

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS
ENDED JUNE 30, 2019**

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2019

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

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

Amman – Jordan

We have reviewed the accompanying condensed consolidated statement of financial position of **Al-Eqbal Investment Company – Public Shareholding Company- and its subsidiaries (“the Group”)** as of 30 June 2019, and the related condensed consolidated statements of profit or loss and other comprehensive income, Changes in Shareholders' Equity and cash flows for the six months period then ended, and the notes to the condensed consolidated interim financial information. Group's management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard number (34) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as of 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard number (34) “Interim Financial Reporting”.



Emphasis of matter

Without qualifying our conclusion, we draw attention to note (14) to the condensed consolidated interim of financial information which describes that the group have tax liabilities related to the years from 2012 to 2016, approximately JD 16 million and legal compensation approximately JD 10 million. The lawsuits are still pending in the tax courts. The Group's Management and legal consultant opinion is that the probability of winning the case is high and the recorded provisions are adequate. The ultimate outcome of the lawsuits cannot reliably be determined and accordingly, no additional provision has been recorded in the condensed consolidated interim of financial information against any consequences that may arise on the Group.

Other Matter

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

**Kawasmy and Partners
KPMG**

Hatem Kawasmy
License no. (656)



Amman - Jordan
July 30, 2019

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<i>Jordanian Dinar</i>	Note	As of June 30, 2019 (Reviewed not audited)	As of December 31, 2018 (Audited)
Assets			
Current Assets			
Cash on hand and at banks		23,467,396	57,772,284
Trade and other receivables		59,619,387	80,019,775
Inventory		53,086,891	37,725,583
Other debit balances		32,293,666	25,198,616
Total Current Assets		168,467,340	200,716,258
Non-Current Assets			
Financial assets at fair value through other comprehensive income	6	150,525	150,525
Investment property		518,888	674,552
Intangible assets	7	213,698,488	182,297,000
Property, plant and equipment	8	26,856,606	29,351,887
Right of use assets	9	9,999,156	-
Advance payments for Investments	10	866,669	863,871
Total Non-Current Assets		252,090,332	213,337,835
Total Assets		420,557,672	414,054,093
Liabilities and Shareholders' Equity			
Current Liabilities			
Deferred cheques -short term		486,141	380,655
Accounts payable		17,235,388	17,615,290
Other credit balances		12,957,697	15,412,439
Income tax provision	13	4,184,222	7,223,590
Payables due to acquisition- short term		3,601,999	4,183,378
Lease liabilities - short term	9	559,187	-
Loans and bank facilities- short term	11	80,265,446	78,069,047
Total Current Liabilities		119,290,080	122,884,399
Non-Current Liabilities			
Provision of employees' end of service indemnity		5,302,748	5,284,983
Payables due to acquisition- long term		26,382,049	14,180,000
Lease liabilities – long term	9	9,367,646	-
Loans and bank facilities- long term	11	97,005,244	126,535,379
Total Non-Current Liabilities		138,057,687	146,000,362
Total Liabilities		257,347,767	268,884,761
Shareholders' Equity			
Capital		60,000,000	60,000,000
Statutory reserve		13,897,311	13,897,311
Cumulative change in fair value		(20,734)	(20,734)
Translation reserve		395,841	236,323
Retained earnings		88,872,222	71,056,432
Net Shareholders' Equity		163,144,640	145,169,332
Non-controlling interests		65,265	-
Total Shareholders' Equity		163,209,905	145,169,332
Total Liabilities and Shareholders' Equity		420,557,672	414,054,093

The accompanying notes on pages (7) to (25) are an integral part of these condensed consolidated interim financial information and should be read with it and with the independent auditor's report.

Board Chairman

Chief Financial Officer

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

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

<i>In Jordanian Dinar</i>	Note	For the three months ended on June 30,		For the six months ended on June 30,	
		2019	2018	2019	2018
		(Reviewed not audited)		(Reviewed not audited)	
Net sales		56,732,066	42,182,965	99,011,687	78,948,710
Cost of sales		(27,225,530)	(22,411,992)	(48,383,221)	(43,502,944)
Gross profit		29,506,536	19,770,973	50,628,466	35,445,766
Administrative expenses		(8,411,601)	(6,146,262)	(14,922,238)	(11,092,402)
Selling and distribution expenses		(4,130,856)	(3,030,458)	(8,206,072)	(4,614,513)
Dividends from financial assets at fair value through other comprehensive income		-	28,900	-	28,900
Administrative and logistic fees		-	2,754,792	-	5,853,235
Operating income for the period		16,964,079	13,377,945	27,500,156	25,620,986
Net finance cost		(3,348,024)	(2,708,334)	(6,716,136)	(4,761,729)
Other income (expenses)		(160,928)	213,489	218,209	(455,803)
Gain from sales of investment property		439,335	-	439,335	-
Profit for the period before income tax		13,894,462	10,883,100	21,441,564	20,403,454
Income tax expense for the period	13	(2,315,478)	(1,176,506)	(3,883,709)	(2,248,874)
Profit for the period		11,578,984	9,706,594	17,557,855	18,154,580
Statement of other comprehensive income items:					
Items that will not be reclassified to statement of profit or loss					
Gain from sale of financial assets at fair value through other comprehensive income		-	84,478	-	85,173
Changes in fair value for financial assets through of other comprehensive income		-	(152,691)	-	(154,955)
Foreign currency translation differences		248,680	-	159,518	-
Total comprehensive income for the period		11,827,664	9,638,381	17,717,373	18,084,798
Profit for the period attributable to:					
Shareholders' of the company		11,526,611	9,706,594	17,492,590	18,154,580
Non-controlling interests		52,373	-	65,265	-
Total		11,578,984	9,706,594	17,557,855	18,154,580
Comprehensive income for the period attributable to:					
Shareholders' of the company		11,775,291	9,638,381	17,652,108	18,084,798
Non-controlling interests		52,373	-	65,265	-
Total		11,827,664	9,638,381	17,717,373	18,084,798
Basic and diluted earnings per share from profit for the period (JD/Share)	15			0.29	0.30

The accompanying notes on pages (7) to (25) are an integral part of these condensed consolidated interim financial information and should be read with it and with the independent auditor's report.

Board Chairman

Chief Financial Officer

AL-EQBAL INVESTMENT COMPANY
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AMMAN – JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>In Jordanian Dinar</i>	Capital	Statutory Reserve	Cumulative Change in Fair Value	Translation Reserve	Retained Earnings	Non-Controlling Interests	Total
<u>Changes for the six months ended June 30, 2019</u> (Reviewed not audited)							
Balance as of January 1, 2019	60,000,000	13,897,311	(20,734)	236,323	71,056,432	-	145,169,332
Profit for the period	-	-	-	-	17,492,590	65,265	17,557,855
Other comprehensive income for the period	-	-	-	159,518	-	-	159,518
Amortization losses of subsidiary	-	-	-	-	323,200	-	323,200
Balance as of June 30, 2019	60,000,000	13,897,311	(20,734)	395,841	88,872,222	65,265	163,209,905
<u>Changes for the six months ended June 30, 2018</u> (Reviewed not audited)							
Balance as of January 1, 2018	30,000,000	13,897,311	290,046	-	49,161,490	-	93,348,847
Profit for the period	-	-	-	-	18,154,580	-	18,154,580
Other comprehensive income for the period	-	-	(154,955)	-	85,173	-	(69,782)
Transferred from fair value reserve	-	-	(155,825)	-	155,825	-	-
Balance as of June 30, 2018	30,000,000	13,897,311	(20,734)	-	67,557,068	-	111,433,645

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**AL-EQBAL INVESTMENT COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

<i>In Jordanian Dinar</i>	For the Six Months Ended June 30,	
	2019	2018
	(Reviewed not audited)	
Cash flows from operating activities		
Profit for the period before income tax	21,441,564	20,403,454
Adjustments for		
Dividends from financial assets through other comprehensive income	-	(28,900)
Expected credit loss provision	535,287	-
Provision of employees' end of service indemnity	668,179	492,377
Depreciation	1,748,344	1,724,180
Key money amortization	188,380	188,198
Net finance cost	6,716,136	4,761,729
Gain from sale of investment property	(439,335)	-
Gain from sale of property, plant and equipment	-	(8,711)
	30,858,555	27,532,327
Changes in:		
Trade and other receivables	19,865,101	(12,793,087)
Inventory	(12,296,014)	(7,576,621)
Other debit balances	(7,283,430)	(1,705,846)
Accounts payable and deferred cheques	48,784	(374,925)
Other credit balances	(2,454,745)	(1,471,286)
Cash flows from operating activities	28,480,992	3,610,562
Income tax paid	(6,923,077)	(4,853,162)
End of service indemnity paid	(650,414)	(103,866)
Net cash flows from (used in) operating activities	20,907,501	(1,346,466)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,063,970)	(543,983)
Advance payments for investments	(2,798)	(55,010,140)
Proceeds from sale of financial assets through other comprehensive income	-	413,909
Payables due to acquisition	11,620,670	(27,960,413)
Net cash paid for acquisition of subsidiaries and intangible assets	(31,401,488)	-
Proceeds from sale of property, plant and equipment	2,874	10,721
Dividends of financial assets at fair value through other comprehensive income	-	28,900
Proceeds from selling investment property	595,000	-
Net cash flows (used in) investing activities	(21,249,712)	(83,061,006)
Cash flows from financing activities		
Net finance cost paid	(6,716,136)	(4,761,729)
Loans and bank facilities	(27,333,736)	110,742,918
Net lease liability payments	(72,323)	-
Net cash flows (used in) from financing activities	(34,122,195)	105,981,189
Net change in cash on hand and at banks	(34,464,406)	21,573,717
Cash on hand and at banks at the beginning of the year	57,772,284	21,644,788
Translation reserve	159,518	-
Cash on hand and at banks at the end of the period	23,467,396	43,218,505
Non-cash transactions		
Transfer from property and equipment	(2,809,806)	-
	(2,809,806)	-

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

1) GENERAL

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

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

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

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

The company's main objectives include the following:

- Owning commercial agencies.
- Trade intermediaries (except dealing with International stocks).
- Engaging in brokerage and trading tenders.
- Import and export for the company operations.
- Guaranty of other parties obligations relevant to the interest of the company.
- Investment of the Company's surplus funds in the appropriate way.
- Owning of movable and immovable funds, for achieving the company's objectives.
- Owning of land and real estate for achieving the company's objectives.
- Contracting with any government, commission, authority, company, institution or individual interested in the goals and objectives of the company or any of them.
- Borrowing money from banks.
- The Board of Directors approved the condensed consolidated interim financial information on July 30, 2019.

2) BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

a) Statement of compliance

- The condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting" which selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018.
- These condensed consolidated interim financial information should be read with the audited consolidated financial statements for the year ended December 31, 2018. As well as the financial performance for the condensed consolidated interim financial information period ended June 30, 2019 does not necessarily give an indication for the expected financial performance for the year that will be ending on December 31, 2019. In addition, no appropriation has been made on the profit for the period to reserves, which will be appropriated in the annual consolidated financial statements at the end of the year 2019.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

- These condensed consolidated interim financial information do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards.
- This is the second set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note (3).

b) Basis of condensed consolidated interim financial information

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

- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial information of the subsidiaries are included in the consolidated financial information from the date on which controls commences until the date on which control ceases.

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

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

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

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

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u> %	<u>Nature of Operation</u>	<u>Country of Operation</u>
Al Fakher Tobacco F.Z.E *	35,705	100	Investments	UAE
Al Fakher International Company	7,100	100	Tobacco	Cayman Island
Pioneer Venture Group Company **	35,464	100	Trading	UAE
Al Fakher Tobacco Factory- Turkey	18,824	100	Tobacco	Turkey
Unity Shisha Brands	709	100	Investment	UAE

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

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of Operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Holding- USA ****	7,100	100	Investment	USA
Al Fakher Tobacco Factory - Egypt *	119,662	100	Tobacco	Egypt
Al Fakher Tobacco Factory - Germany *	21,734	100	Tobacco	Germany
Qameh Al Fakher Trading Est **	4,567	100	Tobacco	KSA
Global Arab Trading and Export Company *	239,325	100	Tobacco	Egypt
Charms for Importation and Distribution *	79,775	100	Tobacco	Egypt
Poland Factory***	949	100	Tobacco	Poland
Unity Shisha Labs***	20,153	100	Tobacco	Germany

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

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

*** Pioneer Venture Group has acquired the above companies in 2019.

****Al Fakher Holding- USA acquired subsidiaries of which related information are as follows:

<u>Company Name</u>	<u>Capital</u>	<u>Ownership Percentage</u>	<u>Nature of Operation</u>	<u>Country of Operation</u>
		%		
Al Fakher Distribution – USA (Previously Sierra Network)	710	100	Tobacco	USA
Romman Incorporated	2,083,713	80	Tobacco	USA

- The following table represents the financial position and financial performance of the subsidiaries as of June 30:

	<u>As of June 30, 2019</u>			
	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total revenue</u>	<u>Total comprehensive income for the period</u>
<i>Jordanian Dinar</i>				
Al Fakher for Trading Tobacco and Agencies – Consolidation	437,404,423	352,548,956	98,326,387	18,638,435
Spectrum International for Renewable Energy	7,445,244	3,605,569	685,300	(526,645)
International Cigarettes and Tobacco Company (under liquidation)	4,247,571	-	-	-

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

	As of June 30, 2018			
	Total assets	Total liabilities	Total revenue	Total comprehensive income for the period
<i>Jordanian Dinar</i>				
Al Fakher for Trading Tobacco and Agencies - Consolidation	351,919,290	(316,171,487)	78,111,589	19,289,777
Spectrum International for Renewable Energy	7,072,126	(3,329,713)	837,122	(165,329)
International Cigarettes and Tobacco Company (under liquidation)	4,247,571	-	-	-

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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

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

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

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

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

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

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

c) Accounting Estimates

Preparation of the condensed consolidated interim financial information and the application of the accounting policies require the Group's management to perform assessments and assumptions that affect the amounts of assets, liabilities, disclosures and contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions and the balance of fair value reserves within capital and reserves. In particular, this requires the Group's management to issue significant judgments and assumptions to assess the future cash flows amounts and their timing. Moreover, the before mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes arising from the conditions and circumstances of those assessments in the future.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The estimates and judgments adopted by management in applying the Group's accounting policies are consistent with the estimates and judgments made for the year ended December 31, 2018 excluding the new estimates and judgments related to "Leases" accounting in accordance with International Financial Reporting Standard (16), as described in note (3).

We believe that the assumptions and estimates with material impacts on the recognition of balances recorded in the condensed consolidated interim financial information are adequate.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the group in these condensed consolidated interim financial information for the six months ended June 30, 2019 are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2018. Except the International Financial Reporting Standards are effective for annual years beginning after 1 January 2019, as follow:

- IFRS 16 Leases (effective on January 1, 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments transactions (effective on January 1, 2019).
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The adoption of the above standards has not affected the amounts or disclosures in the condensed consolidated interim financial information, except for the effect of applying International Financial Reporting Standard (16) "leases" as follows:

International financial reporting standards (16) "Leases"

IFRS 16 was issued on January 2016 and is effective for financial periods beginning on or after January 1st 2019. IFRS 16 provides that all leases and associated contractual rights and obligations shall generally be recognized in the financial position of the Group, unless the period is 12 months or less or a lease for low-value assets. Accordingly, the classification required under IAS 17 "Leases" as operating or finance leases has been canceled for lessors. For each lease, the lessee recognizes a liability for future lease commitments. In contrast, the right to use the leased asset is capitalized, which is generally equivalent to the present value of future lease payments plus directly attributable costs that are amortized over the useful life.

The Group has adopted IFRS 16, "Leases", which supersedes the existing guidelines on leases, including IAS 17 "Leases" and International Interpretation (4) "Determining whether an arrangement contains a lease and SIC Interpretation (15) "Operating leases - incentives" and SIC interpretation (27) "evaluating the substance of transactions involving the legal form of a lease".

The Group has adopted the second option of the modified retrospective approach of accounting - which allows comparative figures presented under IAS 17 "Leases" not to be restated – which is permitted under IFRS 16 at the first-time adoption of IFRS 16 over the individual operating leases (for each lease separately), the right to use leased assets is generally measured at the amount of the lease obligation using the interest rate at initial application.

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The most significant accounting policies adopted as a result of the adoption of IFRS 16 starting from January 1st, 2019 are as follows:

The Group determines whether the contract is a lease or contains a lease. A contract is considered a lease or contains a lease if it includes the transfer of control over a specified asset for a specified period against compensation, and to determine whether the contract involves the transfer of control, the Group shall assess:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has then decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts as of January 1st, 2019. Were up to the end of the financial year 2018, properties leases were classified either as an operating lease or a finance lease, amounts paid in respect of operating leases are recognized in the statement of profit or loss on a straight-line basis over the lease term.

Starting from January 1, 2019, leases are recognized as assets and liabilities at the date that the asset is ready for use by the Group, the amount of each lease payment is allocated between the lease commitments and finance costs. Finance costs are recognized in the condensed consolidated interim statement of profit or loss during lease period to reach a fixed periodic interest rate on the remaining balance of the liability for each period, assets right if use are amortized over the useful life of the asset or the lease period whichever is less according to the straight-line method.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the bank's incremental borrowing rate as of January 1st 2019. Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments (including in-substance fixed payments) and deducted the accrued rent benefits.
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise (if any), and
- Payment of the contract termination fees, if the lease terms includes this option

Lease payments are discounted using the implicit lease interest rate or the incremental borrowing rate of the lessee if it is not available, which is the price that the lessee must pay to borrow funds to obtain an asset in a similar economic environment.

Right-of-use assets are measured at the amount equal to the lease liabilities, which is adjusted for any lease payments made or accrued – the Group has adopted this approach over all its leases.

While payments related to short-term leases and low-value leases are recognized on a straight-line basis as an expense in the statement of profit or loss, short-term leases are leases of 12 months period or less.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used estimates when determining the lease term if the contract contains options to extend or terminate the lease.
- Implementation of the standard to lease contracts associated with tangible assets.

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Effect on consolidated condensed interim financial information:

Right-of-use assets have been measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to lease contract recognized at the statement of financial position as of December 31, 2018. No adjustments made to retained earnings as of 1 January 2019 under this method.

On transition to IFRS 16, the Group recognized right-of-use assets by the amount of JD 8,286,222 and lease liabilities by the amount of JD 8,286,222. The details of the rights of use of assets and liabilities are mentioned in note (9).

The Group presents right-of-use assets and related lease liabilities in the condensed consolidated interim statement of financial position as follow:

<i>Jordanian Dinar</i>	Effect of application of IFRS 16 as of January 1, 2019
Operating lease commitments as of December 31, 2018	10,134,720
Discounted using the incremental borrowing rate as of January 1, 2019	8,286,222

Based on the adoption of IFRS 16, the Group has recognized depreciation and interest costs related to lease contracts instead of operating lease expense in the condensed consolidated interim statement of profit or loss during the period ended June 30, 2019 as follows:

<i>In Jordanian Dinar</i>	For the period ended June 30, 2019
<u>Amounts recognized in the condensed consolidated interim statement of profit or loss:</u>	
Depreciation against the right of use assets	374,956
Interest against lease liabilities	104,294

- New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations issued but not yet effective have not been applied in preparing these condensed consolidated interim financial information:

New standards

International Financial Reporting Standard (17) Insurance Contracts (effective January 1st, 2021 with early adoption permitted only to companies that have adopted IFRS 9).

Amendments

- Amendments to International Financial Reporting Standard (10) and International accounting standards (28) Sale or Contribution of Assets between Investor and its Joint Venture (no date specified).
- Amendments to International Accounting Standards (1) and International Accounting Standards (8) Definition of material (effective January 1st 2021).
- Amendments to International Financial Reporting Standard (3) definition of a Business (effective January 1st, 2021).

Group's management does not expect that there will be a material impact from following the above criteria upon application.

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4) FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

- i. Generally, the group's objectives, policies and processes for managing risk are the same as those disclosed in its consolidated financial statements as of and for the year ended December 31, 2018.
- ii. There have been no changes in the group's approach to capital management during the current financial interim period neither the group is subject to externally imposed capital requirements.
- iii. Fair value hierarchy for the financial assets in equity instruments has been disclosed in Note 17.

5) SEGMENT REPORTING

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

A- Operating Segment

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

- Tobacco manufacturing and trading.
- Investments
- Energy.

B- Geographical Segment

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

<i>Jordanian Dinar</i>	Tobacco manufacturing and trading	Energy	Investment	Total
<u>For the six months ended June 30, 2019 (Reviewed not audited)</u>				
Segment Gross profit for the period	50,465,747	162,719	-	50,628,466
Administrative expenses	(12,715,355)	(861,306)	(1,345,577)	(14,922,238)
Selling and distribution expenses	(8,206,072)	-	-	(8,206,072)
Net finance cost	(803,204)	(35,424)	(5,877,508)	(6,716,136)
Other income	216,320	2,701	(812)	218,209
Gain from sale of investment property	-	204,666	234,669	439,335
Segment profit (loss) for the period before income tax	28,957,436	(526,644)	(6,989,228)	21,441,564
<u>For the six months ended June 30, 2019 (Reviewed not audited)</u>				
Gross segment assets	264,393,116	7,071,586	149,092,970	420,557,672
Gross segment liabilities	52,458,885	2,886,062	202,002,820	257,347,767
Capital expenditure	2,062,558	1,412	-	2,063,970

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<i>In Jordanian Dinar</i>	<u>Tobacco</u>	<u>Energy</u>	<u>Investment</u>	<u>Total</u>
<u>For the six months ended June 30, 2018</u> <u>(Reviewed not audited)</u>				
Gross segment revenue for the period	35,259,791	185,975	-	35,445,766
Administrative expenses	(8,960,010)	(405,756)	(1,726,636)	(11,092,402)
Selling and distribution expenses	(4,614,513)	-	-	(4,614,513)
Dividends from financial assets at fair value through other comprehensive income	28,900	-	-	28,900
Other revenues (expenses)	(425,047)	3,091	(33,847)	(455,803)
Net finance cost	(646,554)	(62,711)	(4,052,464)	(4,761,729)
Administrative and Logistic fees	-	-	5,853,235	5,853,235
Segment profit (loss) for the period before tax	20,642,567	(279,401)	40,288	20,403,454
<u>For the period ended June 30, 2018</u> <u>(Reviewed not audited)</u>				
Gross segment assets	124,595,349	6,463,799	224,382,837	355,441,985
Gross segment liabilities	75,490,573	2,800,194	165,132,249	243,423,016
Capital expenditure	532,803	9,731	1,449	543,983

6) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<i>Jordanian Dinar</i>	<u>As of June 30, 2019 (Reviewed not audited)</u>	<u>As of December 31, 2018 (Audited)</u>
Non quoted shares**	150,525	150,525
	150,525	150,525

* The balance 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.

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7) INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

F- Alfakher Holding USA purchased during 2019 80% of Romman Incorporated – USA as follow:

<i>Jordanian Dinar</i>	<u>Fair value on acquisition</u>	<u>Book value on acquisition</u>
Net assets	<u>2,083,713</u>	<u>2,083,713</u>
Cash paid	8,306,992	
Goodwill from acquisition	<u>6,223,279</u>	

G- The Group signed intellectual property transfer and assignment agreement amounted to EUR 30,000,000 (JOD: 24,404,099) recognized as intangible assets.

The summary of intangible assets was as follow:

	<u>As of June 30, (Reviewed 2019 not audited)</u>	<u>As of December 31, 2018 (Audited)</u>
Distribution rights	79,810,367	79,810,367
Goodwill	108,709,912	102,486,633
Intellectual property rights	24,404,099	-
Improvement on intangible assets	774,110	-
	<u>213,698,488</u>	<u>182,297,000</u>

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8) PROPERTY, PLANT AND EQUIPMENT

The additions over property, plant and equipment during the period ended June 30, 2019: JD 2,063,970 (December 31, 2018: JD 11,155,362).

The depreciation expense on property, plant and equipment during the period ended June 30, 2019: JD 1,818,661 (June 30, 2018: JD 1,742,180).

9) RIGHT OF USE ASSETS

The Group has applied IFRS (16) on January 1, 2019 which resulting in intangible assets represent right to use assets amounted to JD 8,286,222. There are additions during the period ended June 30, 2019 amounted to 1,944,393, and the depreciation expense during the period ended June 30, 2019 amounted to JD 374,956.

Lease liabilities:

<i>Jordanian Dinar</i>	As of June 30, 2019 (Reviewed not audited)	As of December 31, 2018 (Audited)
Lease liabilities – short term	559,187	-
Lease liabilities – long term	9,367,646	-
	9,926,833	-

10) ADVANCE PAYMENTS FOR INVESTMENTS

- Spectrum International for Renewable Energy- has invest in a joint project in Sol In Par S.R.L – Italy, where the company paid an advance payment amounted to JD 866,669.

11) LOANS AND BANK FACILITIES

<i>Jordanian Dinar</i>	As of June 30, 2019 (Reviewed not audited)	As of December 31, 2018 (Audited)
Loans and bank facilities – short term	80,265,446	78,069,047
Loans and bank facilities – long term	97,005,244	126,535,379
	177,270,690	204,604,426

- Al Fakher Tobacco for Trading and Agencies Company – subsidiary company obtained a credit facilities in the year 2013 from the Bank of Jordan amounted 25,000,000 USD, (17,700,000 JOD) which represent a reducing loan, that will be settled in one payment on January 4, 2014 with a LIBOR of +2%. The loan payment due date has been extended during the years 2014, 2015, 2016, 2017, 2018 and lastly in March 20, 2019, as the loan payments due date has been extended to be settled in one payment on March 31, 2020 with a LIBOR 3 months + %3.75 with a minimum of 6% and the interests paid on quarterly basis with the guarantee of Al- Eqbal investment company and Al Fakher for Tobacco Trading and Agencies Company.
- Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank of Jordan for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JOD 571,200. The loan is subject to 4.5% and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 108 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.

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- Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank of Jordan for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JOD 905,000. The loan is subject to 4 % and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 84 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.
- Spectrum Company has signed an agreement to grant a loan from bank of Jordan to purchase a land for Al zaytoun mountain project amounted to JOD 282,000. The loan is subject to 8.375% and commission of zero and repaid on equal monthly premium inclusive of interest and shall commence payment of 84 equal monthly payments including interest, the first installment after 6 months from the date of execution until full repayment.
- Al-Fakher for Trading Tobacco and Agencies Company obtained credit facilities from the Housing Bank with an amount of USD 14 million, JD 9,926,000 for the purpose of distributing dividends, where the loan is paid over maximum seven years including one year of grace period and installments are paid monthly per annum amounted to USD 194,000 and by the end of the seventh year, the remaining balance of the loan will be paid in one installment with interest of 1 month LIBOR + 2.25 with minimum of 3.25% with a guarantee of Eqbal Investment Company.
- Al-Fakher for Trading Tobacco and Agencies Company – Cayman island obtained a bank loan amounted to USD 250 Million with an interest rate ranging from 3% to 3.25% + 3 months of LIBOR. And the first installment is due on June 30, 2019. With the following guarantees:
 - Guarantee the shares of Al Eqbal Investment Company in Al-Fakher Holding Company for Tobacco and Agencies Trading - Cayman Islands.
 - Guarantee the shares of Al-Fakher Holding Company for Tobacco and Agencies Trading in Al Fakher Tobacco Company.
 - Guarantee the shares Al Fakher international in Pioneer Venture.
 - Mortgaging the equipment only in addition to the land lease of Ajman.
- Spectrum Company Signed an agreement with Housing bank to purchase land for Armoush (Macdonald's) project with an amount of 2,700,000 JD. The loan has an interest rate of 4% with a zero commission on an equal 108 monthly installment as the company will pay 25,000 monthly including the interest for 9 years and the first installment will be after 1 year from the date of execution until full repayment.
- Spectrum Company Signed an agreement with Housing bank to purchase land for Ward Restaurant project with an amount of 1,190,000 JD. The has an interest rate of 1.5% (PLR) with a 0.5% commission on an equal 108 monthly installment as the company will pay 11,019 monthly including the interest for 9 years and the first installment will be after 1 year from the date of execution until full repayment.

The Bank of Jordan is considered related party as the group has total loans and bank facilities amounted to JOD 14,069,442 from bank of Jordan.

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12) RELATED PARTIES TRANSACTIONS

12.1 Key management remuneration

Salaries and remunerations short term paid to the Group higher executive management amounted for the six months ended June 30, 2019: JD 4,030,070 (June 30, 2018: JD 2,894,011).

- As shown in note (11) the group took a loan from Bank of Jordan, of which considered due to related party.

13) INCOME TAX PROVISION FOR THE PERIOD

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of its operations for the six months ended June 30, 2019 was 18% against 11% for the six months ended June 30, 2018.

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

<i>Jordanian Dinar</i>	June 30, 2019 (Reviewed not audited)	December 31, 2018 (Audited)
Balance at the beginning of the year	7,223,590	6,021,753
Provision for the period / year	3,668,018	7,716,898
Contribution tax provision*	215,691	-
Income tax paid during the period / year	(6,923,077)	(6,515,061)
Balance at the end of the period / year	4,184,222	7,223,590

*This amount represents the new income tax law imposed, which implemented from the first of 2019.

14) CONTINGENT LIABILITIES

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

<i>Jordanian Dinar</i>	As of June 30, 2019 (Reviewed not audited)	As of December 31, 2018 (Audited)
Bank guarantees	14,516,542	11,040,578
	14,516,542	11,040,578

Against cash margins represented as follows:

<i>Jordanian Dinar</i>	As of June 30, 2019 (Reviewed not audited)	As of December 31, 2018 (Audited)
Bank guarantees	12,585,396	8,975,403
	12,585,396	8,975,403

- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes with an amount of JD 15,749,062 for the years 2012,2013,2014,2015 and 2016 and an amount of JD 9,510,970 as legal compensation, and the case is still pending.

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

And the company have extra provision amounted to JD 1,310,026 against any contingent tax liabilities.

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

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

15) EARNING PER SHARE

<i>Jordanian Dinar</i>	For the six months ended June 30,	
	2019 (Reviewed not audited)	2018 (Reviewed not audited)
Profit for the period for the shareholders (JD)	17,557,855	18,154,580
Weighted average for number of shares (Share)	60,000,000	60,000,000
Earning per share for the period	0.29	0.30

The earnings per share was calculated by dividing the profit for the Period on the number of shares amounting to 60 million shares as of June 30, 2019.

16) FINANCIAL RISK MANAGEMENT

- **Credit risk**

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

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

<i>Jordanian Dinar</i>	Carrying value as at	
	June 30, 2019 (Reviewed not audited)	December 31, 2018 (Audited)
Cash at banks and deposit at banks	23,379,921	57,671,841
Trade and other receivables	59,619,387	80,019,775
Other debit balances	18,048,453	14,625,764
	101,047,761	152,317,380

- **Liquidity risk**

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

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

The followings are the contracted maturities of financial liabilities:

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<i>Jordanian Dinar</i>	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
<u>As of June 30, 2019 (Reviewed not audited)</u>				
Deferred cheques – Short term	486,141	(486,141)	(486,141)	-
Accounts payable	17,235,388	(17,235,388)	(17,235,388)	-
Other credit balances	12,957,697	(12,957,697)	(12,957,697)	-
Income tax provision	4,184,222	(4,184,222)	(4,184,222)	-
Loans and Bank facilities	177,270,690	(177,270,690)	(80,265,446)	(97,005,244)
Payables due to acquisition	29,984,048	(29,984,048)	(3,601,999)	(26,382,049)
Lease liabilities	9,926,833	(9,926,833)	(559,187)	(9,367,646)
Provision of employees' end of service indemnity	5,302,748	(5,302,748)	-	(5,302,748)
	<u>257,347,767</u>	<u>(257,347,767)</u>	<u>(119,290,080)</u>	<u>(138,057,687)</u>

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

- **Market risk**

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

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

- **Currency Risk**

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

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

	30 June 2019			
	EURO	EGP	SAR	TRY
<i>Jordanian Dinar</i>				
Cash on hand and at banks	1,293,260	4,045,848	7,523,241	26,430
Trade and other receivables	2,123,191	88,729	5,072,200	11,632
Other debit balances	26,954	284,831	5,504,228	88,471
Accounts payable	(604,690)	(395,531)	(18,063)	(330,225)
Other credit balances	(263,354)	(1,809,755)	(619,973)	(403,987)
	2,575,361	2,214,122	17,461,633	(607,679)
	31 December 2018			
	EURO	EGP	SAR	TRY
<i>Jordanian Dinar</i>				
Cash on hand and at banks	12,665,128	4,335,038	448,416	77,127
Trade and other receivables	1,246,577	497,792	1,387,420	9,971
Other debit balances	155,253	87,288	5,072,211	86,960
Accounts payable	-	(2,120,131)	(27,668)	-
Other credit balances	(31,089)	(1,871,741)	(359,320)	(611,837)
	14,035,869	928,246	6,521,059	(437,779)

- **Sensitivity analysis**

A 10 % strengthening of the JD against Euro, Egyptian pound, Saudi riyal and Turkish lira at June 30, 2019 would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended December 31, 2018.

<i>Jordanian Dinar</i>	Increased	Decreased
	Profit or (loss)	Profit or (loss)
As of June 30, 2019		
EURO	257,536	(257,536)
EGP	221,412	(221,412)
SAR	1,746,163	(1,746,163)
TRY	(60,767)	60,767

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- **Interest rate risk**

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

<i>Jordanian Dinar</i>	Carrying value	
	June 30, 2019 (Reviewed not audited)	December 31, 2018 (Audited)
Fixed rate instruments		
Financial Assets	1,522,739	2,682,608
Variable rate instruments		
Financial Liabilities	(177,270,690)	(204,604,426)

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 886,353 for the six months ended June 30, 2019. A decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 886,353 for the six months ended June 30, 2019.

- **Other market price risk**

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

Equity price risk

A change of 5% in fair value of the securities at the interim financial date would have increased (decreased) equity and profit or loss by the amount of JD 7,526. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

17) **FAIR VALUE LEVELS**

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for financial assets.

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

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

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

- **Financial Instruments measured at fair value**

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

<i>Jordanian dinar</i>	Book value Fair value	Fair Value		
		Level (1)	Level (2) *	Level (3)
<u>June 30, 2019 (Reviewed not audited)</u>				
Financial assets at fair value through other comprehensive income	150,525	-	150,525	-
<u>December 31, 2018(Audited)</u>				
Financial assets at fair value through other comprehensive income	150,525	-	150,525	-

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

- **Financial Instruments not measured at fair value:**

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

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

	Book Value		Fair Value		
	Financial assets at amortized cost	Other financial liabilities	Level (1)	Level (2)	Level (3)
<i>Jordanian Dinar</i>					
June 30, 2019					
Financial assets					
Cash on hand and at banks	23,467,396	-	-	-	-
Trade and other receivables	59,619,387	-	-	-	-
Other debit balances	18,048,453	-	-	-	-
Financial liabilities					
Deferred cheques	-	(486,141)	-	-	-
Accounts payable	-	(17,235,388)	-	-	-
Other credit balances	-	(12,957,697)	-	-	-
Payables due to acquisition	-	(29,984,048)	-	-	-
Lease liability	-	(9,926,833)	-	-	-
Loans and bank facilities	-	(177,270,690)	-	-	-

	Book Value		Fair Value		
	Financial assets at amortized cost	Other financial liabilities	Level (1)	Level (2)	Level (3)
<i>Jordanian Dinar</i>					
December 31, 2018					
Financial assets					
Cash on hand and at banks	57,772,284	-	-	-	-
Trade and other receivables	80,019,775	-	-	-	-
Other debit balances	14,625,764	-	-	-	-
Financial liabilities					
Deferred cheques	-	(380,655)	-	-	-
Accounts payable	-	(17,615,290)	-	-	-
Other credit balances	-	(15,412,439)	-	-	-
Payables due to acquisition	-	(18,363,378)	-	-	-
Loans and bank facilities	-	(204,604,426)	-	-	-

18) **Comparative figures**

The comparative figures represent the condensed consolidated interim statement of financial position as at 31 December 2018, in addition to the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows for the period ended 30 June 2018.