4,947,533)	<b>(7,406,230)</b>
Income tax provision	(5,609,153)	-	<b>(5,609,153)</b>
Loans and bank facilities mature within a year	(15,930,000)	-	<b>(15,930,000)</b>
	<b>7,560,869</b>	<b>35,843,742</b>	<b>43,404,612</b>

December 31, 2015	JOD	UAE Dirhams	Total
Cash on hand and at banks	30,312,327	14,809,050	<b>45,121,377</b>
Cheques under collection	170,160	27,903	<b>198,063</b>
Trade and other receivables	474,523	9,584,995	<b>10,059,518</b>
Other debit balances	1,430,612	1,817,689	<b>3,248,301</b>
Deferred cheques	(23,902)	(165,987)	<b>(189,889)</b>
Accounts payable	(51,920)	(5,775,477)	<b>(5,827,397)</b>
Income tax provision	(3,045,480)	-	<b>(3,045,480)</b>
Other credit balances	(2,902,841)	(3,035,618)	<b>(5,938,459)</b>
Loans and bank facilities mature within a year	(15,930,000)	-	<b>(15,930,000)</b>
	<b>13,205,683</b>	<b>17,262,555</b>	<b>30,468,238</b>

## - Sensitivity analysis

As indicated below, an increase (decrease) of the JD against the UAE Dirhams at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2015, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

December 31, 2016 Jordanian Dinar	Increase Profit or loss	Decrease Profit or loss
UAE dirham (10% change)	3,584,374	(3,584,374)
	<b>3,584,374</b>	<b>(3,584,374)</b>

December 31, 2015 Jordanian Dinar	Increase Profit or loss	Decrease Profit or loss
UAE dirham (10% change)	1,726,256	(1,726,256)
	<b>1,726,256</b>	<b>(1,726,256)</b>

## - 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:

Jordanian Dinar	As of December 31,	
	2016	2015
<b>Fixed Rate Instruments:</b>		
Financial Assets	28,168,412	26,624,692
<b>Variable rate instrument</b>		
Financial Liabilities	(15,930,000)	(15,930,000)

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 159,300, a decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 159,300.

## - 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 reporting 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.

December 31, 2016 Jordanian Dinar	Equity	
	5% Increase	5% decrease
Financial assets at fair value through other comprehensive income	45,732	(45,732)
	<b>45,732</b>	<b>(45,732)</b>
<b>December 31, 2015</b>		
Financial assets at fair value through other comprehensive income	126,522	(126,522)
	<b>126,522</b>	<b>(126,522)</b>

## - 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 Company increase its paid-up capital by 5,000,000 shares through distribution from retained earnings JD 5,000,000, The Company's paid-up capital become 30 million (1 JD/share) neither the group is subject to externally imposed capital requirements.

## Debt-to-adjusted Capital Ratio

Jordanian Dinar	As of December 31,	
	2016	2015
Total Debt	40,347,724	34,010,945
(Less) cash on hand and at banks	<b>(49,729,435)</b>	(45,121,377)
<b>Net Debt</b>	(9,381,711)	<b>(11,110,432)</b>
Net Shareholders' equity	86,634,986	74,223,601
<b>Adjusted capital</b>	<b>86,634,986</b>	<b>74,223,601</b>
<b>Debt - to- adjusted capital ratio</b>	-	-

## 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).

### - Financial Instruments measured at fair value:

The Company does not measure any financial instruments at fair value.

### - Financial Instruments 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.

December 31, 2016 Jordanian Dinar	Fair Value			
	Book value Fair Value	level (1)	level (2)	level (3)*
Cash on hand and at banks	49,729,435	49,729,435	-	-
Cheques under collection	28,360	-	-	-
Trade and other receivable	25,617,883	-	-	-
Financial assets at fair value through statement of other comprehensive income	914,633	613,608	-	301,025
Deferred cheques	(358,410)	-	-	-
Accounts payable	(7,163,620)	-	-	-
Loans and bank facilities	(15,930,000)	-	-	-
<b>December 31, 2015</b>				
Cash on hand and at banks	45,121,377	45,121,377	-	-
Cheques under collection	198,063	-	-	-
Trade and other receivable	10,059,518	-	-	-
Financial assets at fair value through statement of other comprehensive income	2,530,434	2,229,409	-	301,025
Deferred cheques	(189,889)	-	-	-
Accounts payable	(5,827,397)	-	-	-
Due to related party	(173,523)	-	-	-
Loans and bank facilities	(15,930,000)	-	-	-

### 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.

### **- 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, 2016 and 2015.

### **29) Comparative figures**

The comparative figures represents the Consolidated Statement of Financial Position as of December 31, 2015, in addition to the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Cash Flow for the year ended December 31, 2015.

### **Governance**

The Company implements all good governance practices with the exception of one provision relating to unifying the position of General Manager and Chairman of the Board of Directors; the Company will work to avoid such matter in the future.