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

CONSLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2016

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Auditor's Report on Consolidated Financial Statements

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

Opinion

We have audited the consolidated financial statements of Al-Eqbal Investment Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies.

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

Emphasis of matter

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

- As metioned in note (23) to the consolidated financial statements 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 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 tax first instance court. The Company's management, tax consultant and legal consultant opinion is that the probability of winning the lawsuit is high and the recorded provisions are adequate. The ultimate outcome of the lawsuit cannot reliably be determined and accordingly, no additional provision has been recorded in the consolidated financial statements against any consequences that may arise on the Group.

- As metioned in note (23) to the consolidated financial Statements which describes that the company filed a lawsuit with the First Instance Court to object on the 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 consolidated financial statements against any consequences that may arise on the Group.

KPMG

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.

Key Audit Matters

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

1- Income Tax

Description of the key audit matter	How the matter was addressed in our audit
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 assessment of the Group's tax positions, its correspondence with the relevant tax authorities and with Group's legal and tax consultant and to analyze and challenge the assumptions used to determine tax provisions based on our knowledge and experience of the application of legislation by the relevant authorities and courts. Our assessment included consideration of the adequacy of the taken provisions by the Group to face the liabilities that may rise from income tax lawsuits. Based on the audit procedures performed, we noted that the Group's estimate of the amounts to be recognized as a tax liabilities to be appropriate and that the disclosures provide an adequate description of the current tax status of the Group.

KPMG

2- Impairment in Goodwill

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

3- Impairment in trade receivables

Description of the key audit matter	How the matter was addressed in our audit
The Group has trade receivables with an amount of around 25 million as of December 31, 2016 comparing to approximately 10 million as of 31 December 2015, this increase resulted from increasing the ceilings granted to some customers in addition to new customers the Group started dealing with during 2016. The adequacy of the recorded provisions for those receivables depend on management estimates, which make it a Key Audit Matters.	Our audit procedures includes testing the Group's controls over the receivables collection processes; including accepting new customers, testing the receipt of cash subsequent to year end; and testing the adequacy of the Group's provisions against trade receivables by assessing the management's assumptions, taking into consideration the external available data on trade credit exposures and our own experience in bad debt in this sector.

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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. Noting that, nothing has drawn out attention about matters that require reporting.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management considers 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 consolidated financial reporting preparation process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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.

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

Kawasmy & Partners
KPMG

Hatem Kawasmy
License No, (656)

KPMG
Kawasmy & Partners Co.

Amman – Jordan
January 26, 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

The accompanying notes from pages (10) to (40) are an integral part of these consolidated financial statements and should be read with them together with the Independent Auditor's report.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Jordanian Dinar	Capital	Statutory Reserve	Shares owned by subsidiary company	Cumulative change in fair value	Retained Earnings *	Total
Balance as at January 1, 2016	25,000,000	13,897,311	-	1,021,083	34,305,207	74,223,601
Profit for the year	-	-	-	-	37,353,458	37,353,458
Other comprehensive income	-	-	-	(680,149)	738,076	57,927
Dividends during the year-Note (19)	-	-	-	-	(25,000,000)	(25,000,000)
Capital increase	5,000,000	-	-	-	(5,000,000)	-
Balance as of December 31, 2016	**30,000,000**	**13,897,311**	**-**	**340,934**	**42,396,741**	**86,634,986**
Balance as at January 1, 2015	25,000,000	13,897,311	(503)	1,089,745	27,581,906	67,568,459
Profit for the year	-	-	-	-	31,235,583	31,235,583
Other comprehensive income	-	-	-	(68,662)	487,718	419,056
Shares owned by a subsidiary	-	-	503	-	-	503
Dividends during the year-Note (19)	-	-	-	-	(25,000,000)	(25,000,000)
Balance as of December 31, 2015	**25,000,000**	**13,897,311**	**-**	**1,021,083**	**34,305,207**	**74,223,601**

*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 (40) are an integral part of these consolidated financial statements and should be read with them together with the Independent Auditors report.

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

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

The accompanying notes from pages (10) to (40) are an integral part of these consolidated financial statements and should be read with them together with the independent Auditor's report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) GENERAL

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

On 10/10/1993 the capital has raised through special offering by 100% of the capital to reach JD (10) million. On 5/5/1998 the capital has raised through distributing free shares by 20% of the capital to reach JD (12) million. On 16/4/2001 the company has merged with Eqbal for Financial Investments Company to be the capital JD 14,304,675. On 15/4/2002 the capital has raised through distributing free shares by 5% of the capital to reach JD (15) million. On 10/4/2005 the capital has raised through distributing free shares by 10% to reach JD 16,500,000. On 16/4/2006 the capital has raised through distributing free shares by 21% of capital to reach JD (20) million. On 25/2/2013 the capital has raised through distributing free shares by 25% of the capital to reach JD (25) million.

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

The company's main objectives inside and outside the kingdom include the following:

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

The consolidated financial statements were approved by the Board of Directors on January 25, 2017 and is subject to the General Assembly's approval.

2) BASIS OF PREPARATION CONSOLIDATED FINACIAL STATEMENTS

(a) Statement of compliance

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

(b) Basis of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

- The company owns the following subsidiaries as of December 31, 2016:

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Company Name	Capital	Ownership Percentage	Nature of operation	Country of Operation
		%		
Al Fakher Tobacco F.Z.E ***	35,705	100	Investments	UAE
Al Fakher International	7,100	100	Tobacco	Cayman Islands

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

1- The Group has transferred the investment in Al Fakher Tobacco Factory – UAE from Al Fakher for Tobacco trading and Agencies to Al Fakher Tobacco F.Z.E.

2- The Group has established Al Fakher Holding for Tobacco Trading and Agencies in Cayman Islands fully owned by Al Fakher for Tobacco Trading and Agencies – Jordan.

3- The Group has established Al Fakher Tobacco F.Z.E in UAE fully owned by Al Fakher Holding for Tobacco Trading and Agencies - Cayman Islands.

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

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

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

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

	As of December 31, 2016			
Jordanian Dinar	Total Assets	Total Liabilities	Total Revenue	Total comprehensive income (loss) for the year
Al Fakher for Tobacco Trading and Agencies – Consolidated	120,091,643	38,338,418	140,668,291	43,802,071
Spectrum International for Renewable Energy	5,179,531	705,837	2,068,781	(1,176,186)
International cigarettes and Tobacco Company	4,249,070	-	-	(4,953)
Pioneer Venture Group Company	30,456	128,980	-	(133,988)

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Use of Judgments and estimates

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

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

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

Management periodically reassesses the economic useful lives of tangible and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.

Management frequently reviews the lawsuits raised against the group based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the group may incurred in the future.

A provision for impairment on account receivables is taken on the basis and estimates about the recoverability of the receivables approved by management in conformity with International Financial Reporting Standards (IFRS).

Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and it selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.

Management review annually the recoverable amount of the goodwill to determine whether there was any impairment in its value.

Management estimated the recoverable amount of the other financial assets to determine whether there was any impairment in its value.

Management estimates the provision for income tax in accordance with the prevailing laws and regulations.

Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1- In the principal market for the asset or liability, or
2- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group

The asset or liability measured at fair value might be either of the following:

A- A stand-alone asset or liability; or

B- a group of assets, a group of liabilities or a group of assets and liabilities (eg a cash generating unit or a business).

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

3) Significant Accounting Policies

The Group has adopted early International Financial Reporting Standard IFRS 9 Financial Instruments to be applied on the financial statement that begins on the first of January 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 Group in these consolidated financial statements for the year ended 31 December 2016 are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015, except for the following International Financial Reporting Standards effective on January 1, 2016 and after:

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

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

a) Financial instruments

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

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

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

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

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

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

b) Non-derivative financial assets – measurement

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

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

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

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

Financial assets at amortized cost (IFRS 9)

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

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

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

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

Non-derivative financial liabilities – measurement (IAS 39 and IFRS 9)

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

c) Investment in associates

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

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

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

d) Property, plant and Equipment

- **Recognition and measurement**

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

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

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

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

- **Subsequent costs**

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

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

- **Depreciation**

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

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

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

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

e) **Impairment**

- **Financial Assets**

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

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

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

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

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

- **Non-Financial Assets**

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

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

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

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

f) **Investment in property**

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

g) **Intangible Assets**

Goodwill

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

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

Other intangible assets

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

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

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

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

Amortization

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

h) Revenues recognition and expenses realization

Revenue is recognized based on accrual basis.

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

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

Interest income / expense on financial assets and financial liabilities measured at amortized cost calculated on an effective interest rate basis.

Interest income on Banks deposits.

Interest expense on the borrowings and bank facilities.

i) Foreign Currency Transactions

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

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

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

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

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

j) Fair value for financial assets

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

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

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

k) Offsetting

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

l) Date of recognition of financial assets

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

m) Provisions

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

n) Finance expenses

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

o) End of Service Indemnity

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

p) Income tax

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

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

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

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

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

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

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

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

q) Earnings per share

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

a) New standards and interpretations not yet adopted

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

Amendments

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

Improvements

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

New standards

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

4) Segment Reporting

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

A- Operating Segment

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

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

B- Geographical Segment

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

Jordanian Dinar **For the year end December 31, 2016**	Tobacco manufacturing and trading	Energy	Investments	Total
Segment net revenue	65,120,542	611,725	-	65,732,267
Administrative expenses	(8,270,654)	(614,800)	(1,581,350)	(10,466,804)
Selling and distribution expenses	(14,119,278)	-	-	(14,119,278)
Gain from investment in associate	-	93,525	1,088	94,613
Dividends from financial assets at Fair value through other comprehensive income	-	33,045	-	33,045
Impairment in advance payments for investments	-	(950,000)	-	(950,000)
Finance cost	(485,865)	(40,277)	(1,928)	(528,070)
Interest revenue	769,622	-	-	769,622
Gain from sale of property, plant and equipment	9,491	-	4,691	14,182
Other income	778,213	(227)	481,460	1,259,446
Segment profits (losses) for the year before tax and board of directors' remuneration	**43,802,071**	**(867,009)**	**(1,096,039)**	**41,839,023**
Segment total assets	120,091,643	4,575,102	2,315,965	126,982,710
Segment total liabilities	38,338,418	373,179	1,636,127	40,347,724
Capital expenditure	2,460,241	51,160	22,000	2,533,401
For the year end December 31, 2015				
Segment net revenue	52,766,954	162,501	-	52,929,455
Administrative expenses	(7,803,191)	(402,173)	(1,226,765)	(9,432,129)
Selling and distribution expenses	(9,161,840)	-	-	(9,161,840)
Impairment in investment in associate	-	(146,550)	(5,333)	(151,883)
Dividends from financial assets at Fair value through other comprehensive income	325	227,261	-	227,586
Finance Expenses	(539,135)	-	-	(539,135)
Interest Revenue	684,142	-	-	684,142
Gain from sale of property, plant and equipment	13,091	-	36,627	49,718
Other income	309,149	2,541	(502)	311,188
Contingent liabilities provision	(1,386,102)	-	-	(1,386,102)
Segment profits (losses) for the year before tax and board of directors' remuneration	**34,883,393**	**(156,420)**	**(1,195,973)**	**33,531,000**
Segment total assets	101,098,480	5,827,704	1,308,362	108,234,546
Segment total liabilities	31,891,744	200,587	1,918,614	34,010,945
Capital expenditure	2,792,010	632,993	4,569	3,429,572

5) Cash on hand and at banks

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

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

6) Trade and other receivables

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

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

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

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

***Aging customer accrued accounts as follow :**

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

7) Inventory

Jordanian Dinar	As of December 31, 2016	2015
Raw material	15,152,781	13,321,295
Work in process	164,721	139,017
Finished goods	1,980,067	1,592,530
Goods in transit	60,481	1,937,517
Spare parts inventory	844,708	1,681,630
Advertisement and accessories goods inventory	1,170,752	1,485,466
Consumable goods inventory	104,067	217,331
	19,477,577	**20,374,786**
Provision for slow-moving inventory *	-	(999,482)
	19,477,577	**19,375,304**

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

8) Other debit balances

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

*Key-money details are illustrated as follow:

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

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

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

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

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

10) Investment property

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

*The fair value for Ajman's land as of December 31, 2016 according to weighted average real estate expert valuation amounted to JOD 318,450 2015: JOD 337,750) the fair value measurement for land has been categorized under level 2 fair value based on the inputs that has been determined either directly (i.e., as prices) or indirectly (i.e., derived from prices of similar assets).

** The fair value for Amman's land as of 31, December 2016 according to weighted average real estate expert valuation amounted to JOD 1,845,063 (2015: JOD 1,889,772) the fair value measurement for land has been categorized under level 2 fair value based on the inputs that has been determined either directly (i.e., as prices) or indirectly (i.e., derived from prices of similar assets).

11) Intangible assets – Goodwill from acquisition of subsidiary

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

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

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

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

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

12) Property, plant and equipment

Jordanian Dinar	Land	Vehicles	Other equipment	Computers and office equipment	Furniture and fixture	Tools	Machines and equipment	Buildings	Leasehold improvements	Projects under construction	Total
Cost											
Balance as of January 1, 2016	3,515,741	746,380	1,439,606	360,995	736,889	2,520,964	14,766,184	10,515,996	227,246	946,139	35,776,140
Addition	-	48,897	59,044	70,651	43,388	222,520	821,873	72,580	-	1,194,448	2,533,401
Disposal	-	(15,000)	(16,453)	-	-	(191,647)	(72,086)	-	-	-	(295,186)
Transfers	-	107,694	-	-	-	531,618	11,734	79,555	-	(730,601)	-
Balance as of December 31, 2016	**3,515,741**	**887,971**	**1,482,197**	**431,646**	**780,277**	**3,083,455**	**15,527,705**	**10,668,131**	**227,246**	**1,409,987**	**38,014,355**
Accumulated depreciation											
Balance as of January 1, 2016	-	358,111	1,035,791	283,809	329,495	1,826,831	6,671,976	5,746,387	22,724	-	16,275,124
Depreciation for the year	-	155,119	131,395	36,239	73,267	400,612	1,338,656	1,300,142	45,449	-	3,480,877
Disposal	-	(14,691)	(16,452)	-	-	(189,619)	(64,755)	-	-	-	(285,517)
Balance as of December 31, 2016	**-**	**498,539**	**1,150,734**	**320,046**	**402,762**	**2,037,824**	**7,945,877**	**7,046,529**	**68,173**	**-**	**19,470,484**
Net book value as of December 31, 2016	**3,515,741**	**389,432**	**331,463**	**111,600**	**377,515**	**1,045,631**	**7,581,828**	**3,621,602**	**159,073**	**1,409,986**	**18,543,871**
Cost											
Balance as of January 1, 2015	3,515,741	626,262	1,303,888	319,944	417,008	2,126,236	14,182,302	10,906,930	-	329,471	33,727,782
Addition	-	225,491	135,718	42,267	319,881	401,184	657,531	393,853	227,246	1,026,401	3,429,572
Disposal	-	(105,373)	-	(1,216)	-	(6,456)	(73,649)	(784,787)	-	(409,733)	(1,381,214)
Balance as of December 31, 2015	**3,515,741**	**746,380**	**1,439,606**	**360,995**	**736,889**	**2,520,964**	**14,766,184**	**10,515,996**	**227,246**	**946,139**	**35,776,140**
Accumulated depreciation											
Balance as of January 1, 2015	-	325,761	933,781	235,013	261,893	1,332,954	5,363,459	4,426,072	-	-	12,878,933
Depreciation for the year	-	137,350	102,010	49,181	67,602	498,227	1,335,006	1,515,737	22,724	-	3,727,837
Disposal	-	(105,000)	-	(385)	-	(4,350)	(26,489)	(195,422)	-	-	(331,646)
Balance as of December 31, 2015	**-**	**358,111**	**1,035,791**	**283,809**	**329,495**	**1,826,831**	**6,671,976**	**5,746,387**	**22,724**	**-**	**16,275,124**
Net book value as of December 31, 2015	**3,515,741**	**388,269**	**403,815**	**77,186**	**407,394**	**694,133**	**8,094,208**	**4,769,609**	**204,522**	**946,139**	**19,501,016**

13) Due to related party

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

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

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

Key management remuneration

Salaries and benefits of the key management personnel for the year-end December 31, 2016 amounted to JOD 327,323 (December 31, 2015: JOD 291,917).

14) Other credit balances

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

15) Loans and bank facilities mature within a year

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

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

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

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

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

16) Cost of sales

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Manufacturing cost includes the following

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

17) Administrative expenses

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

18) Selling and distribution expenses

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

19) Dividends

The following table described the declared dividends by the Group:

Jordanian Dinar	As of December 31, 2016	2015
Cash Dividends*	25,000,000	25,000,000
	25,000,000	**25,000,000**

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

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

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

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

20) Income tax

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

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

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

Group tax position

a- Parent company – Al Eqbal for Investment PLC

The income tax was settled until 2014. The income and sales tax department audited the financial year 2012 where the company has objected on the final decision of the income and sales tax department at court. In the tax consultant opinion was misplaced and will be separated for the company.

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

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

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

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

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

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

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

Al Fakher – Aqaba private

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

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

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

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

In the tax consultant opinion the company should take a provision by an amount of JOD 41,218 for the income tax liability for the year ended December 31, 2016 for the external investments.

Income tax expense recognized based on management estimate of enacted of average annual tax rate for the whole financial year which is applied on the profit for tax for the year. The company makes a reconciliation between taxable income and financial income. The tax rate based on prevailing local law is 20% for Al Eqbal Company and Al Fakhar- Aqaba 5% and 10% on the Al Fakher Tobacco Factory (UAE), the effective tax rate for the group is 10.43% for the profit for the year ended December 31, 2016 (December 31, 2015: 6.35%)

21) Earnings per share

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

The earnings per share was calculated by dividing the profit for the year on the number of outstanding shares amounting to 30 million shares as of December 31, 2016.
The weighted average for number of shares was adjusted for the comparative year, as the company has capitalized 5 million free stock from the retained earnings in according with IFRS 33.

22) Provision of employees' end of service indemnity

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

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

23) Contingent liabilities

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

Jordanian Dinar	As of December 31,	
	2016	**2015**
Bank guarantees	2,504,422	198,826
	2,504,422	**198,826**

Against cash margins represented as follow:

Jordanian Dinar	As of December 31,	
	2016	**2015**
Cash margins	181,096	198,826
	181,096	**198,826**

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

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

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

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

The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes for the years of 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation amount of JD 3,889,245 and 111,372 for the education support fund, the case is still pending in the tax first instance court in the stage performing expert assessment.

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

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

24) Other income

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

25) Advance Payment for Investments

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

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

This joint venture is still under formation and registration.

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

26) Statutory Reserve

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

27) Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

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

- **Credit risk**

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

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

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

- **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:

Jordanian Dinar	**Carrying Amount**	**Contractual Cash Flows**	**less than a year**	**More than a year**
December 31, 2016				
Deferred cheques -Short Term	358,410	(358,410)	(358,410)	-
Accounts payable	7,163,620	(7,163,620)	(7,163,620)	-
Other credit balances	7,406,230	(7,406,230)	(7,406,230)	-
Income tax provision	5,609,153	(5,609,153)	(5,609,153)	-
Loans and Bank facilities mature within a year	15,930,000	(15,930,000)	(15,930,000)	-
Provision of employees' end of service indemnity	3,880,311	(3,880,311)	-	3,880,311
	40,347,724	**(40,347,724)**	**36,467,413**	**3,880,311**

Jordanian Dinar **December 31, 2015**	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
Deferred cheques- short term	189,889	(189,889)	(189,889)	-
Accounts payable	5,827,397	(5,827,397)	(5,827,397)	-
Due to related party	173,523	(173,523)	(173,523)	-
Other credit balances	5,938,459	(5,938,459)	(5,938,459)	-
Income tax provision	3,045,480	(3,045,480)	(3,045,480)	-
Loan and bank facilities mature within a year	15,930,000	(15,930,000)	(15,930,000)	-
Provision for end of service indemnity	2,906,197	(2,906,197)	-	(2,906,197)
	34,010,945	**(34,010,945)**	**(31,104,748)**	**(2,906,197)**

- **Market risk**

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

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

- **Currency Risk**

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

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

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

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

- **Sensitivity analysis**

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

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

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

- **Interest rate risk**

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

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

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

- **Other market price risk**

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

- **Share price risk**

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

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

- **Capital management**

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

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

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

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

Debt-to-adjusted Capital Ratio

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

28) Fair value hierarchy

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

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

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

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

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

- **Financial Instruments measured at fair value:**
  The Company does not measure any financial instruments at fair value.

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

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

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

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

Fair value

The fair value of financial assets and liabilities are not materially different from its book value in the consolidated statements of financial position. As of December 31, 2016 and 2015.

29) Comparative figures

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