

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**

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

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

#### **Report on the audit of the consolidated financial statements**

##### **Opinion**

We have audited the consolidated financial statements of Al-Eqbal Investment Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of profit or loss and other comprehensive income, consolidated changes in shareholders' equity and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements Present Fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### **Basis of Opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Emphasis of matter**

Without qualifying our opinion, we draw attention and as mentioned in note (23) to the consolidated financial statements which describes that the group have contingent tax liabilities related to the years from 2009 to 2016, approximately JOD 16 million and lagel compenstion approximately JOD 10 million. The lawsuits are still pending in the tax courts. The Group's Management and legal consultant opinion is that the probability of winning the case is high and the recorded provisions are adequate. The ultimate outcome of the lawsuits cannot reliably be determined and Accordingly, no additional provision has been recorded in the consolidated financial statements against any consequences that may arise on the Group.



### 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 we do not provide 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
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.	Our audit procedures included to assess of the Group's tax positions, its correspondence with the relevant tax authorities and with Group's legal and tax consultants 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.

#### 2- Impairment in Intangible Assets

Description of the key audit matter	How the matter was addressed in our audit
The group has acquired companies during the current and previous years, This acquisition resulted in an intangible assets amounted to JD 182 million. The Group's management performed annual valuation for its intangible assets to determine whether there is any indication on impairment of intangible assets.	Based on the followed audit procedures, a study from expert has been obtained and the assumptions and methodology used in the study has been reviewed.
Evaluating intangible assets includes many assumptions and estimates, which make it a Key Audit Matters.	



### 3- Expected credit loss in trade receivables

Description of the key audit matter	How the matter was addressed in our audit
<p>The Group has trade and other receivables with approximately JD 80 million as of December 31, 2018 comparing to approximately 68 million as of 31 December 2017, this increase has mainly resulted from trade receivables recognized in the accounts of the subsidiaries acquired during 2017 and 2018. In addition to an increase in the ceilings granted to some customers and dealing with new customers during 2018.</p> <p>The adequacy of the recorded provisions for those receivables depend on management estimates, and according to IFRS (9). which make it a Key Audit Matters.</p>	<p>Our audit procedures includes testing the Group's controls over the receivables collection processes; including accepting new customers, testing the receipt of cash subsequent to year end; and testing the adequacy of the Group's expected credit loss provision against trade receivables by assessing the management's assumptions, taking into consideration the external available data on trade credit exposures in this sector.</p>

#### Other Information

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

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

Through performing our audit on the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit. If, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have not been provided with the annual report at the Group or any other information as it relates to this paragraph until the date of this report.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our audit report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of audit process in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we will modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements of the Group.

We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore, the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

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

Kawasmy & Partners  
KPMG

Hatem Kawasmy  
License No, (656)

Amman – Jordan  
March 26, 2019



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>Jordanian Dinar</i>	Note	As of December 31,	
		2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Cash on hand and at banks	5	57,772,284	21,644,788
Trade and other receivables	6	80,019,775	68,633,332
Inventory	7	37,725,583	28,348,285
Other debit balances	8	25,198,616	5,944,212
<b>Total Current Assets</b>		<b>200,716,258</b>	<b>124,570,617</b>
<b>Non-Current Assets</b>			
Financial assets at fair value through other comprehensive income	9	150,525	784,716
Investment property	10	674,552	674,552
Intangible assets	11	182,297,000	45,555,887
Property, plant and equipment	12	29,351,887	21,965,209
Advance payments for Investments	25	863,871	65,085,689
<b>Total Non-Current Assets</b>		<b>213,337,835</b>	<b>134,066,053</b>
<b>Total Assets</b>		<b>414,054,093</b>	<b>258,636,670</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Deferred cheques -short term		380,655	299,479
Accounts payable		17,615,290	13,901,441
Other credit balances	13	15,412,439	13,723,642
Income tax provision	20	7,223,590	6,021,753
Payables due to acquisition- short term	14-1	4,183,378	29,505,610
Loans and Bank facilities- short term	15-1	78,069,047	85,702,430
<b>Total Current Liabilities</b>		<b>122,884,399</b>	<b>149,154,355</b>
<b>Non-Current Liabilities</b>			
Provision of employees' end of service indemnity	22	5,284,983	4,344,446
Payables due to acquisition- long term	14-2	14,180,000	2,658,750
Loans and bank facilities- long term	15-2	126,535,379	9,130,272
<b>Total Non-Current Liabilities</b>		<b>146,000,362</b>	<b>16,133,468</b>
<b>Total Liabilities</b>		<b>268,884,761</b>	<b>165,287,823</b>
<b>Shareholders' Equity</b>			
Capital	1	60,000,000	30,000,000
Statutory reserve	28	13,897,311	13,897,311
Cumulative change in fair value		(20,734)	290,046
Translation reserve		236,323	-
Retained earnings		71,056,432	49,161,490
<b>Total Shareholders' Equity</b>		<b>145,169,332</b>	<b>93,348,847</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>414,054,093</b>	<b>258,636,670</b>

The accompanying notes from pages (10) to (46) are an integral part of these consolidated financial statements and should be read with them together with the independent auditor's report.

**Chief Financial Officer**

**Board Chairman**



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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<i>Jordanian Dinar</i>	Note	For the year end December 31,	
		2018	2017
Net sales		188,606,262	161,654,931
Cost of sales	16	(95,025,684)	(99,532,963)
<b>Gross profit</b>		<b>93,580,578</b>	<b>62,121,968</b>
Administrative expenses	17	(22,838,391)	(15,567,199)
Selling and distribution expenses	18	(11,868,442)	(7,174,798)
Dividends from financial assets at fair value through other comprehensive income		28,900	30,811
Administrative and logistics fees	26	10,955,274	15,467,068
Impairment loss on advance payments for investments		-	(149,000)
<b>Operating income for the year</b>		<b>69,857,919</b>	<b>54,728,850</b>
Finance cost		(10,948,057)	(2,871,683)
Bank interests revenue		185,166	307,956
Gain on sale of property, plant and equipment		10,416	28,900
Other income	24	310,398	243,435
<b>Profit for the year before income tax and board of directors' remuneration</b>		<b>59,415,842</b>	<b>52,437,458</b>
Income tax expense	20	(7,716,898)	(5,693,123)
<b>Profit for the year before board of directors' remuneration</b>		<b>51,698,944</b>	<b>46,744,335</b>
Board of directors' remuneration		(45,000)	(45,000)
<b>Profit for the year</b>		<b>51,653,944</b>	<b>46,699,335</b>
<b>Other comprehensive income items:</b>			
<b>Items will never be reclassified to profit or loss</b>			
Gain on sale of financial assets at fair value through other comprehensive income		85,173	21,624
Changes in fair value for financial assets through other Comprehensive income		(154,955)	(7,098)
Foreign currency translation differences		236,323	-
<b>Total comprehensive income for the year</b>		<b>51,820,485</b>	<b>46,713,861</b>
<b>Basic and diluted earnings per share (JD/Share)</b>	21	<b>0.86</b>	<b>0.78</b>

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Chief Financial Officer

Board Chairman

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

<i>Jordanian Dinar</i>	Capital	Statutory Reserve	Cumulative change in fair value	Translation Reserve	Retained earnings *	Total
Balance as at January 1, 2018	30,000,000	13,897,311	290,046	-	49,161,490	93,348,847
Profit for the year	-	-	-	-	51,653,944	51,653,944
Other comprehensive income	-	-	(154,955)	236,323	85,173	166,541
Transfer from fair value reserve to retained earnings	-	-	(155,825)	-	155,825	-
Increasing capital- Note (27)	30,000,000	-	-	-	(30,000,000)	-
<b>Balance as of December 31, 2018</b>	<b>60,000,000</b>	<b>13,897,311</b>	<b>(20,734)</b>	<b>236,323</b>	<b>71,056,432</b>	<b>145,169,332</b>
Balance as at January 1, 2017	30,000,000	13,897,311	340,934	-	42,396,741	86,634,986
Profit for the year	-	-	-	-	46,699,335	46,699,335
Other comprehensive income	-	-	(7,098)	-	21,624	14,526
Transfer from fair value reserve to retained earnings	-	-	(43,790)	-	43,790	-
Dividends distribution during the year-Note (19)	-	-	-	-	(40,000,000)	(40,000,000)
<b>Balance as of December 31, 2017</b>	<b>30,000,000</b>	<b>13,897,311</b>	<b>290,046</b>	<b>-</b>	<b>49,161,490</b>	<b>93,348,847</b>

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

The accompanying notes from pages (10) to (46) are an integral part of these consolidated financial statements and should be read with them together with the Independent Auditors report.

**AL-EQBAL INVESTMENT COMPANY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Jordanian Dinar</i>	Note	For the year end December 31,	
		2018	2017
<b>Cash flows from operating activities</b>			
Profit for the year before income tax		59,370,842	52,392,458
Adjustments for:			
Expected credit loss provision	6	251,238	-
Key-money amortization		375,422	453,594
Depreciation	12	3,730,447	3,015,791
Gain from sale of property, plant and equipment		(10,416)	(28,900)
Provision for employees' end of service indemnity	22	1,055,014	1,017,149
Dividends from financial assets at fair value through other comprehensive income		(28,900)	(30,811)
Finance costs		10,948,057	2,871,683
Provision for slow moving items	7	1,145,970	188,442
Impairment of advance payments for investments		-	149,000
		<u>76,837,674</u>	<u>60,028,406</u>
<b>Change in:</b>			
Trade and other receivables		(11,637,681)	(43,015,449)
Cheques under collection		-	28,360
Inventory		(10,523,268)	(4,120,150)
Other debit balances		(19,629,826)	(1,699,564)
Accounts payable		3,713,849	6,737,821
Deferred cheques		81,176	(58,931)
Other credit balances		<u>1,688,797</u>	<u>458,149</u>
<b>Cash generated from operating activities</b>		<b>40,530,721</b>	<b>18,358,642</b>
Income tax paid	20	(6,515,061)	(5,280,523)
Employees' end of service indemnity paid	22	(114,477)	(553,014)
<b>Net Cash flows from operating activities</b>		<b>33,901,183</b>	<b>12,525,105</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		48,653	64,934
Advance payments for investments		-	(64,337,623)
Acquisition of property, plant and equipment		(11,155,362)	(6,473,163)
Dividends from financial assets at fair value through other comprehensive income		28,900	30,811
Net cash paid for acquisition of subsidiaries and distribution rights		(86,320,277)	(6,159,799)
Proceeds from sale of financial assets at fair value through other comprehensive income		<u>564,409</u>	<u>144,443</u>
<b>Net cash flows used in investing activities</b>		<b>(96,833,677)</b>	<b>(76,730,397)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid		(10,948,057)	(2,871,683)
Loans and bank facilities		109,771,724	78,902,702
Dividends paid		-	(39,910,374)
<b>Net cash flows from financing activities</b>		<b>98,823,667</b>	<b>36,120,645</b>
Net increase (decrease) in cash on hand and at banks		35,891,173	(28,084,647)
Cash on hand and at banks at the beginning of the year		21,644,788	49,729,435
Translation reserve		236,323	-
<b>Cash on hand and at banks at the end of the year</b>	5	<b>57,772,284</b>	<b>21,644,788</b>

The accompanying notes from pages (10) to (46) are an integral part of these consolidated financial statements and should be read with them together with the independent Auditor's report.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1) GENERAL**

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

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

The general assembly decided on March 24, 2016 to increase its capital by 5,000,000 shares through capitalizing the retained earnings by an amount of JD 5,000,000 to become 30 millions (1 JD/share).

The general assembly decided in the extraordinary meeting on June 3, 2018 to increase its capital by 30,000,000 shares through capitalizing retained earnings by an amount of JD 30,000,000 to become the authorized and paid-up capital of 60,000,000 (1 JD/share). The Company completed its legal procedures of increasing the capital in the Ministry of Industry and Trade on July 17, 2018.

The company's main objectives include the following:

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

The consolidated financial statements were approved by the Board of Directors on March 20, 2019 and is subject to the General Assembly's approval.

**2) BASIS OF PREPARATION CONSOLIDATED FINANCIAL 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 invested 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.

**AL-EQBAL INVESTMENT COMPANY  
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AMMAN – JORDAN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The subsidiaries' operations results are included in consolidated profit or loss and other comprehensive income from the date of owning them, which is the date on which the control commences.

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 investor from its involvement with the investee; and
- 3- The ability of the investor to use power over the investee to affect the amount of the investee and its returns.

The 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 consolidated 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.

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 date of acquisition.

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 statement of profit or loss and other comprehensive income.

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

- The company owns the following subsidiaries as of December 31, 2018:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u> %	<u>Nature of operation</u>	<u>Country of operation</u>
Al Fakher for Tobacco Trading and Agencies*	6,000,000	100	Tobacco	Jordan
Spectrum International for Renewable Energy	7,000,000	100	Renewable energy	Jordan
International Cigarettes and Tobacco Company (Under liquidation)	6,000,000	100	Tobacco	Jordan
Al Fakher Holding-global operations	35,450	100	Investment	Cayman Island

**AL-EQBAL INVESTMENT COMPANY  
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AMMAN – JORDAN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

\*\*Pioneer Venture Group owns subsidiaries of which related information are as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Holding- USA ***	7,100	100	Investment	USA
Al Fakher Tobacco Factory - Egypt *	119,662	100	Tobacco	Egypt
Al Fakher Tobacco Factory - Germany *	21,734	100	Tobacco	Germany
Qameh Al Fakher Trading Est **	4,567	100	Tobacco	KSA
Global Arab Trading and Export Company *	239,325	100	Tobacco	Egypt
Charms for Importation and Distribution *	79,775	100	Tobacco	Egypt

\* Pioneer Venture Group has acquired the above companies in 2018.

\*\* Pioneer Venture Group has acquired Qameh Al Fakher Trading Est Company in 2018, Where the financial and administrative control is to Pioneer Venture Group under the approval and pledge from the other partner.

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

<u>Company Name</u>	<u>Partner's Contribution</u>	<u>Ownership Percentage</u> %	<u>Nature of operation</u>	<u>Country of Operation</u>
Al Fakher Distribution – USA (Previously Sierra Network)	710	100	Tobacco	USA

- The following schedule represents the financial position and financial performance of the subsidiaries as of December 31, 2018:

	<u>As of December 31, 2018</u>			
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenue</u>	<u>Total comprehensive income (loss) for the year</u>
<i>Jordanian Dinar</i>				
Al Fakher for Tobacco Trading and Agencies – Consolidated	406,623,796	340,770,656	187,209,826	54,227,272
Spectrum International for Renewable Energy	7,752,497	3,386,179	1,396,436	(541,423)
International cigarettes and Tobacco Company	4,247,571	-	-	-
	<u>As of December 31, 2017</u>			
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenue</u>	<u>Total comprehensive income (loss) for the year</u>
<i>Jordanian Dinar</i>				
Al Fakher for Tobacco Trading and Agencies – Consolidated	251,910,223	190,633,360	152,142,970	49,375,401
Spectrum International for Renewable Energy	6,012,429	1,947,257	9,511,961	(383,483)
International cigarettes and Tobacco Company	4,247,571	-	-	(1,500)

**(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 other comprehensive income measured at fair value, financial assets and liabilities measured at amortized cost.

**(d) Functional and presentation currency**

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

**(e) Use of judgments and estimates**

In preparing these consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses, provisions and to disclose the contingent liabilities. These estimates and judgments also affect the income, expenses and provisions as well as the reserve for the valuation of financial assets at fair value and in particular require management to make judgments to estimate future cash flow amounts. The estimates are necessarily based on assumptions and factors with varying degrees of judgment and uncertainty and that

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actual results may differ from estimates due to the changes resulting from the conditions and circumstances of those estimates in the future.

**- Judgements**

The following are the most significant judgments that have effect on the amounts of assets and liabilities in the consolidated financial statements applied in 2018 only:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

**- Assumptions**

The following are materially significant estimates of the consolidated financial statements as at December 31, 2018:

Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

**Applicable to 2018 and 2017:**

The estimates included in the consolidated financial statements are reasonable and are as follows:

- Management periodically reassesses the economic useful lives of tangible and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Management frequently reviews the lawsuits raised against the group based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the group may incur in the future.
- Provision is made for credit losses expected for receivables based on judgment and assumptions approved by the Group's management to estimate the provision to be made in accordance with the requirements of International Financial Reporting Standards.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management reviews annually the recoverable amount of the intangible 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:**

The level in the fair value hierarchy in which the fair value measurements are to be fully classified and fair value measurements should be determined and disclosed in accordance with the levels set out in IFRS. The difference between level 2 and level 3 of fair value measurements means assessing whether information or inputs are observable and the extent of information that is not observable, which requires careful judgment and analysis of the inputs used to measure fair value including consideration of all factors relating to the asset or liability. When assessing the fair value of financial assets or liabilities, the Group uses market information when available. In the absence of first level inputs, the Group deals with independent parties qualified to prepare the valuation studies. The appropriate valuation methods and inputs used to prepare the assessment are reviewed by management.

- Management believes that its estimates and judgments are reasonable and sufficient.



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3) **Significant Accounting Policies**

The accounting policies applied by the Group in these consolidated financial statements for the year ended 31 December 2018 are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017, except the International Financial Reporting Standards effective on January 1, 2018 and after which are as the followings:

- IFRS (9): Financial Instruments.
- IFRS (15): Revenue from Contracts with Customers.
- IFRS (2): Share-based Payments.
- Amendments on IAS (40): Transfers of Investment Property.
- Annual Improvements to IFRSs 2014–2016 cycle (Amendment to IFRS (1): First-time Adoption of International Financial Reporting Standards and IAS (28): Investments in Associates and Joint Ventures.
- Applying IFRS (9): Financial Instruments with IFRS (4): Insurance Contracts (Amendments to IFRS (4)).
- IFRIC (22): Foreign Currency Transactions and Advance Consideration.
- IFRIC (14): Deferred accounts.

The application of these amended standards did not have a significant effect on the consolidated financial statements of the Group. The following IFRS (15) and (9) implementation details:

**IFRS (15): Revenue from Contracts with Customers**

IFRS (15) Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized, applies to all entities entering into contracts for the supply of services and goods with customers except for contracts subject to other accounting standards such as IFRS (9) and IAS (17), which replaces this Standard instead of IAS (1): Construction Contracts, IAS (18) Revenue and IFRIC (13): Customer Loyalty Program, IFRIC (15): Agreements of the construction of real estate, IFRIC (18): Transfer of Assets from Customers and SIC (31) Revenue - Barter Transactions Involving Advertising Services, and based on management review and the annual review, there was no significant effect of the application of the standard on the consolidated financial statements of the Group.

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

**IFRS (9): Financial Instruments**

The Group has adopted IFRS (9) as a whole starting on 1 January 2018. IFRS (9) defines requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS (39) Financial Instruments: (Recognition and Measurement).

The details of the new significant accounting policies and the nature and impact of changes in previous accounting policies are the below:

**A) Classification and measurement of financial assets and financial liabilities:**

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities. However, it eliminates the previous IAS (39) categories for financial assets of held to maturity, loans and receivables and available for sale.

- **Financial assets:**

The Group has applied the first adoption of first stage of IFRS (9) as of 1 January 2018 based on the JSC's request, there were no significant differences between the first stage of the Standard and the final version of the Standard issued on July 24, 2011.

According to IFRS (9), upon initial recognition, financial assets are classified and measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS (9) is generally

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based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS (9) eliminates the previous IAS (39) categories of held to maturity, loans and receivables and available for sale. Under IFRS (9), derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through comprehensive income:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise in specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through consolidated statement of profit and loss:

- Its held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in consolidated other comprehensive income. This election is made on an investment – by – investment basis.

All financial assets that are did not measured at amortized cost or at fair value through the other comprehensive income statement mentioned above should be measured at fair value through profit or loss. This includes all financial assets derivatives. Upon initial recognition, the Group has the option to choose irrevocably to classify and measure financial assets that meet the measurement requirements at amortized cost or at fair value through other comprehensive income within financial assets at fair value through statement of profit or loss and comprehensive income, accounting inconsistency that may arise.

The accounting policies applied are similar to the accounting policies adopted by the Group (considering that the Group has early application of the initial phase of IFRS (9)).

The following table and the accompanying notes below explain the original measurement categories under IAS (39) and the new measurement categories under IFRS (9) for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS (9) on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

<i>Jordanian Dinar</i>	<u>Classification under IAS (39)</u>	<u>New classification under IFRS (9)</u>	<u>Currying amount under IAS (39)</u>	<u>New Currying amount under IFRS (9)</u>
<b><u>Financial assets</u></b>				
Cash on hand and at banks	Loans and receivables	Amortized cost	21,644,788	21,644,788
Trade and other receivables	Loans and receivables	Amortized cost	68,633,332	68,633,332

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**- Financial liabilities:**

The implementation of IFRS (9) has no significant impact on the applied accounting policies by the Group which related to financial liabilities whether. IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS (39) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of profit and loss, whereas IFRS (9) requires:

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

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

**B) Impairment on financial assets:**

IFRS (9) replaces the "loss recognition" model adopted in IAS (39) to calculate the impairment of financial assets over "expected credit loss" model, which requires the use of estimates and judgments to estimate economic factors. The model will be applied to financial assets - debt instruments classified at amortized cost or at fair value through other comprehensive income but not to investments in equity instruments. Where credit losses are recognized in accordance with IFRS (9), which is earlier than IAS (39).

Under IFRS (9), impairment loss are measured on either of the following bases:

- Lifetime ECLs: These ECLs result from all possible default events over the expected life of a financial instrument until the maturity date from the date of consolidated financial statements.

The expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk. The expected credit loss model requires recognition of the expected loss over the life of the asset debt instruments are very similar to the requirements of IAS (39).

When determining whether the credit risk of financial assets has increased significantly since initial recognition and in estimating the expected credit loss, the Group relies on reasonable and supportive information available and relevant, including quantitative and qualitative information and analysis of this information based on the Group's past experience and credit study.

The Group considers financial assets to be impaired when:

- The client / buyer will not be able to settle its obligations to the Group without resorting to the use of collateral held against such obligations (if any).
- If more than 90 days have elapsed on maturity of financial assets.

**Expected credit loss measurement:**

The expected credit loss calculation mechanism depends on the (probability of default), which is calculated according to the credit risk and future economic factors, (loss given default), which depends on the value of the existing collateral, the (exposure at default), the expected credit loss is discounted at the effective interest rate of the financial asset.

**Credit rating impairment:**

At each financial period, the Group evaluates the credit rating of financial assets at amortized cost and fair value through other statement of comprehensive income. The credit rating of financial assets is considered to be impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occur.

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**Disclosure about impairment:**

Provisions loss for financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset. For debt securities at fair value through other comprehensive income, the provision for impairment is recognized in statement of other comprehensive income and is not deducted from the carrying amount of the financial asset. The losses of other financial assets are presented under 'Financing expenses' in the same manner of disclosure used in accordance with IAS (39). Such disclosure is not included in the statement of profit or loss and other statement of comprehensive income based on material considerations.

The followings are the most significant accounting policies:

**(A) Financial assets and liabilities**

**- Recognition and initial measurement**

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 when the group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**- Classification**

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI; or FVTPL.

A financial asset measured at amortized cost if it meets both of the following Conditions and is not designated as at FVTPL:

- Its held within a business model whose objective is to hold assets to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value on OCI. This election is made on an investment-by-investment basis.

All other financial assets are measured at FVTPL.

**- Business model assessment: Policy was adopted from January 1, 2018**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because the best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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- How managers of the business are compensated -e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

- **Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest- Policy was adopted from January 1, 2018**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

-Contingent events that would change the amount or timing of cash flows;

-Prepayment and extension features; and

-Terms that limit the Group's claim to cash flows from specified assets.

**(B) Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Group initially recognizes loans and receivables and debt securities 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.

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

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.

**(C) Non-derivative financial assets – measurement**

**Financial assets at fair value through other comprehensive income**

These assets represent investments in equity instruments for the purpose of retaining them over the long term.

These assets are recognized on acquisition at fair value plus acquisition costs and subsequently revalued at fair value, the change in fair value is reflected in consolidated statement of other comprehensive income, shareholders' equity in the consolidated statement of financial position, including changes in fair value arising from translation differences on non-monetary items in foreign currencies, In the event of the sale of these assets or part thereof, the resulting gain or loss is recognized in consolidated comprehensive income and in equity in the consolidated statement of financial position. The balance of the asset valuation reserve sold directly to retained earnings or accumulated losses not through consolidated statement of profit or loss and other comprehensive income.

The Group may elect to recognize the initial gain or loss and recognize it on the statement of comprehensive income on equity investments that are not held for trading and are recognized at fair value through consolidated statement of other comprehensive income. These assets are not subject to impairment testing. Dividend income is recognized in the consolidated statement of profit or loss in a separate line item.

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**Financial assets at amortized cost**

The financial assets that the Group's management intends to maintain in order to collect the contractual cash flows which consist of payments of principal and interest on the outstanding debt balance on fixed and fixed payment dates. These assets have no active market prices and the Group has no intention of selling these assets in the near future.

These assets are recognized at cost, plus acquisition costs, and the allowance / discount is amortized using the effective interest method, restricted or credited to the interest. Any impairment provisions that result in the non-recovery of the asset or part thereof are written off, any impairment is recorded in the consolidated statement of profit or loss and other comprehensive income.

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

Any financial assets from / to this item are reclassified only in cases determined by the IFRS. If any of these assets are sold before their due date, such sales should be recorded in the statement of profit or loss and other comprehensive income in a separate item and disclosed in accordance with the requirements of the International Financial Reporting Standards.

**Non-derivative financial liabilities at fair value**

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.

**(D) Leases**

**Leases in which the Group is a lessee – Financing**

Leases of assets, that transfer to the group substantially all of the risks and rewards of ownership are classified as finance leases, the leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The minimum lease payments under operating lease is allocated between finance cost and principal payment.

**Leases in which the Group is a lessee – Operating**

Assets held under other leases are classified as operating leases and are not recognized in the Group's consolidated statement of financial position.

Payments made under operating lease are recognized in consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**Leases in which the Group is a lessor – Financing**

The Group classifies leases of assets in lease contract which transfer most of risks and rewards to the lessee as finance lease, and a receivables recognized which equal to the net investment of financial assets in granted loans.

**(E) 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.

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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:

<u>Items of property, plant and equipment</u>	<u>Depreciation rate</u>
	%
Vehicles	20– 25
Other equipment	20– 25
Computers and office equipment	20– 25
Furniture and fixtures	10– 20
Tools	25
Machines and equipment	10– 20
Buildings	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.

**(F) Impairment**

**Financial Assets - Policy was adopted from January 1, 2018**

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 profit or loss and other comprehensive income.

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**- 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.

**(G) 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, reevaluate investment property annually.

**(H) 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 (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 statement of 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 of 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.

**(I) 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.

**Revenues recognition -Policy was adopted from January 1, 2018**

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.



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**(J) 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.

**(K) 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.

**(L) 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.

**(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 as the following details:

- One year to five years of service, ten days of basic salary calculated for each year.
- Above five years to ten years of service, twenty days of basic salary calculated for each year.
- Over ten years of service, thirty days of basic salary calculated for each year.

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**(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 the countries where the companies are located.

**(Q) Earnings per share**

The Group 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 Group 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.

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**(R) New standards and interpretations not yet adopted**

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

**Standards**

- IAS 16 Leasing (effective 1 January 2019 with early application permitted).
- IFRS 17 Insurance Contracts (effective 1 January 2021 with early application permitted).

**Amendments**

- IFRIC 23: Uncertainty on Income Tax Processes (effective 1 January 2019).
- Repayment features with negative confirmation – Amendments to IFRS (9) (effective on January 1st, 2019).
- Long term interest in Associates and Joint Ventures – Amendments to IAS (28) (effective on January 1st, 2019).
- Plan amendments, Curtailment or Settlement – Amendments to IAS (19) (effective on January 1st, 2019).
- Annual improvements to IFRSs 2015 – 2017 Cycle – various standards.

Management anticipates that these standards and amendments will be applied in the preparation of the consolidated financial statements at the dates set out above, which will have no material impact on the Group's consolidated financial statements. Except for IFRS 16, the impact of which is expected to be as follows:

**IFRS (16) Leases**

The Group is required to adopt IFRS (16) "Leases" from January 1, 2019. The Group has assessed the estimated impact that initial application of IFRS (16) will have on its financial statement, as described below. The actual impact of adopting the standard on January 1, 2019 may change because:

- The Group has not finalized the testing and assessment of controls over its new IT systems. The new accounting policies are subject to change until the Group presents its first consolidated financial statement that include the date of initial application.

IFRS (16) introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low value-items. Lessor accounting remains similar to the current standard. IFRS (16) replaces existing leases guidance, including IAS (17) Leases and IFRIC 4 determining whether an arrangement contains a lease.

The estimated impact on applying IFRS (16) on the assets and liabilities is as follows:

<i>Jordanian Dinar</i>	<b>Estimated impact of adoption of IFRS (16)</b>		
	<b>As reported at December 31, 2018</b>	<b>Estimated adjustments due to adoption of IFRS (16)</b>	<b>Estimated adjustments at January 1, 2019 due to adoption of IFRS (16)</b>
RoU assets	-	6,334,000	6,334,000
Prepaid expenses	45,597	-	(45,597)
Lease liabilities	-	(6,334,000)	(6,334,000)

**Leases in which the Group is a lessee**

The Group will recognize new assets and liabilities for its operating leases of sites and rentals. The nature of expenses related to those leases will now change:

Because the Group will recognize a depreciation charge for right-of-use (RoU) assets and interest expenses on lease liabilities.

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Previously, the Group recognized operating lease expense on straight-line basis over the term of the lease, and recognized the asset and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognized.

In addition, the Group will no longer recognize provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

Based in the information currently available, the Group estimates that it will recognize additional lease liabilities of JD 6,334,000 as at January 1, 2019.

No significant impact is expected on other leases in which the Group is a lessee.

**Transition to new standard**

The Group plans to apply IFRS (16) on January 1, 2019, using the second option of the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS (16) will not impact the opening balance of retained earnings at January 1, 2019, and with no restatement of comparative information.

**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 Group operates its activities in major operating segments, which represents the follows:

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

**B- Geographical Segment**

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

<i>Jordanian Dinar</i> <b>For the year end December 31, 2018</b>	<b>Tobacco manufacturing and trading</b>	<b>Energy</b>	<b>Investments</b>	<b>Total</b>
Segment Gross Profit	93,324,510	256,068	-	93,580,578
Administrative expenses	(17,441,981)	(808,525)	(4,587,885)	(22,838,391)
Selling and distribution expenses	(11,868,442)	-	-	(11,868,442)
Dividends from financial assets at fair value through other comprehensive income	-	28,900	-	28,900
Finance cost	(1,518,237)	(102,350)	(9,327,470)	(10,948,057)
Bank interests revenue	183,665	-	1,501	185,166
Gain from sale of property, plant and equipment	10,416	-	-	10,416
Administrative and logistics fees	-	-	10,955,274	10,955,274
Other income	221,450	(689)	89,637	310,398
<b>Segment profits (losses) for the year before tax and board of directors' remuneration</b>	<b>62,911,381</b>	<b>(626,596)</b>	<b>(2,868,943)</b>	<b>59,415,842</b>
Segment total assets	222,784,797	7,144,170	184,125,126	414,054,093
Segment total liabilities	67,026,148	2,721,029	199,137,584	268,884,761
Capital expenditure	11,138,901	12,918	3,543	11,155,362

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<i>Jordanian Dinar</i> <b>For the year end December 31, 2017</b>	<b>Tobacco manufacturing and trading</b>	<b>Energy</b>	<b>Investments</b>	<b>Total</b>
Segment Gross Profit	61,622,676	499,292	-	62,121,968
Administrative expenses	(12,735,779)	(743,525)	(2,087,895)	(15,567,199)
Selling and distribution expenses	(7,174,798)	-	-	(7,174,798)
Dividends from financial assets at fair value through other comprehensive income	-	30,811	-	30,811
Impairment loss on advance payments for investments	-	(149,000)	-	(149,000)
Finance cost	(1,844,466)	(61,592)	(965,625)	(2,871,683)
Bank interests revenue	280,960	-	26,996	307,956
Gain from sale of property, plant and equipment	28,900	-	-	28,900
Administrative and logistics fees	15,467,068	-	-	15,467,068
Other income	242,924	966	(455)	243,435
<b>Segment profits (losses) for the year before tax and board of directors' remuneration</b>	<b>55,887,485</b>	<b>(423,048)</b>	<b>(3,026,979)</b>	<b>52,437,458</b>
Segment total assets	137,605,354	5,404,102	115,627,214	258,636,670
Segment total liabilities	100,948,687	62,857,821	1,481,315	165,287,823
Capital expenditure	6,458,233	5,181	9,749	6,473,163

**5) Cash on hand and at banks**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	100,443	100,806
Current accounts at banks	54,989,233	16,785,280
Deposits at banks *	2,682,608	4,758,702
	<b>57,772,284</b>	<b>21,644,788</b>

\* The maturity date of the deposits is on monthly basis and the interest rate is between 1% to 5.6%.

**6) Trade and other receivables**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Trade receivables	77,525,553	67,622,683
Advance payments to suppliers	2,499,500	1,171,632
Other receivables*	406,943	-
	<b>80,431,996</b>	<b>68,794,315</b>
Expected credit loss provision**	(412,221)	(160,983)
	<b>80,019,775</b>	<b>68,633,332</b>

\* Other receivables represent the amount due from the old partner of Global Arab Trading and Export Company, which will be collected during 2019.

\*\*The movement on the expected credit loss provision was as follow:

<i>Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Balance as of January 1,	160,983	160,983
Additions during the year	251,238	-
	<b>412,221</b>	<b>160,983</b>

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\*The following is the aging of trade receivables :

<i>Jordanian Dinar</i>	<b>Total</b>	<b>0-90 day</b>	<b>91-180 day</b>	<b>181-270 day</b>	<b>271-365 day</b>	<b>More than 365 day</b>
2018	77,525,553	48,957,508	18,468,896	9,555,522	145,415	398,212
2017	67,622,683	44,360,499	15,563,299	7,366,610	171,292	160,983

**7) Inventory**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Raw material	20,242,862	20,168,810
Work in process	212,878	88,908
Finished goods	15,240,671	5,919,453
Goods in transit	515,263	439,102
Spare parts	812,057	896,070
Advertisement and accessories goods inventory	1,670,129	890,175
Consumable goods inventory	177,693	134,209
	<b>38,871,553</b>	<b>28,536,727</b>
Provision for slow-moving items *	(1,145,970)	(188,442)
	<b>37,725,583</b>	<b>28,348,285</b>

\* The Group's management which represented by sales and marketing department calculate the provision for slow moving items which will not use in production process or it is not expected to sell in the coming period for finished and advertising.

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

<i>Jordanian Dinar</i>	<b>For The Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Balance as of 1 January	188,442	-
Provision made during the year	1,145,970	188,442
Disposed during the year	(188,442)	-
	<b>1,145,970</b>	<b>188,442</b>

**8) Other debit balances**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Prepaid expenses	4,822,903	2,855,766
Prepaid income tax	902,249	553,418
Refundable deposits	14,453,590	525,769
Employees receivable	180,078	79,991
Sales and income tax deposits	41,167	22,185
Deferred taxes	46,405	54,846
Taxes on interests	161,719	147,669
Advance payment on projects under construction	1,808,375	180,934
Excise tax	2,626,000	1,519,676
Other	176,130	23,958
	<b>25,218,616</b>	<b>5,964,212</b>
Impairment loss on employees' account	(20,000)	(20,000)
	<b>25,198,616</b>	<b>5,944,212</b>

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**9) Financial assets at fair value through other comprehensive income**

<i>Jordanian Dinar</i>	As of December 31,	
	2018	2017
Quoted market prices *	-	483,691
Unquoted market prices **	150,525	301,025
	<b>150,525</b>	<b>784,716</b>

\* This balance represents the fair value of listed financial assets markets for the Group's share in Bank of Jordan according to the market value as of December 31, 2018 and 2017.

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

**10) Investment property**

<i>Jordanian Dinar</i> Country	Area	Land no	Piece number	As of December 31,	
				2018	2017
UAE – Ajman *	Aljorf	2S	2/1/271	271,028	271,028
Jordan – Amman **	Aljbayha	1	1	403,524	403,524
				<b>674,552</b>	<b>674,552</b>

\*The fair value for Ajman's land as of December 31, 2018 according to average real estate expert valuation amounted to JOD 289,782 (2017: JOD 331,960) 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 2018 according to average real estate expert valuation amounted to JOD 1,818,482 (2017: JOD 2,022,535) 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**

Intangible assets consist of goodwill resulted from acquiring subsidiaries in addition to intangible assets arising from distribution rights as the following details:

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

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

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**B- Fagher Holding- USA purchased on December 4, 2017 100% of Al-Fagher Distribution (Previously Sierra Network) as follow:**

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

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

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

**D- Pioneer Venture Group - purchased during 2018 100% of Al-Fagher Factory- Egypt as follow:**

<i>Jordanian Dinar</i>	<b>Fair value on acquisition</b>	<b>Book value on acquisition</b>
Net assets	(702,514)	(702,514)
Cash paid	2,979,552	
Goodwill from acquisition	<b>3,682,066</b>	



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E- In 2017, the Group purchased the rights of distribution activities for Al Fakher products in 53 countries under an agreement by Al-Fakher Holding Company for Tobacco Trading and Agencies.

On 31 October 2018, the Group completed the acquisition process of purchase the rights of distribution product activities in the market that have been acquired. With reference that the agreement is purchasing agreement for the rights of distribution activities.

Based on the study provided by an expert on the acquisition of the distribution activity, the Group's management recognized the value of distribution rights as follows:

<i>Jordanian Dinar</i>	<u>2018</u>
Distribution rights	79,810,367
Goodwill	53,248,680
	<u>133,059,047</u>

The summary of intangible assets was as follow:

<i>Jordanian Dinar</i>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Distribution rights	79,810,367	-
Goodwill	102,486,633	45,555,887
	<u>182,297,000</u>	<u>45,555,887</u>

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12) Property, plant and equipment

<i>Jordanian Dinar</i>	Land	Vehicles	Other equipment	Computers and office equipment	Furniture and fixture	Tools	Machines and equipment	Buildings	Leasehold improvements	Projects under construction	Total
<b>Cost</b>											
Balance as of January 1, 2018	3,515,741	1,023,850	1,915,296	588,306	820,519	3,313,321	15,694,230	13,279,020	227,246	2,667,823	43,045,352
Additions	108,130	208,005	348,933	376,524	80,157	294,488	551,414	507,272	35,095	8,645,344	11,153,362
Disposal	-	(54,205)	(40,043)	-	-	(44,192)	(84,276)	-	-	-	(222,716)
Transfers	-	-	-	-	-	83,608	-	-	-	(83,608)	-
Balance as of December 31, 2018	<u>3,623,871</u>	<u>1,177,650</u>	<u>2,224,186</u>	<u>964,830</u>	<u>900,676</u>	<u>3,647,225</u>	<u>16,161,368</u>	<u>13,786,292</u>	<u>262,341</u>	<u>11,229,559</u>	<u>53,977,998</u>
<b>Accumulated depreciation</b>											
Balance as of January 1, 2018	-	632,978	1,284,088	364,490	477,373	2,474,262	8,931,813	6,801,517	113,622	-	21,080,143
Depreciation for the year	-	244,439	235,030	168,644	65,290	476,407	1,358,164	1,123,946	58,527	-	3,730,447
Disposal	-	(29,991)	(39,715)	-	-	(31,496)	(83,277)	-	-	-	(184,479)
Balance as of December 31, 2018	-	<u>847,426</u>	<u>1,479,403</u>	<u>533,134</u>	<u>542,663</u>	<u>2,919,173</u>	<u>10,206,700</u>	<u>7,925,463</u>	<u>172,149</u>	-	<u>24,626,111</u>
Net book value as of December 31, 2018	<u>3,623,871</u>	<u>330,224</u>	<u>744,783</u>	<u>431,696</u>	<u>358,013</u>	<u>728,052</u>	<u>5,954,668</u>	<u>5,860,829</u>	<u>90,192</u>	<u>11,229,559</u>	<u>29,351,887</u>
<b>Cost</b>											
Balance as of January 1, 2017	3,515,741	887,971	1,482,197	431,646	780,277	3,083,455	15,527,705	10,668,131	227,246	1,409,986	38,014,355
Additions	-	160,818	174,266	81,687	40,242	245,224	411,630	531,245	-	4,828,051	6,473,163
Disposal	-	(24,939)	(5,191)	(9,346)	-	(17,618)	(405,017)	(980,155)	-	-	(1,442,166)
Transfers	-	-	264,024	84,219	-	2,260	159,912	3,059,799	-	(3,570,214)	-
Balance as of December 31, 2017	<u>3,515,741</u>	<u>1,023,850</u>	<u>1,915,296</u>	<u>588,306</u>	<u>820,519</u>	<u>3,313,321</u>	<u>15,694,230</u>	<u>13,279,020</u>	<u>227,246</u>	<u>2,667,823</u>	<u>43,045,352</u>
<b>Accumulated depreciation</b>											
Balance as of January 1, 2017	-	498,539	1,150,734	320,046	402,762	2,037,824	7,945,877	7,046,529	68,173	-	19,470,484
Depreciation for the year	-	159,378	138,545	53,101	74,611	453,122	1,357,428	734,157	45,449	-	3,015,791
Disposal	-	(24,939)	(5,191)	(8,657)	-	(16,684)	(371,492)	(979,169)	-	-	(1,406,132)
Balance as of December 31, 2017	-	<u>632,978</u>	<u>1,284,088</u>	<u>364,490</u>	<u>477,373</u>	<u>2,474,262</u>	<u>8,931,813</u>	<u>6,801,517</u>	<u>113,622</u>	-	<u>21,080,143</u>
Net book value as of December 31, 2017	<u>3,515,741</u>	<u>390,872</u>	<u>631,200</u>	<u>223,816</u>	<u>343,146</u>	<u>839,059</u>	<u>6,762,417</u>	<u>6,477,503</u>	<u>113,624</u>	<u>2,667,823</u>	<u>21,965,209</u>

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**13) Other credit balances**

<i>Jordanian Dinar</i>	As of December 31,	
	2018	2017
Accrued expenses – advertisement material	1,063,889	1,807,542
Bonus provision	7,686,015	4,902,942
Accrued interest	48,426	1,075,861
Shareholders deposits	679,125	769,068
Contingent liability provision	1,812,708	1,600,103
Accrued expenses	3,433,307	2,793,497
Jordanian universities provision	76,448	76,448
Board of directors' remuneration	45,000	45,000
Humanitarian cases fund	85,583	66,711
Social security deposits	8,642	11,402
Others	473,296	575,068
	<b>15,412,439</b>	<b>13,723,642</b>

**14) Payables due to acquisition**

**14-1 Payables due to acquisition- Short term**

In December 4, 2017, Al Fakher Holding- USA acquired 100% of the capital of Alfakher Distribution USA (Previously Sierra Network), as the remaining investment amount will be paid during 2019.

**14-2 Payables due to acquisition- Long term**

The Group completed the purchase of the rights of distribution activities for Al Fakher products in 53 countries under "an agreement of purchasing the rights of distribution activates". Which resulted in a deferred amount for old owner of the distribution activities of JD 14,180,000 which will be paid in 2020.

**15) Loans and bank facilities**

**15-1 Loans and bank facilities – Short term**

Bank's name	Facility type	As of December 31,	
		2018	2017
<i>In Jordanian Dinar</i>			
Bank of Jordan	Overdraft	1,205,470	1,080,815
Bank of Jordan (1)	Loan	15,930,000	15,930,000
Bank of Jordan (2)	Loan	37,155	32,931
Bank of Jordan (3)	Loan	129,300	-
Bank of Jordan (4)	Loan	37,116	-
Housing Bank (5)	Loan	1,646,673	1,098,816
Credit Suisse (6)	Syndicated loan	59,083,333	-
Bank of Jordan	Loan	-	25,000,000
Cairo Amman Bank	Loan	-	28,359,868
Arab Jordanian Investment Bank	Loan	-	14,200,000
		<b>78,069,047</b>	<b>85,702,430</b>

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**15-2 Loans and Bank facilities – Long term**

Bank's name	Facility type	As of December 31,	
		2018	2017
<i>In Jordanian Dinar</i>			
Bank of Jordan (2)	Loan	282,378	317,088
Bank of Jordan (3)	Loan	711,050	-
Bank of Jordan (4)	Loan	210,324	-
Housing Bank (5)	Loan	7,164,960	8,813,184
Credit Suisse (6)	Syndicated loan	118,166,667	-
		<b>126,535,379</b>	<b>9,130,272</b>

1. Al Fakher Tobacco for Trading and Agencies Company – subsidiary company obtained a credit facilities in the year 2013 from the Bank of Jordan amounted 25,000,000 USD, (17,700,000 JOD) which represent a reducing loan, that will be settled in one payment on January 4, 2014 with a LIBOR of +2%. The loan payment due date has been extended during the years 2014, 2015, 2016 and 2017 and lastly in December 27, 2018, as the loan payments due date has been extended to be settled in one payment on March 31, 2019 with a LIBOR 3 months + %3.75 and without a limit and with the guarantee of Al- Eqbal investment company.

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

2. Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JOD 571,200. The loan is subject to 4.5% and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 108 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.
3. Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JOD 905,000. The loan is subject to 4 % and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 84 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.
4. Spectrum Company has signed an agreement to grant a loan from bank of Jordan to purchase a land for Al zaytoun maounten project amounted to JOD 282,000. The loan is subject to 8.375% and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 84 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.
5. Al-Fakher for Trading Tobacco and Agencies Company obtained credit facilities from the Housing Bank with an amount of USD 14 million for the purpose of distributing dividends, where the loan is paid over maximum seven years including one year of grace period and installments are paid monthly per annum amounted to USD 194,000 and by the end of the seventh year, the remaining balance of the loan will be paid in one installment with interest of 1 month LIBOR + 2.25 with minimum of 3.25% with a guarantee of Eqbal Investment Company.

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6. Al-Fakher for Trading Tobacco and Agencies Company – Cayman island obtained a bank loan amounted to USD 250 Million with an interest rate ranging from 3% to 3.25% + 3 months of LIBOR. And the first installment is due on June 30, 2019. With the following guarantees:
- Guarantee the shares of Al Eqbal Investment company in Al-Fakher Holding Company for Tobacco and Agencies Trading - Cayman Islands.
  - Guarantee the shares of Al-Fakher Holding Company for Tobacco and Agencies Trading in Al Fakher Tobacco Company.
  - Guarantee the shares Al Fakher international in Pioneer Venture.
  - Mortgaging the equipment only in addition to the land lease of Ajman.

The Bank of Jordan is considered related party as the group has total loans and bank facilities amounted to 18,542,793 JD from bank of Jordan.

16) **Cost of sales**

<i>Jordanian Dinar</i>	<b>For the year end December 31,</b>	
	<b>2018</b>	<b>2017</b>
Raw Materials beginning of the year	20,168,810	15,152,781
Raw Material from the acquired companies	493,919	-
Raw Material purchases during the year	72,331,998	85,126,717
Raw Materials end of the year	(20,242,862)	(20,168,810)
<b>Raw Materials used in production</b>	<b>72,751,865</b>	<b>80,110,688</b>
Work in process - beginning of the year	88,908	164,721
Indirect manufacturing cost*	19,902,554	17,809,543
Work in process - end of the year	(212,878)	(88,908)
<b>Cost of goods Manufactured</b>	<b>92,530,449</b>	<b>97,996,044</b>
Finished Goods-beginning of the year	5,919,453	1,980,067
Finished Goods from the acquired companies	7,529,790	-
Cost of finished goods purchases	1,343,570	-
Finished Goods- End of the year	(15,240,671)	(5,919,453)
<b>Cost of goods sold</b>	<b>92,082,591</b>	<b>94,056,658</b>
<b>Add:</b>		
Cost of distributed goods and promotional materials	3,711,182	9,548,809
Cost of selling advertising goods	510,235	1,116,897
<b>Subtract:</b>		
Cost of free distributed goods	(1,036,513)	(5,100,445)
Cost of goods returned to manufacturing	(241,811)	(88,956)
	<b>95,025,684</b>	<b>99,532,963</b>

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\*Manufacturing cost includes the following

<i>Jordanian Dinar</i>	<b>For the year end December 31,</b>	
	<b>2018</b>	<b>2017</b>
Depreciation and amortization	3,504,175	3,158,881
Salaries, wages, overtime and related expenses	5,900,755	5,071,487
Employees' rewards	1,923,730	1,156,597
Fuel	1,044,569	851,249
General maintenance	326,932	606,395
Repairs expenses and spare parts	778,874	745,461
Consumed materials and tools	591,753	626,017
Rent expenses	844,257	707,619
End of services indemnity	372,174	405,544
Damaged materials	312,249	56,681
Training expenses and employees' residency	176,987	193,692
Electricity and water	479,956	520,063
Insurance expense	416,282	333,000
Travel and transportation	191,743	176,994
Customs expenses	-	248,560
Cost of returned goods to manufacturing	219,542	6,551
Project expenses	691,236	1,966,697
Export and shipping fees	124,941	62,196
Fees and subscriptions	206,362	114,139
Consulting expenses	44,160	48,417
Food and hospitality expenses	348,386	206,896
Cleaning expenses	183,957	196,760
Provision for slow moving items	1,145,970	188,442
Other expenses	73,564	161,205
	<b>19,902,554</b>	<b>17,809,543</b>

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17) Administrative expenses

<i>Jordanian Dinar</i>	For the year end December 31,	
	2018	2017
Salaries, wages and related expenses	6,739,108	4,942,519
Employees' rewards	5,300,947	2,892,880
Donations	398,550	361,464
Travel expenses	834,962	716,777
Studies and consultations	1,026,169	1,648,264
End of service indemnity	519,854	451,239
Depreciation and amortization	550,787	294,169
Rent expenses	471,800	364,889
Legal and consulting fees	2,757,686	677,197
Professional, Studies and consultations fees	760,174	1,258,403
Fees and subscriptions	280,185	299,505
Health insurance	457,561	194,847
Communications expenses	82,313	147,514
Board of directors transportation	150,000	174,950
Bdaya project	101,571	112,985
Trade marks expenses	56,725	20,899
Advertisement	40,946	20,275
Transportation	166,308	116,273
Hospitalities	85,764	45,745
Bank commission	921,775	47,111
Stationary and printings	58,351	47,149
Vehicles expenses	24,044	20,022
General maintenance	25,876	33,748
Consumed materials	121,701	11,075
Electricity and water	61,092	14,643
Cleaning expenses	23,492	16,367
Fuel	28,802	24,269
Training	67,705	66,534
Audit committee fees	6,000	6,000
Advertising material management	26,400	86,159
Tax contingent liabilities provision	212,605	-
Other	479,138	453,328
	<b>22,838,391</b>	<b>15,567,199</b>

- Executive management short term salaries and remunerations for Eqbal Company and it's subsidiaries for the year ended December 31, 2018 amounted to JOD 3,326,215 (December 31, 2017: JOD 2,025,689).

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**18) Selling and distribution expenses**

<i>Jordanian Dinar</i>	For the year end December 31,	
	2018	2017
Salaries, wages, overtime and related expenses	3,310,165	1,484,467
Employees' rewards	1,079,182	664,047
Export and shipping expenses	713,198	267,218
Exhibit expenses	413,371	407,644
Lawsuits expenses	281,714	671,893
Travel and residency	720,309	325,455
Studies and consultations	250,919	56,301
Designs expense	1,690,317	1,820,551
Materials	252,151	235,478
End of service of indemnity	203,543	160,366
Communications expenses	6,399	38,546
Damaged and absolute goods	169,995	154,571
Advertising expense	2,035,117	707,698
Rent expense	13,744	11,882
Health insurance	68,858	41,087
Depreciation and amortization	50,907	16,335
Transportation	4,892	43,846
Hospitality	32,139	11,823
Expected credit loss provision	251,238	-
Training	54,751	19,965
Other	265,533	35,625
	<b>11,868,442</b>	<b>7,174,798</b>

**19) Dividends**

The following table described the declared dividends by the Group:

<i>Jordanian Dinar</i>	As of December 31,	
	2018	2017
Cash Dividends distributed*	-	40,000,000
	-	40,000,000

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

**20) Income tax**

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

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

<i>Jordanian Dinar</i>	For the year ended as of December 31,	
	2018	2017
Balance at the beginning of the year	6,021,753	5,609,153
Income tax expense for the year	7,716,898	5,693,123
Income tax paid during the year	(6,515,061)	(5,280,523)
Balance at the end of the year	<b>7,223,590</b>	<b>6,021,753</b>



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Income tax expense recognized based on group's management estimate of enacted of average annual tax rate for the whole financial year which is applied on the profit before tax for the year. The group makes a reconciliation between taxable income and financial income. The effective tax rate for the group which applied on the profit is 13% as for the year ended December 31, 2018 (December 31, 2017: 10.86%) .

**21) Earnings per share**

<i>Jordanian Dinar</i>	<b>For the year ended as of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Profit for the year (JD)	51,653,944	46,699,335
Weighted average for number of shares (Share)	60,000,000	60,000,000
<b>Earnings per share for the year</b>	<b>0.86</b>	<b>0.78</b>

The earnings per share was calculated by dividing the profit for the year on the number of outstanding shares amounting to 60 million shares as of December 31, 2018.

The weighted average for number of shares was adjusted for comparative year, as the company has capitalized 30 million free shares from the retained earnings.

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

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

<i>Jordanian Dinar</i>	<b>For the year ended as of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Balance as of 1 January	4,344,446	3,880,311
Provision for the year	1,055,014	1,017,149
Paid during the year	(114,477)	(553,014)
<b>Balance at the end of the year</b>	<b>5,284,983</b>	<b>4,344,446</b>

**23) Contingent liabilities**

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

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Bank guarantees	11,040,578	2,405,471
	<b>11,040,578</b>	<b>2,405,471</b>

Against cash margins represented as follow:

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash margins	8,975,403	170,755
	<b>8,975,403</b>	<b>170,755</b>

- 1) 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 JD 111,756 in addition to a legal compensation amount of JD 46,123. A decision was issued in the case to accept the lawsuit and prevent the tax department from claiming the company the amount of the tax difference because of a formal error

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in the procedures of issuing the final decision of the Tax Department, with the possibility that the tax department to correct the procedures and raise a new claim against the company with the tax amount.

- 2) 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 Tax Court decision was issued containing the cancelation of the decision of the Income Tax Department as well as preventing them from claiming the company for the amounts mentioned, and reserving an amount of JOD 288,681 for income tax and JD 111,372 for the education support fund and JD 166,715 as a legal compensation. As the company filed a discriminatory appeal against the decision and the lawsuit is currently at the Supreme Court.

Based on the tax consultant and the group's management opinion, the company will not pay more than the amounts contained in the experience report, as the company booked an addition amount of provision amounted to JOD 212,000 during the first quarter in 2018.

- 3) 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 with an amount of JD 15,749,062 for the years 2012,2013,2014,2015 and 2016 and an amount of JD 9,510,970 as legal compensation, and the case is still pending.

Based on the Group's management and it's legal consultant opinion, the probability of winning the legal case is high because the profit is from a branch and not from an investment. In Addition, the company has paid the due payments to the Tax Department in Aqaba.

And the company booked an extra provision amounted to JD 1,386,102 for the year 2015.

- 4) The old partner of Al Fakher distribution company (previously Sierra Network) filed a lawsuit as a compensation on the value of selling the company (Sierra) Against, Al Fakher distribution, Al Fakher holding company- USA and Al-Fakher for Trading Tobacco and Agencies Company and asked for a compensation amounted to JD 2,493,160.

Based on the Group's management and tax consultant opinion, the probability of winning the legal case is very high and if the amount required must be paid, it will be deducted from the old partners' payments.

24) **Other Income**

<i>Jordanian Dinar</i>	<b>For the year end December 31,</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange rate and prices	137,578	(749,619)
Scrap sales	120,102	966,140
Other	52,718	26,914
	<b>310,398</b>	<b>243,435</b>

25) **Advance Payment for Investments**

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

- Spectrum International for Renewable Energy- has invest in a joint project in Sol In Par S.R.L – Italy, where the company paid an advance payment amounted to JD 863,871.

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**26) Administrative and logistics fees**

The owner of distribution activities was charged costs related to the administrative and logistics before the acquisition. And the value that was charged on the owner of the distribution activities amounted to JD 10,955,274 for the year ended at December 31, 2018. (JD 15,467,068 for the year ended at December 31, 2017).

**27) Increasing Capital**

The General Assembly decided in the extraordinary meeting on June 3, 2018 to increase its capital by 30,000,000 shares through capitalizing retained earnings by an amount of JD 30,000,000 to become the authorized and paid-up capital of 60,000,000 (1 JD/share)

**28) 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 statutory reserve calculated based on the results of standalone financial statements for Eqbal Investment Company and its subsidiaries which subject to Jordanian Companies Law.

**29) 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 Group's 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, trade and other receivables and other debit balances.

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

<i>Jordanian Dinar</i>	Carrying value as at	
	2018	2017
Current accounts and deposits at banks	57,671,841	21,543,982
Trade and other receivables	80,019,775	68,633,332
Other debit balances	14,625,764	609,718
	<b>152,317,380</b>	<b>90,787,032</b>

**Trade and other receivables**

The Group applies IFRS 9 a simple approach that measures the expected credit loss which uses the provision of expected aging credit loss for receivables.

- For the purpose of measuring expected credit loss, receivables are gathered based on common credit risk characteristics and on the maturity of the receivables. The Group has therefore summarized the expected loss ratios for receivables as approximate and reasonable with respect to loss ratios for receivables.
- The expected loss ratios have been prepared on the basis of payments / repayments of receivables during the period from January 1, 2018 to December 31, 2018 and similar historical credit losses tested during this period. The historical loss ratios have been adjusted to reflect the impact of research information on macroeconomic factors, affecting the ability of customers to repay receivables.

**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:

<u>As of December 31, 2018</u>	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
<i>Jordanian Dinar</i>				
Deferred cheques -Short Term	380,655	(380,655)	(380,655)	-
Accounts payable	17,615,290	(17,615,290)	(17,615,290)	-
Other credit balances	15,412,439	(15,412,439)	(15,412,439)	-
Income tax provision	7,223,590	(7,223,590)	(7,223,590)	-
Payables due to acquisitions	18,363,378	(18,363,378)	(4,183,378)	(14,180,000)
Loans and Bank facilities	204,604,426	(204,604,426)	(78,069,047)	(126,535,379)
Provision of employees' end of service indemnity	5,284,983	(5,284,983)	-	(5,284,983)
	<b>268,884,761</b>	<b>(268,884,761)</b>	<b>(122,884,399)</b>	<b>(146,000,362)</b>

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<u>As of December 31, 2017</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>less than a year</u>	<u>More than a year</u>
<i>Jordanian Dinar</i>				
Deferred cheques -Short Term	299,479	(299,479)	(299,479)	-
Accounts payable	13,901,441	(13,901,441)	(13,901,441)	-
Other credit balances	13,723,642	(13,723,642)	(13,723,642)	-
Income tax provision	6,021,753	(6,021,753)	(6,021,753)	-
Payables due to acquisitions	32,164,360	(32,164,360)	(29,505,610)	(2,658,750)
Loans and Bank facilities	94,832,702	(94,832,702)	(85,702,430)	(9,130,272)
Provision of employees' end of service indemnity	4,344,446	(4,344,446)	-	(4,344,446)
	<u>165,287,823</u>	<u>(165,287,823)</u>	<u>(149,154,355)</u>	<u>(16,133,468)</u>

- **Market risk**

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

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

- **Currency Risk**

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

The following is a summary of the quantitative information related to the Group facing currency risk provided to management of the Group based on the risk management policy:

<u>As of December 31, 2018</u>	<u>31 December 2018</u>			
	<u>EURO</u>	<u>EGP</u>	<u>SAR</u>	<u>TRY</u>
<i>Jordanian Dinar</i>				
Cash on hand and at banks	12,665,128	4,335,038	448,416	77,127
Trade and other receivables	1,246,577	497,792	1,387,420	9,971
Other debit balances	155,253	87,288	5,072,211	86,960
Accounts payable	-	2,120,131	27,668	-
Other credit balances	31,089	1,871,741	359,320	611,837
	<u>14,098,047</u>	<u>8,911,990</u>	<u>7,295,035</u>	<u>785,895</u>

- **Sensitivity analysis**

A 10 % strengthening of the JD against Euro, Egyptian pound, Saudi riyal and Turkish lira at 31 December would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

<u>Jordanian Dinar</u>	<u>Increased</u>	<u>Decreased</u>
<u>As of December 31, 2018</u>	<u>Profit or (loss)</u>	<u>Profit or (loss)</u>
EURO	1,409,804	(1,409,804)
EGP	891,199	(891,199)
SAR	729,503	(729,503)
TRY	78,585	(78,585)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**- Interest rate risk**

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

<i>Jordanian Dinar</i>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
<b>Fixed Rate Instruments:</b>		
Financial Assets	2,682,608	4,758,702
<b>Variable rate instrument</b>		
Financial Liabilities	(204,604,426)	(94,832,702)

**- Other market price risk**

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

**- Share price risk**

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

<i>Jordanian Dinar</i>	<u>Equity</u>	
	<u>5% Increase</u>	<u>5% decrease</u>
<b>As of December 31, 2018</b>		
Financial assets at fair value through other comprehensive income	7,526	(7,526)
	<u>7,526</u>	<u>(7,526)</u>
<b>As of December 31, 2017</b>		
<i>Jordanian Dinar</i>		
Financial assets at fair value through other comprehensive income	39,236	(39,236)
	<u>39,236</u>	<u>(39,236)</u>

**- Capital management**

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

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

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

The group is not subject to externally imposed capital requirements.

**Debt-to-adjusted Capital Ratio**

<i>Jordanian Dinar</i>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Total Debt	268,884,761	165,287,823
(Less) cash on hand and at banks	(57,772,284)	(21,644,788)
Net Debt	<u>211,112,477</u>	<u>143,643,035</u>
Net Shareholders' equity	145,169,332	93,348,847
Adjusted capital	<u>145,169,332</u>	<u>93,348,847</u>
Debt - to- adjusted capital ratio	<u>1.45</u>	<u>1.54</u>

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**30) Fair value hierarchy**

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

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

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

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

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

**- Assets and liabilities measured at fair value on a non-recurrent basis:**

The Group measures below assets and liabilities at fair value on a non-recurrent basis

<i>Jordanian Dinar</i>	<b>Book Value</b>		<b>Fair Value</b>		
	<b>Financial assets at amortized cost</b>	<b>Other financial liabilities</b>	<b>Level (1)</b>	<b>level (2)</b>	<b>level (3)</b>
<b>December 31, 2018</b>					
<b>Financial assets</b>					
Cash on hand and at banks	57,772,284	-	57,772,284	-	-
Financial assets at fair value through statement of other comprehensive income	150,525	-	-	150,525	-

<i>Jordanian Dinar</i>	<b>Book Value</b>		<b>Fair Value</b>		
	<b>Financial assets at amortized cost</b>	<b>Other financial liabilities</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>level (3)</b>
<b>December 31, 2017</b>					
<b>Financial assets</b>					
Cash on hand and at banks	21,644,788	-	21,644,788	-	-
Financial assets at fair value through statement of other comprehensive income	784,716	-	483,691	301,025	-

**\* Fair value in accordance with level (2)**

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.

**- Assets and liabilities not measured at fair value:**

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

<i>Jordanian Dinar</i>	<b>Book Value</b>		<b>Fair Value</b>		
	<b>Financial assets at amortized cost</b>	<b>Other financial liabilities</b>	<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>
<b>December 31, 2018</b>					
<b>Financial assets</b>					
Trade and other receivables	80,019,775	-	-	80,019,775	-
Other debit balances	25,198,616	-	-	25,198,616	-
<b>Financial liabilities</b>					
Deferred cheques	(380,655)	-	-	(380,655)	-
Accounts payable	(17,124,457)	-	-	(17,124,457)	-
Other credit balances	(15,412,439)	-	-	(15,412,439)	-
Payables due to acquisition	(18,363,378)	-	-	(18,363,378)	-
Loans and Bank facilities	(204,604,426)	-	-	(204,604,426)	-

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There are no transfers between the levels until the end of the financial year ended as of December 31, 2018.

<i>Jordanian Dinar</i>	Book Value		Fair Value		
	Financial assets at amortized cost	Other financial liabilities	Level (1)	Level (2)	level (3)
<b>December 31, 2017</b>					
<b>Financial assets</b>					
Trade and other receivables	68,633,332	-	-	68,633,332	-
Other debit balances	5,944,212	-	-	5,944,212	-
<b>Financial liabilities</b>					
Deferred cheques	(299,479)	-	-	(299,479)	-
Accounts payable	(13,901,441)	-	-	(13,901,441)	-
Other credit balances	(13,723,642)	-	-	(13,723,642)	-
Payables due to acquisition	(32,164,360)	-	-	(32,164,360)	-
Loans and Bank facilities	(94,832,702)	-	-	(94,832,702)	-

There are no transfers between the levels until the end of the financial year ended as of December 31, 2017.

Management believes that the carrying amounts of financial assets and liabilities appearing in the financial statements approximate to the fair values.

**31) Comparative figures**

The comparative figures represent the consolidated statement of financial position as at 31 December 2017, in addition to the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017.