

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE THREE MONTHS
ENDED MARCH 31, 2017**

**TOGETHER WITH THE INDEPENDENT AUDITOR'S
REPORT ON THE REVIEW OF THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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**Independent Auditor's Report on the Review of the Condensed Consolidated Interim
Financial Information**

**To Chairman and the Members of Board of Directors
Al-Eqbal Investment Company
(Public Shareholding Company)
Amman – Jordan**

We have reviewed the accompanying condensed consolidated interim financial information of **Al-Eqbal Investment Company – Public Shareholding Company- and its subsidiaries (“the Group”)** as at 31 March 2017 which comprise condensed consolidated interim statements of financial position and the related condensed consolidated interim statements of profit or loss and other comprehensive income, Changes in Shareholders' Equity and cash flows for the three months period then ended and the notes about condensed consolidated interim financial information. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard number (34) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2017 is not prepared, in all material respects, in accordance with International Accounting Standard number (34) “Interim Financial Reporting”.



Emphasis of matter

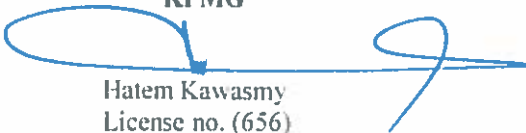
Without qualifying our opinion, we draw attention to the followings:

- As mentioned in note (13) to the condensed consolidated interim financial information which describes that the Company's subsidiary (Al Fakher for tobacco trading and agencies) filed a lawsuit with the first instance court to object on the decision taken by the Income and Sales Tax department of Jordan for imposing taxes for the years 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation with an amount of JD 3,889,245 and filed a lawsuit with the first instance court to object on the decision taken by the Income and Sales Tax department of Jordan for imposing a tax for the year 2012 with an amount of JD 3,253,058 and legal compensation with an amount of JD 2,602,446 due to the fact that the Income and Sales Tax department of Jordan considers Al Fakher for tobacco trading and agencies in Ajman-(United Arab Emirates) as a subsidiary and not a branch. The Lawsuit is still pending in the first instance court. The Company's Management, tax consultant and legal consultant opinion is that the probability of winning the lawsuit is high. The ultimate outcome of the lawsuit cannot reliably be determined and accordingly, no additional provision has been recorded in the condensed consolidated interim financial information against any consequences that may arise on the Group.
- As mentioned in note (13) to the condensed consolidated interim financial information which describes that the company filed a lawsuit with the First Instance Court to object on the decisions taken by income and sales tax employee's for imposing sales tax on the company amounted to JD 288,000 in addition to penalty amounted to JD 576,000. The Company's Management and legal consultant opinion is that the probability of winning and cancelling the lawsuit is high. Accordingly, no provision has been recorded in condensed consolidated interim financial information against any consequences that may arise on the Group.

Other Matter

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

Kawasmy and Partners
KPMG


Hatem Kawasmy
License no. (656)

Amman - Jordan
April 26, 2017



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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<i>Jordanian Dinar</i>	Note	March 31, 2017 (Reviewed not audited)	December 31, 2016 (Audited)
Assets			
Current assets			
Cash on hand and at banks		16,914,815	49,729,435
Cheques under collection		-	28,360
Trade and other receivables		38,887,429	25,617,883
Inventory		21,005,558	19,477,577
Other debit balances		5,433,866	4,496,347
Total current assets		82,241,668	99,349,602
Non-current assets			
Financial assets at fair value through statement of other comprehensive income	6	783,711	914,633
Investment property		674,552	674,552
Intangible assets-Goodwill from acquisition of subsidiary		6,602,986	6,602,986
Property, plant and equipment	7	19,195,266	18,543,871
Advance payments for Investments	8	2,319,271	897,066
Total non-current assets		29,575,786	27,633,108
Total assets		111,817,454	126,982,710
Liabilities and Shareholders' Equity			
Current liabilities			
Deferred cheques -Short Term		612,352	358,410
Accounts payable		11,940,696	7,163,620
Other credit balances		17,108,506	7,406,230
Income tax provision	12	6,661,346	5,609,153
Loans and Bank facilities mature within a year	9	15,930,000	15,930,000
Total current liabilities		52,252,900	36,467,413
Non-current liabilities			
Provision of employees' end of service indemnity		4,037,354	3,880,311
Total non-current liabilities		4,037,354	3,880,311
Total liabilities		56,290,254	40,347,724
Shareholders' Equity			
Capital	1	30,000,000	30,000,000
Statutory reserve		13,897,311	13,897,311
Cumulative change in fair value		273,892	340,934
Retained earnings		11,355,997	42,396,741
Total Shareholders' Equity		55,527,200	86,634,986
Total Liabilities and Shareholders' Equity		111,817,454	126,982,710

The accompanying notes on pages (7) to (19) are an integral part of these condensed consolidated interim financial information and should be read with it and with the independent auditor's report.

Chairman of Board of Directors

Financial Manager

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

<i>In Jordanian Dinars</i>	<u>Note</u>	<u>For the three months ended March 31,</u>	
		<u>2017</u>	<u>2016</u>
		<u>(Reviewed not audited)</u>	<u>(Reviewed not audited)</u>
Net sales		37,050,663	36,453,312
Cost of sales		(20,152,936)	(19,902,032)
Gross profit		16,897,727	16,551,280
Administrative expenses		(2,781,390)	(2,447,686)
Selling and distribution expenses		(4,467,185)	(3,046,340)
Gain from sale of shares in associate company		-	94,613
Profit from operating activities for the period		9,649,152	11,151,867
Net finance income		97,938	57,563
Other income (expenses)		224,789	(80,849)
Loss from sale of property, plant and equipment		(15,292)	-
Profit for the period before contingent liability provision and income tax provision		9,956,587	11,128,581
Contingent liability provision	13	-	(465,316)
Profit for the period before income tax provision		9,956,587	10,663,265
Income tax expense for the period	12	(1,052,193)	(698,057)
Profit for the period		8,904,394	9,965,208
Statement of other comprehensive income items:			
Items that will never be reclassified to statement of profit or loss			
Gain from sale of financial assets at fair value through other comprehensive income		90,740	-
Change in fair value for financial assets through of other comprehensive income		(102,920)	26,161
Total comprehensive income for the period		8,892,214	9,991,369
Basic and diluted earnings per share for the period (JD / share)		0.30	0.33

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Chairman of Board of Directors

Financial Manager

AL-EQBAL INVESTMENT CO'MPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In Jordanian Dinars

	Capital	Statutory reserve	Cumulative change in Fair value	Retained Earnings	Total
<u>Changes for the three months ended March 31, 2017</u>					
<u>(Reviewed not audited)</u>					
Balance as at 1 January 2017	30,000,000	13,897,311	340,934	42,396,741	86,634,986
Profit for the period	-	-	-	8,904,394	8,904,394
Other comprehensive income for the period	-	-	(102,920)	90,740	(12,180)
Transferred from fair value reserve	-	-	35,878	(35,878)	-
Dividends during the period (Note 10)	-	-	-	(40,000,000)	(40,000,000)
Balance as of March 31, 2017	<u>30,000,000</u>	<u>13,897,311</u>	<u>273,892</u>	<u>11,355,997</u>	<u>55,527,200</u>
<u>Changes for the three months ended March 31, 2016</u>					
<u>(Reviewed not audited)</u>					
Balance as at 1 January 2016	25,000,000	13,897,311	1,021,083	34,305,207	74,223,601
Profit for the period	-	-	-	9,965,208	9,965,208
Other comprehensive income for the period	-	-	26,161	-	26,161
Dividends during the period (Note 10)	-	-	-	(25,000,000)	(25,000,000)
Balance as of March 31, 2016	<u>25,000,000</u>	<u>13,897,311</u>	<u>1,047,244</u>	<u>19,270,415</u>	<u>59,214,970</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

<i>In Jordanian Dinars</i>	For the three months ended March 31,	
	2017 (Reviewed not audited)	2016 (Reviewed not audited)
Cash flows from operating activities		
Profit for the period before income tax	9,956,587	10,663,265
Adjustments:		
Contingent liability provision	-	465,316
Depreciation	722,016	882,676
Key-money amortization	94,099	86,560
Loss from sale of property, plant and equipment	15,292	-
Bank deposits revenue	(237,210)	(178,725)
Finance cost	139,272	121,162
End of service indemnity provision	205,772	245,345
	10,895,828	12,285,599
Changes in:		
Trade and other receivables	(13,269,546)	(6,092,039)
Cheques under collection	28,360	54,803
Due to related party	-	(173,523)
Inventory	(1,527,981)	2,893,392
Other debit balances	(1,031,618)	(2,041,956)
Accounts payables and deferred cheques	5,031,018	550,022
Other credit balances	(2,080,827)	473,416
	(1,954,766)	7,949,714
Income tax paid	-	(738,406)
End of service indemnity paid	(48,729)	(6,537)
Net cash flow (used in) from operating activities	(2,003,495)	7,204,771
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,404,998)	(527,698)
Dividends for investments	(1,422,205)	(820,873)
Proceeds from sale property, plant and equipment	16,295	-
Proceeds from sale of financial assets at fair value through other comprehensive income	118,742	-
Net cash flow used in investing activities	(2,692,166)	(1,348,571)
Cash flows from financing activities		
Finance cost paid	(139,272)	(121,162)
Earned bank deposits revenue	237,210	178,725
Dividends	(28,216,897)	(20,712,152)
Net cash flow used in financing activities	(28,118,959)	(20,654,589)
Net changes in cash on hand and at banks during the period	(32,814,620)	(14,798,389)
Cash on hand and at banks at the beginning of the year	49,729,435	45,121,377
Cash on hand and at banks at the end of the period	16,914,815	30,322,988

The companying notes on pages (7) to (19) are an integral part of these condensed consolidated interim financial information and should be read with it and with the independent auditor's report.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1) GENERAL

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

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

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

The company's main objectives include the following:

- Owning commercial agencies.
 - Trade intermediaries (except dealing with International stocks).
 - Engaging in brokerage and trading tenders.
 - Import and export.
 - 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 money from banks.
- The condensed consolidated interim financial information were approved by the Board of Directors on April 26, 2017.

2) BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

a) Statement of compliance

- The condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting" which selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016.
- These condensed consolidated interim financial information should be read with the consolidated financial statements for the year ended December 31, 2016. As well as the financial performance for the condensed consolidated interim financial period ended March 31, 2017 does not necessarily give an indication for the expected financial performance for the year that will be ending on December 31, 2017. In addition, no appropriation has been made on the profit for the period to reserves, which will be appropriated in the annual consolidated financial statements at the end of the year 2017.
- These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards.

**AL-EQBAL INVESTMENT COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

b) Basis of condensed consolidated interim financial information

The condensed consolidated interim financial information comprise the consolidated financial information of Al Eqbal Investment Company (the parent company) and its subsidiaries, which are subject to its control. Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of the subsidiaries are included in the consolidated financial information from the date on which controls commences until the date on which control ceases.

<u>Company Name</u>	<u>Capital</u>	<u>Percentage of ownership</u> %	<u>Nature of operation</u>	<u>Country of operation</u>
Al Fakher for Trading Tobacco and Agencies*	6,000,000	100	Trading Tobacco	Jordan
Spectrum International for renewable energy	6,000,000	100	Renewable energy	Jordan
International Cigarettes and Tobacco Company (Under liquidation)	6,000,000	100	Trading Tobacco	Jordan
Pioneer Venture Company**	35,464	100	Trading	UAE

*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 Islands

**Al Fakher Holding 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 Tobacco F.Z.E ***	35,705	100	Investments	UAE
Al Fakher International	7,100	100	Tobacco	Cayman Islands

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

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

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

<i>In Jordanian Dinar</i>	As of March 31, 2017			
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenue</u>	<u>Profit (loss) for the year</u>
Al Fakher for Trading Tobacco and Agencies	104,908,325	(83,516,820)	36,763,845	9,391,505
Spectrum International for Renewable Energy	5,538,784	(1,234,759)	286,818	(157,485)
International Cigarettes and Tobacco Company (under liquidation)	4,249,070	-	-	-
Pioneer Company	21,093	(128,980)	-	(9,362)

The Group accounts for business combinations of a subsidiary in the condensed consolidated interim statement of profit and loss and other comprehensive income starting from the date of the acquisition which is the date when control is transferred to the Group.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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 condensed consolidated interim statement of profit or loss and other comprehensive income immediately. Transactions costs are expensed as incurred in the condensed consolidated interim statement of profit or loss and other comprehensive income 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 the condensed consolidated interim statement of profit or loss and other comprehensive income.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as shareholders' equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the condensed consolidated interim statement of profit or loss and other comprehensive income.

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

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the condensed consolidated interim 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 condensed consolidated interim financial information.

c) Use of judgments and estimates

- These condensed consolidated interim financial information have been prepared in accordance with IAS 34, "interim financial reporting" which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
- In preparing these condensed consolidated interim financial information, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

**AL-EQBAL INVESTMENT COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3) SIGNIFICANT ACCOUNTING POLICIES

The company has adopted early International Financial Reporting Standard IFRS 9 “Financial Instruments” to be applied on the financial statement that begins on the first of January 2011 based on the instructions of security exchange commission .This standard is mandatory well be applied internationally on January 1,2018.

The accounting policies applied by the company in these condensed consolidated interim financial information for the three months ended March 31, 2017 are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2016. Except the International Financial Reporting Standards are effective for annual years beginning after 1 January 2017, as follow:

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization.
- Amendments to IAS 16: Property, plant and equipment and 41: Bearer plants.
- Amendments to IAS 27: Equity method in separate financial statements.
- Yearly improvements on IFRS for the periods 2012-2014.
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities Applying the consolidation exception.
- Amendments to IAS 1.

International Financial Reporting Standards which are not applicable yet and available for early application:

- International Financial Reporting Standards (15): Revenue from contracts with customers (effective on January 1, 2018).
- International Financial Reporting Standards (9): Financial Instruments (effective on January 1, 2018)
- International Financial Reporting Standards (16): Leases (effective on January 1, 2019).

The application of these new standards does not materially effect on the condensed interim financial information and related notes.

4) FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

- Generally, the group’s objectives, policies and processes for managing risk are the same as those disclosed in its financial statements as of and for the year ended December 31, 2016.
- There have been no changes in the group’s approach to capital management during the current financial interim period neither the group is subject to externally imposed capital requirements.
- Fair value hierarchy for the financial assets in equity instruments has been disclosed in Note 15.

5) 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 economic environments known as geographical segment.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

A- Operating Segment

The group operates its activities in major operating segments, which represents the followings:

- Tobacco manufacturing and trading.
- Investments
- Energy.

B- Geographical Segment

The group operates its activities inside and outside of the Hashemite Kingdom of Jordan.

<i>In Jordanian Dinar</i>	Tobacco manufacturing and trading	Energy	Investment	Total
<u>For the three months ended March 31, 2017</u>				
<u>(Reviewed not audited)</u>				
Segment net revenue	16,886,343	11,384	-	16,897,727
Gross segment revenue for the period	<u>16,886,343</u>	<u>11,384</u>	<u>-</u>	<u>16,897,727</u>
Administrative expenses	(2,282,272)	(169,566)	(329,552)	(2,781,390)
Selling and distribution expenses	(4,467,185)	-	-	(4,467,185)
Other income (expense)	224,164	696	(71)	224,789
Net finance income	97,938	-	-	97,938
Loss from sale of property, plant and equipment	(15,292)	-	-	(15,292)
Segment profit (loss) for the period before income tax	<u>10,443,696</u>	<u>(157,486)</u>	<u>(329,623)</u>	<u>9,956,587</u>
<u>For the three months ended March 31, 2017</u>				
Gross segment assets	105,186,745	4,930,460	1,700,249	111,817,454
Gross segment liabilities	42,700,082	875,842	12,714,330	56,290,254
Capital expenditure	1,397,594	5,181	2,223	1,404,998
<u>For the three months ended March 31, 2016</u>				
<u>(Reviewed not audited)</u>				
Segment net revenue	16,547,577	3,703	-	16,551,280
Gross segment revenue for the period	<u>16,547,577</u>	<u>3,703</u>	<u>-</u>	<u>16,551,280</u>
Administrative expenses	(1,801,832)	(171,348)	(474,506)	(2,447,686)
Selling and distribution expenses	(3,046,340)	-	-	(3,046,340)
Other expense	(80,849)	-	-	(80,849)
Net finance income (expenses)	57,752	-	(189)	57,563
Contingent liability provision	(465,316)	-	-	(465,316)
Gain on sale of shares in associate company	-	93,525	1,088	94,613
Segment profit (loss) for the period before tax	<u>11,210,992</u>	<u>(74,120)</u>	<u>(473,607)</u>	<u>10,663,265</u>
<u>For the three months ended March 31, 2016</u>				
Gross segment assets	87,004,778	6,580,269	5,442,406	99,027,453
Gross segment liabilities	34,056,237	196,217	5,560,029	39,812,483
Capital expenditure	518,264	9,434	-	527,698

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6) FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In Jordanian Dinar</i>	<u>March 31, (Reviewed 2017 not audited)</u>	<u>December 31, (Audited) 2016</u>
Quoted market prices*	482,686	613,608
Non quoted market prices**	301,025	301,025
	<u>783,711</u>	<u>914,633</u>

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

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

7) PROPERTY, PLANT AND EQUIPMENT

The additions over property, plant and equipment during the period ended March 31, 2017: JD 1,404,998 (December 31, 2016: JD 2,533,401).

The depreciation expense on property, plant and equipment during the period ended March 31, 2017: JD 722,016 (March 31, 2016: JD 882,676).

8) ADVANCES TO INVESTMENTS

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

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

This joint venture is still under formation and registration.

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

During the first quarter of 2017, the group's management has paid 1,420,105 JD as advance payments for investment in Turkey, and the legal procedures does not completed yet.

9) LOANS AND BANK FACILITIES

Alfakher Tobacco for Trading and Agencies Company – subsidiary company got a credit facilities in the year 2013 from Bank of Jordan amounted 25,000,000 USD, (17,700,000 JOD) which represent a reducing loan, that will be settled in one payment on January 4, 2014 with a LIBOR of +2%. The loan payment due date has been extended till January 4, 2015.

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

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

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In December 31, 2015 the company paid 10% of the loan amount and extended the maturity date of the remaining amount of 15,930,000 JD till December 31, 2016 with LIBOR 3 months + 2.5% with a limit of 3%.

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

The purpose from these facilities is to distribute dividends.

10) DIVIDENDS

The following table describes the declared and paid dividends by the group during the period:

<i>In Jordanian Dinar</i>	March 31, 2017 (Reviewed not audited)	March 31, 2016 (Reviewed not audited)
Cash dividends	40,000,000	25,000,000
	<u>40,000,000</u>	<u>25,000,000</u>

The General Assembly decided in its meeting held on March 6, 2017 to distribute JD 40,000,000 to the shareholders for the year 2016.

The General Assembly decided in its meeting held on February 25, 2016 to distribute JD 25,000,000 to the shareholders for the year 2015.

11) Related parties transactions

11.1 Key management remuneration

Salaries and remunerations short term paid to the Company higher executive management amounted for the three months ended March 31, 2017: JD 119,727 (March 31, 2016: JD 111,825).

- As shown in note (9) the group took a loan from Bank of Jordan where the remaining amount of the loan equals to 15,930,000 JD, which is considered due to related party.

12) INCOME TAX EXPENSE FOR THE PERIOD

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of its operations for the three months ended March 31, 2017 was 10.6% against 6.5% for the three months ended March 31, 2016.

The tax rate based on prevailing local law is 20% for Al Eqbal Company and Al Fakher Company Amman while it reached 10% from investment profit in Alfakher Tobacco Factory (UAE).

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

<i>Jordanian Dinar</i>	March 31, 2017 (Reviewed not audited)	December 31, 2016 (Audited)
Balance at the beginning of the year	5,609,153	3,045,480
Allowance for the period / year	1,052,193	4,440,565
Income tax paid for the period / year	-	(1,876,892)
Balance at the end of the period / year	<u>6,661,346</u>	<u>5,609,153</u>

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Group tax position

a- Parent company – Al Eqbal for Investment PLC

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

Based on the tax consultant opinion, the company doesn't need to account any provision for the income tax liability for the business results for the period ended March 31, 2017 since the business results is loss.

**b- Subsidiary – AL Fakher for Trading Tobacco LLC
Al Fakher – Amman**

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

The tax return for the year 2013 was accepted without any adjustments.

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

Based on the tax consultant opinion the company should take a provision by an amount of JD 15,602 for the income tax liability resulting from the company's business in Amman for the year ended March 31, 2017 and an amount of JOD 1,036,591 as a provision of 10% of net profit of Al Fakher Tobacco Factory (UAE).

c- Al Fakher – Aqaba private

The Income Tax was settled until 2011. The tax return was submitted for the years 2012, 2013, 2014 and 2015 within the legal period of submission, the department did not audit the company's accounts and didn't issue its final decisions till the date of the preparation of the consolidated financial statements.

Based on the tax consultant opinion, the company doesn't need to account any provision for the income tax liability for the business results for the period ended March 31, 2017 since the business results is loss.

d- Subsidiary – Spectrum International for Renewable Energy

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

Based on the tax consultant opinion, the company doesn't need to account any provision for the income tax liability for the business results for the period ended March 31, 2017 since the business results is loss.

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13) CONTINGENT LIABILITIES

The contingent liabilities at the date of these condensed consolidated interim financial information are as follows:

<i>In Jordanian Dinar</i>	March 31, 2017 (Reviewed not audited)	December 31, 2016 (Audited)
Bank guarantees	2,983,811	2,504,422
	2,983,811	2,504,422

Against cash margins represented as follows:

<i>In Jordanian Dinar</i>	March 31, 2017 (Reviewed not audited)	December 31, 2016 (Audited)
Bank guarantees	304,000	181,096
	304,000	181,096

- The Company filed a lawsuit with the First Instance Court to object to the decisions passed on by the Income Tax Department for imposing income tax on the year 2012 with an amount of JOD 111,756 in addition to a legal compensation amount of JOD 46,123.

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

- The Company filed a lawsuit with the First Instance Court to object to the decisions passed on by an employee passed on the Tax Department for imposing sales tax on the company amounted to JD 288,000 in addition to Legal Fees JD 576,000 and fees resulted from selling lands and buildings which are related to Phillip Morris and the lawsuit still pending at the tax first instance court in the stage of submitting data.

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

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes for the years of 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation amount of JD 3,889,245, the case is still pending in the tax first instance court in the stage performing expert assessment.

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

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

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

14) Earning per share

<i>Jordanian Dinar</i>	For the three months ended March 31	
	2017 (Reviewed not audited)	2016 (Reviewed not audited)
Profit for the period for the shareholders (JD)	8,904,394	9,965,208
Weighted average for number of shares (Share)	30,000,000	30,000,000
Earning per share for the period	0.30	0.33

15) FINANCIAL RISK MANAGEMENT

- 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 on hand and at banks, Cheques under collection, trade and other receivables and other debit balances.

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

<i>In Jordanian Dinar</i>	Carrying value as at	
	March 31, 2017	December 31, 2016
Cash at banks	16,534,104	47,911,215
Cheques under collection	-	28,360
Trade and other receivables	38,887,429	25,617,883
Other debit balances	917,045	2,777,133
	56,338,578	76,334,591

- 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 normal, stressed and necessary 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.

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The followings are the contracted maturities of financial liabilities, including estimated interest payments:

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>less than a year</u>	<u>More than a year</u>
March 31, 2017				
<i>Jordanian Dinar</i>				
Deferred cheques – Short term	612,352	(612,352)	(612,352)	-
Accounts payable	11,940,696	(11,940,696)	(11,940,696)	-
Other credit balances	17,108,506	(17,108,506)	(17,108,506)	-
Income tax provision	6,661,346	(6,661,346)	(6,661,346)	-
Loan and bank facilities mature within a year	15,930,000	(15,930,000)	(15,930,000)	-
Provision for end of service indemnity	4,037,354	(4,037,354)	-	(4,037,354)
	<u>56,290,254</u>	<u>(56,290,254)</u>	<u>(52,252,900)</u>	<u>(4,037,354)</u>
December 31, 2016				
<i>Jordanian Dinar</i>				
Deferred cheques – Short term	358,410	(358,410)	(358,410)	-
Accounts payable	7,163,620	(7,163,620)	(7,163,620)	-
Other credit balances	7,406,230	(7,406,230)	(7,406,230)	-
Loan and bank facilities mature within a year	5,609,153	(5,609,153)	(5,609,153)	-
Income tax provision	15,930,000	(15,930,000)	(15,930,000)	-
Provision for end of service indemnity	3,880,311	(3,880,311)	-	(3,880,311)
	<u>40,347,724</u>	<u>(40,347,724)</u>	<u>(36,467,413)</u>	<u>(3,880,311)</u>

- **Market risk**

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

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

- **Currency Risk**

Most of the group's financial assets and liabilities are in Jordanian Dinar and UAE Dirhams.

An increase (decrease) of the JD against the AED at 31 March would have increased (decreased) profit or loss by the amounts shown below and it's considered that exchange rate of JD against USD stays constant. this analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

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- Interest rate risk

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

<i>In Jordanian Dinar</i>	<u>Carrying value</u>	
	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Fixed rate instruments		
Financial Assets	1,500,000	28,168,412
Variable rate instruments		
Financial Liabilities	(15,930,000)	(15,930,000)

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 39,825 for the three months ended March 31, 2017. A decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 39,825 for the three months ended March 31, 2017.

- Other market price risk

Equity price risk arises from financial assets at fair value through profit or loss held for meeting partially the unfunded portion of the Group's obligations as well as investments at fair value through other comprehensive income. 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 Board of Directors.

Equity price risk

A change of 5% in fair value of the securities at the interim financial date would have increased (decreased) equity and profit or loss by the amount of 39,186 JD. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

16) Fair Value levels

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 financial assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instrument evaluated 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.

- Financial Instruments measured at fair value:

The Company does not measure financial instruments at fair value except for financial assets at fair value through other comprehensive income.

- Financial Instruments not measured at fair value:

This instruments measured at amortized cost and its fair value doesn't materially differ of it's amortized cost.

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<i>In Jordanian dinar</i>	Book value Fair value	Fair Value		
		Level (1)	Level (2)	Level (3)*
<u>March 31, 2017</u>				
Cash on hand and at banks	16,914,815	16,914,815	-	-
Trade and other receivables	38,887,429	-	-	-
Financial assets at fair values through statement of other comprehensive income	783,711	482,686	-	301,025
Deferred Cheques – short term	(612,352)	-	-	-
Accounts payables	(11,940,696)	-	-	-
Loans and bank facilities	(15,930,000)	-	-	-
<u>December 31, 2016</u>				
Cash on hand and at banks	49,729,435	49,729,435	-	-
Cheques under collection	28,360	-	-	-
Trade and other receivables	25,617,883	-	-	-
Financial assets at fair values through statement of other comprehensive income	914,633	613,608	-	301,025
Deferred Cheques – short term	(358,410)	-	-	-
Accounts payables	(7,163,620)	-	-	-
Loans and bank facilities	(15,930,000)	-	-	-

* This item represents the fair value of financial assets at fair value through statement of other comprehensive income that is not disclosed in the financial markets related to the shares of the group in North Industrial Company – Jenin, the group determined the fair value of this item using the net asset value method of the latest audited financial statements available, the management believes that this is the most appropriate method to measure fair value of the investment since no updated market value information is available regarding this investment.

For the previous items, the fair value for assets and liabilities at level 2 and 3 has been determined according to known prices modules that reflect the credit risk for the parties that they deal with.

17) **Comparative figures**

The comparative figures represents the Consolidated Statement of Financial Position as of December 31, 2016 in addition to the condensed consolidated interim Statement of Profit or Loss and other comprehensive income and Condensed Consolidated Interim Statement of Changes in Shareholders' Equity and the Condensed Consolidated Interim Statement of Cash Flow for the period ended March 31, 2016.