



شركة الإقبال للاستثمار م.ع.م
Al - Eqbal Investment Co. (PLC)

Form No. (1-5)(5-1) نموذج رقم

To: Jordan Securities Commission
Amman Stock Exchange

Date: 30/10/2018

Ref: 400/2018

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ: 2018/10/30

الرقم: 2018/400

Subject: Third Quarter Report as of 30/10/2017

الموضوع: تقرير الربع الثالث كما هي في 2018/09/30

Attached the Third Quarter Report of Al- Eqbal
Investment Co (PLC) as of 30/09/2017

مرفق طيه نسخة من البيانات المالية للربع الثالث
لشركة الإقبال للاستثمار كما هي بتاريخ 2018/09/30م

Kindly accept our highly appreciation and
respect

وتفضلوا بقبول فائق الاحترام،،،
شركة الإقبال للاستثمار

Al- Eqbal Investment Co (PLC)

Head of Shareholders department
Yacoub Rashed

رئيس قسم المساهمين

يعقوب راشد

EICO شركة الإقبال للاستثمار م.ع.م
Al - Eqbal Investment Co. Ltd.

هيئة الأوراق المالية بورصة عمان
الرقم: ٢٠١٨
التاريخ: ٢٠١٨/١٠/٣٠
الاسم: ع.ا. ١.٧
الاسم: ع.ا. ١.٧

٣٠ تشرين الأول ٢٠١٨

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**AL-EQBAL INVESTMENT COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN – JORDAN
CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2018
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 NINE MONTHS ENDED SEPTEMBER 30, 2018

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

**To the Chairman and Members of Board of Directors
Al-Eqbal Investment Company**

(Public Shareholding Company)

Amman – Jordan

We have reviewed the accompanying condensed consolidated interim financial information of **Al-Eqbal Investment Company – Public Shareholding Company- and its subsidiaries (“the Group”)** as at 30 September 2018 which comprise condensed consolidated interim statement of financial position and the related 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 nine months period then ended, and the notes to the condensed consolidated interim financial information. Group's management is responsible for the preparation and presentation of these 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 at and for the nine months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard number (34) “Interim Financial Reporting”.



Emphasis of matter

Without qualifying on our conclusion, we draw attention to note (14) to the condensed consolidated interim of financial information which describes that the group have tax lawsuits related to the years from 2009 to 2015, 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
October 30, 2018

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<i>In Jordanian Dinar</i>		As of 30 September 2018 (Reviewed not audited)	As of December 31 2017 (Audited)
	<u>Note</u>		
Assets			
Current Assets			
Cash on hand and at banks		42,598,154	21,644,788
Trade and other receivables		89,925,746	68,633,332
Inventory		37,239,742	28,348,285
Other debit balances		17,751,738	5,944,212
Total Current Assets		187,515,380	124,570,617
Non-Current Assets			
Financial assets at fair value through statement of other comprehensive income	6	150,525	784,716
Investment property		674,552	674,552
Intangible assets-Goodwill from acquisition of subsidiaries	7	49,237,953	45,555,887
Property, plant and equipment	8	22,609,172	21,965,209
Advance payments for Investments	9	120,095,489	65,085,689
Total Non-Current Assets		192,767,691	134,066,053
Total Assets		380,283,071	258,636,670
Liabilities and Shareholders' Equity			
Current Liabilities			
Deferred cheques		173,181	299,479
Accounts payable		15,036,601	13,901,441
Other credit balances		16,026,877	13,723,642
Income tax provision	13	4,700,403	6,021,753
Payables due to acquisition- short term		1,524,628	29,505,610
Loans and Bank facilities- short term	10	48,025,044	85,702,430
Total Current Liabilities		85,486,734	149,154,355
Non-Current Liabilities			
Provision of employees' end of service indemnity		5,031,958	4,344,446
Payables due to acquisition- long term		2,658,750	2,658,750
Loans and Bank facilities - long term	10	156,543,172	9,130,272
Total Non-Current Liabilities		164,233,880	16,133,468
Total Liabilities		249,720,614	165,287,823
Shareholders' Equity			
Capital	1	60,000,000	30,000,000
Statutory reserve		13,897,311	13,897,311
Cumulative change in fair value		(20,734)	290,046
Translation reserve		235,423	-
Retained earnings		56,450,457	49,161,490
Total Shareholders' Equity		130,562,457	93,348,847
Total Liabilities and Shareholders' Equity		380,283,071	258,636,670

The companying 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.

Chairman of Board of Directors

Financial Manager

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

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

	Note	For the three months ended on September 30,		For the nine months ended on September 30,	
		2018	2017	2018	2017
		(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)
<i>In Jordanian Dinar</i>					
Net sales		49,940,186	45,552,451	128,888,896	122,343,586
Cost of sales		(23,565,536)	(27,292,604)	(67,068,480)	(77,814,432)
Gross profit		26,374,650	18,259,847	61,820,416	44,529,154
Administrative expenses		(4,692,954)	(3,332,285)	(15,785,356)	(8,913,451)
Selling and distribution expenses		(2,873,089)	(3,628,273)	(7,487,602)	(4,568,262)
Dividends distributions of financial assets at fair value through other comprehensive income		-	-	28,900	30,811
Operating income		18,808,607	11,299,289	38,576,358	31,078,252
Net finance (cost) income		(2,804,988)	(1,156,001)	(7,566,717)	(1,236,839)
Other (expenses) revenues		280,247	(435,609)	(184,267)	(125,188)
Gain from sale of property, plant and equipment		393	9,376	9,104	2,084
Management and Logistics fees	9	4,791,619	7,529,074	10,644,854	7,529,074
Profit for the period before income tax		21,075,878	17,246,129	41,479,332	37,247,383
Income tax expense for the period	13	(2,182,489)	(1,906,046)	(4,431,363)	(4,005,848)
Profit for the period		18,893,389	15,340,083	37,047,969	33,241,535
Other comprehensive income items:					
Items will never be reclassified to profit or loss:					
Gains from sale of financial assets at fair value through other comprehensive income		-	-	85,173	109,205
Net differences in fair value for financial assets through other comprehensive income		-	(8,062)	(154,955)	(141,436)
Differences in foreign currency translation		235,423	-	235,423	-
Total comprehensive income for the period		19,128,812	15,332,021	37,213,610	33,209,304
Basic and diluted earnings per share from profit for the period (JD/Share)	15			0.62	0.55

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Chairman Board Of Directors

Financial Manager

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital	Statutory reserve	Shares owned by subsidiary Company	Cumulative change in fair value	Translation reserve	Retained earnings	Total
<i>In Jordanian Dinar</i>							
<u>For the nine months ended September 30, 2018</u>							
<u>(Reviewed not audited)</u>							
Balance as at 1 January 2018	30,000,000	13,897,311	-	290,046	-	49,161,490	93,348,847
Profit for the period	-	-	-	-	-	37,047,969	37,047,969
Other comprehensive income	-	-	-	(154,955)	235,423	85,173	165,641
Transfers from fair value reserve	-	-	-	(155,825)	-	155,825	-
Increasing capital (Note 16)	30,000,000	-	-	-	-	(30,000,000)	-
Balance as of September 30, 2018	60,000,000	13,897,311	-	(20,734)	235,423	56,450,457	130,562,457
<u>For the nine months ended September 30, 2017</u>							
<u>(Reviewed not audited)</u>							
Balance as at 1 January 2017	30,000,000	13,897,311	-	340,934	-	42,396,741	86,634,986
Profit for the period	-	-	-	-	-	33,241,535	33,241,535
Other comprehensive income	-	-	-	(141,436)	-	109,205	(32,231)
Transfers from fair value reserve	-	-	-	43,790	-	(43,790)	-
Dividends distribution during the period (Note 11)	-	-	-	-	-	(40,000,000)	(40,000,000)
Shares owned by a subsidiary company	-	-	(167,334)	-	-	-	(167,334)
Balance as of September 30, 2017	30,000,000	13,897,311	(167,334)	243,288	-	35,703,691	79,676,956

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.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the nine months ended September 30,	
	2018	2017
<i>In Jordanian Dinar</i>		
Cash flows from operating activities		
Profit for the period before income tax	41,479,332	37,247,383
Adjustments:		
Dividends distributions of financial assets at fair value through other comprehensive income	(28,900)	(30,811)
Provision of employees end of service indemnity	798,518	723,229
Depreciation	2,790,347	2,156,002
Key money amortization	282,296	282,296
Finance cost	7,729,241	1,524,867
Interest revenue	(162,524)	(288,028)
Gain from sale of property, plant and equipment	(9,104)	(2,084)
	52,879,206	41,612,854
Change in:		
Trade and other receivables	(21,292,414)	(32,917,904)
Inventory	(8,891,457)	(4,305,549)
Other debit balances	(12,089,822)	130,120
Accounts payable and deferred cheques	1,008,862	2,407,732
Other credit balances	2,303,235	5,109,261
Cash flows from operating activities	13,917,610	12,036,514
Income tax paid	(5,752,713)	(5,280,523)
End of service indemnity paid	(111,006)	(550,408)
Net cash flows from operating activities	8,053,891	6,205,583
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,436,710)	(3,929,465)
Proceeds from sale of property, plant and equipment	11,504	36,745
Advance payments for investments	(55,009,800)	(66,120,693)
Dividends distribution on financial assets at fair value through other comprehensive income	28,900	30,811
Cash paid for acquisition of subsidiaries companies	(3,682,066)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	564,409	144,443
Payables due to acquisition	(27,980,982)	-
Interest revenue	162,524	288,028
Net cash flows used in investing activities	(89,342,221)	(69,550,131)
Cash flows from financing activities		
Finance costs paid	(7,729,241)	(1,524,867)
Dividends distribution	-	(40,000,000)
Loans and bank facilities	109,735,514	65,646,586
Shares owned by subsidiary Company	-	(167,334)
Net cash flows from financing activities	102,006,273	23,954,385
Net change in cash on hand and at banks	20,717,943	(39,390,163)
Cash on hand and at banks at the beginning of the period	21,644,788	49,757,795
Impact of foreign currency translation	235,423	-
Cash on hand and at banks at the end of the period	42,598,154	10,367,632

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

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 October 29, 2018.

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 2017.
- These condensed consolidated interim financial information should be read with the audited consolidated financial statements for the year ended December 31, 2017. As well as the financial performance for the condensed consolidated interim financial period ended September 30, 2018 does not necessarily give an indication for the expected financial performance for the year that will be ending on December 31, 2018. In addition, no appropriation on the profit for the period has been made to reserves, which will be appropriated in the annual consolidated financial statements at the end of the year 2018.

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

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

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 information prepared in accordance with International Financial Reporting Standards.

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 parent company.

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	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	Tobacco	UAE
Al Fakher International Company	7,100	100	Tobacco	Cayman Island
Pioneer Venture Group Company **	35,464	100	Investments	UAE
Al Fakher Tobacco Factory- Turkey	18,824	100	Tobacco	Turkey

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

<u>Company Name</u>	<u>Partner contribution</u>	<u>Ownership percentage %</u>	<u>Nature of operation</u>	<u>Country of operation</u>
Al Fakher Tobacco Factory F.Z.E	7,720,000	100	Tobacco	UAE

**AL-EQBAL INVESTMENT COMPANY
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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 owned Subsidiaries Company detailed as follows:**

Company Name	Capital	Ownership percentage	Nature of operation	Country of operation
		%		
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

* Pioneer Venture Group has owned the above companies during the second quarter of 2018.

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

Company Name	Capital	Ownership percentage	Nature of operation	Country of operation
		%		
Sierra Network Company	710	100	Tobacco	USA

The following table represents the financial position and financial performance of the subsidiaries as of September 30, 2018:

In Jordanian Dinar	As of September 30, 2018			
	Total assets	Total liabilities	Total revenue	Profit (loss) for the period
Al-Fakher for Trading Tobacco and Agencies - Consolidated	372,073,364	321,507,978	127,663,677	38,659,103
Spectrum International for Renewable Energy	7,482,845	2,773,732	1,225,219	(198,629)
International Cigarettes and Tobacco Company (under liquidation)	4,247,571	-	-	-

In Jordanian Dinar	As of September 30, 2017			
	Total assets	Total liabilities	Total revenue	Profit (loss) for the period
Al-Fakher for Trading Tobacco and Agencies - Consolidated	184,426,010	137,203,469	114,523,666	35,223,475
Spectrum International for Renewable Energy	7,000,953	2,984,023	7,819,920	(424,534)
International Cigarettes and Tobacco Company (under liquidation)	4,247,570	-	-	(1,500)
Pioneer Ventures Group	31,325	244,890	-	(153,640)

The Group accounts for business combinations of a subsidiary in the consolidated 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

Contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as shareholders' equity, 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) Use of judgments and estimates

- These condensed consolidated interim financial information have been prepared in accordance with IAS 34, "interim financial reporting" which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
- In preparing these condensed consolidated interim financial information, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in preparing these condensed consolidated financial information were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

3) SIGNIFICANT ACCOUNTING POLICIES

A – New Currently Effective Standards

The accounting policies applied by the company in these condensed interim financial information for the nine months ended September 30, 2018 are the same as those applied by the Company in its financial statements for the year ended December 31, 2017, except:

- IFRS 9 Financial Instrument (effective on January 1, 2018).
- IFRS 15 Revenue from contracts with customers (effective on January 1, 2018).
- IFRS 2 Classification and Measurement of Share-based payments transactions (effective on January 1, 2018).
- IFRS 40 Transfer of investment property (effective on January 1, 2018).
- Annual improvements on IFRSs 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective on January 1, 2018).
- Amendments IFRS 9 with IFRS 4 (effective on January 1, 2018).
- IFRIC 22 Foreign currency transactions and advance consideration (effective on January 1, 2018).
- IFRIC 14 Regulatory Deferral Accounts.

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B- Changes in Significant Accounting Policies

IFRS 9 Financial Instruments:

The group has applied IFRS 9 from January 1, 2018, where the standard specify the requirements of recognition and measurement of financial assets and liabilities and certain contracts for the purchases on sales of non-financial item of IAS 39 (Recognition and measurement).

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

Classification and measurement of financial assets and financial liabilities:

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

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives and measurement of instruments). The impact of IFRS 9 on the classification and measurement of financial assets is out below:

Under IFRS 9, on initial recognition, a financial assets is classified as measured at: amortized costs; Fair value through other comprehensive income – debt investment; Fair value through other comprehensive income – equity investment; or fair value through profit and loss.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial assets is managed and its contractual cash flow characteristics.

Financial assets:

The Group has applied early for the first phase of IFRS 9 as from 1 January 2011 based on the Securities commissions' request. There were no material differences between the first phase of the standard and the final version of the Standard issued on 24 July 2014.

Under IFRS 9, on initial recognition, a financial assets is classified as measured at: amortized costs; Fair value through other comprehensive income – debt investment; Fair value through other comprehensive income – equity investment; or fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial assets is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is financial assets in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

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

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

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

The adoption of IFRS 9 did not have any impact on the Group's interim condensed consolidated financial information relating to financial assets.

Financial liabilities:

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

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

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

Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgments to estimate economic factors. The model will be applied to all financial assets - debt instruments classified at amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Impairment losses will be calculated in accordance with the requirements of IFRS 9 in accordance with the following rules:

- 12 month impairment loss: The expected impairment will be calculated for the next 12 months from the date of the consolidated financial statements.
- Impairment losses for the lifetime of the instrument: The expected impairment of the life of the financial instrument will be calculated until the maturity date from the date of the consolidated financial statements.

The Group measures impairment allowances equal to expected credit losses within 12 months if these assets are classified as Tier 1 and have the following characteristics:

- Debt securities that are determined the have low credit risk at the reporting date.
- Other debt securities, trade receivables and other debit balances for which credit risk has not increased significantly since initial recognition.

While the expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk that requires the conversion of the financial instrument from level 1 to level 2 or if the financial instrument is applied to specific situations within the Standard and the Group is required to classify these assets Within the second level directly.

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If the financial instrument is impaired or there is objective evidence of impairment as a result of a loss or default after initial recognition with a negative impact on the future cash flow, the financial instrument is transferred to the third level. The expected credit loss model requires recognition of the expected loss over the life of the asset. Debt instruments are very similar to the requirements of IAS 39.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial assets to be in default when:

- The costumer is unlikely to pay its financial obligations to the group in full, without recourse by the Group to actions such as realizing security (if any held).
- The financial asset is more than 90 days of the maturity date.

Measurement of expected credit losses:

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

Credit classification of impairment:

In each financial period, the Group evaluate the credit rating of financial assets at amortized cost and debt securities at fair value through other comprehensive income. The credit rating of financial assets considered impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occurred.

Presentation of impairment:

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

Impact of the new impairment model:

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile according to financial assets and as a result of implementation on January 1, 2018.

Based on the management opinion, the application of IFRS 9 did not have a significant effect on the condensed consolidated interim financial information since all the debts are recovering within short period from maturity date.

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C – New Standards and Interpretation not yet adopted

The following new and revised IFRSs have been issued but are not effective yet, the Company has not early adopted any of the following new and revised IFRSs that are available for early application but are not effective yet:

<u>Standards</u>	<u>Effective Date</u>
IFRS 16 Leases	January 1st, 2019
IFRS 17 Insurance Contracts	January 1st, 2021
<u>Amendments</u>	
IFRIC 23 Uncertainty over Income Tax Treatments	January 1st, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1st, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1st, 2019
Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)	January 1st, 2019
Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	January 1st, 2019

4) FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

- Generally, the group's objectives, policies and processes for managing risk are the same as those disclosed in its financial statements as of and for the year ended December 31, 2017.
- There have been no changes in the group's approach to capital management during the current financial interim period neither the group is subject to externally imposed capital requirements.
- Fair value hierarchy for the financial assets in equity instruments has been disclosed in Note 18.

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.

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B- Geographical Segment

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

<i>In Jordanian Dinar</i>	<u>Tobacco</u>	<u>Energy</u>	<u>Investments</u>	<u>Total</u>
<u>For the nine months ended September 30, 2018</u> <u>(Reviewed not audited)</u>				
Segment gross profit for the period	61,446,984	373,432	-	61,820,416
Administrative expenses	(12,575,918)	(605,966)	(2,603,472)	(15,785,356)
Selling and distribution expenses	(7,487,602)	-	-	(7,487,602)
Dividends from financial assets at fair value through other comprehensive income	-	28,900	-	28,900
Other (expenses) revenues	(184,864)	(485)	1,082	(184,267)
Net finance cost	(912,833)	(79,682)	(6,574,202)	(7,566,717)
Gain from sale of property, plant and equipment	9,104	-	-	9,104
Management and Logistics fees	-	-	10,644,854	10,644,854
<u>Segment profit (loss) for the period before tax</u>	<u>40,294,871</u>	<u>(283,801)</u>	<u>1,468,262</u>	<u>41,479,332</u>
<u>For the period ended September 30, 2017</u> <u>(Reviewed not audited)</u>				
Gross segment assets	193,135,753	6,874,518	180,272,800	380,283,071
Gross segment liabilities	69,739,989	2,210,552	177,770,073	249,720,614
Capital expenditure	3,421,174	11,993	3,543	3,436,710
<i>In Jordanian Dinar</i>	<u>Tobacco</u>	<u>Energy</u>	<u>Investments</u>	<u>Total</u>
<u>For the nine months ended September 30, 2017</u> <u>(Reviewed not audited)</u>				
Segment gross profit for the period	44,396,614	132,540	-	44,529,154
Administrative expenses	(7,209,645)	(553,067)	(1,150,739)	(8,913,451)
Selling and distribution expenses	(4,568,262)	-	-	(4,568,262)
Dividends from financial assets at fair value through other comprehensive income	-	30,811	-	30,811
Net finance cost	(795,887)	(35,785)	(405,167)	(1,236,839)
Management and Logistics fees	7,529,074	-	-	7,529,074
Other (expenses) revenues	(126,155)	967	-	(125,188)
Gain from sale of property, plant and equipment	2,084	-	-	2,084
<u>Segment profit (loss) for the period before tax</u>	<u>39,227,823</u>	<u>(424,534)</u>	<u>(1,555,906)</u>	<u>37,247,383</u>
<u>For the period ended September 30, 2017</u> <u>(Reviewed not audited)</u>				
Gross segment assets	184,382,450	6,392,626	1,311,329	192,086,405
Gross segment liabilities	82,898,079	2,593,754	26,917,616	112,409,449
Capital expenditure	3,914,734	9,551	5,180	3,929,465

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

<i>In Jordanian Dinar</i>	September 30,2018 (Reviewed not audited)	December 31, (Audited) 2017
Quoted shares*	-	483,691
Non quoted shares**	150,525	301,025
	150,525	784,716

* 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, 2017.

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

7) INTANGIBLE ASSETS-GOODWILL FROM ACQUISITION OF SUBSIDIARIES

Company Name	Goodwill from acquisition of subsidiaries	
	As of 30 September 2018 (Reviewed not audited)	As of 31 December 2017 (Audited)
Al Fakher Tobacco Factory – UAE	6,602,986	6,602,986
Sierra Network Company – USA	37,535,797	37,535,797
Al Fakher Tobacco – Turkey	1,417,104	1,417,104
Al Fakher Tobacco – Egypt	3,682,066	-
	49,237,953	45,555,887

8) PROPERTY, PLANT AND EQUIPMENT

The additions over property, plant and equipment during the period ended September 30, 2018: JD 3,436,710 (December 31, 2017: JD 6,473,163).

The depreciation expense on property, plant and equipment during the period ended September 30, 2018: JD 2,790,347 (September 30, 2017: JD 2,156,002).

9) ADVANCE PAYMENTS FOR INVESTMENTS

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

- The Company has paid an amount of JD 119,249,244 for purchasing the distribution activities of AL-Fakher Products in 53 country on 26 July 2017, and based on the agreed terms and conditions, Al Fakher Holding Company in the process of completing the control over distribution companies which choose Al Fakher Holding to distribute the products on the markets. That were acquired with reference that the agreement is purchasing agreement for the rights of distribution activities .

Accordingly, and until the date of complete the transfer of ownership and control of the distribution activity, the financial statements will not be consolidated for the companies based on IFRS.

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The owner of the distribution activity will be charged costs related administrative and logistic services, by an amount to JD 10,644,854 for the period ended September 30, 2018.

The amount of trade receivable arising from dealing with distribution activity companies amounted to JD 60,519,623 as at September 30, 2018, (December 31, 2017: JD 58,456,175).

- Spectrum International for Renewable Energy Company has invest in a joint venture project in Sol.In.Par S.R.L-Italy, where the company paid an advance payment amounted to 846,245 JD.

10) LOANS AND BANK FACILITIES

<i>In Jordanian Dinar</i>	September 30,2018 (Reviewed not audited)	December 31, 2017 (Audited)
Loans and bank facilities – short term	48,025,044	85,702,430
Loans and bank facilities – long term	156,543,172	9,130,272
	204,568,216	94,832,702

- Al Fakher Tobacco for Trading and Agencies Company obtained a credit facilities in the year 2013 from the Bank of Jordan amounted 25,000,000 USD, (17,700,000 JD) which represent a declining loan, that will be settled in one payment on January 4, 2014 with a LIBOR of +2%. The loan payment due date has been extended during the years 2014, 2015, 2016 and lastly in December 27, 2017, and that is after making a payment on the loan to have a new balance of JD 15,930,000 as the loan payment due date has been extended to be a one payment due in 31 December 2018 with a LIBOR of 3 months + 3.5% margin per annum guaranteed by Al-Eqbal Investment Company.

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

- Spectrum Company has got a credit facilities from bank of Jordan within the program of advances of the Central Bank for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JD 353,000. The loan interest 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.
- Al-Fakher for Trading Tobacco and Agencies Company obtained credit facilities from the Housing Bank with an amount of USD 14 million for the purpose of distributing dividends, where the loan is paid over maximum seven years including one year of grace period and installments are paid monthly per annum amounted to USD 194,000 and by the end of the seventh year, the remaining balance of the loan will be paid in one installment with interest of 1 month LABOR + 2.25% margin per annum and minimum of 3.25% guaranteed by Al-Eqbal Investment Company.
- Spectrum Company has signed an agreement to grant a loan from bank of Jordan within the program of advances of the Central Bank for the industrial sectors, as the loan is distributed according to the invoices submitted by the company for disbursements and any completed works with a percentage of 100% of the value of invoices and works with a maximum value of JD 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.

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- Spectrum Company has signed an agreement to grant a loan from bank of Jordan to purchase a land for the Olive Mountain project amounted to JD 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 - Cayman Island obtained a syndicated loan amounted to USD 250 Million with interest between 3% and 3.25% + 3 months LABOR and the first payment is due on 30 June 2019 with the following guarantees:
 - Guarantee the shares of Al-Eqbal Investment Company in Al-Fakher Holding Company for Tobacco Trading and Agencies - Cayman Island.
 - Guarantee the shares of Al-Fakher for Tobacco Trading and Agencies Company in Al-Fakher Tobacco.
 - Guarantee the shares of Al-Fakher International in Pioneer Venture Company.
 - Mortgage for equipment only in addition to land lease in Ajman.

11) DIVIDENDS

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

<i>In Jordanian Dinar</i>	September 30, 2018 (Reviewed not audited)	September 30, 2017 (Reviewed not audited)
Cash dividends	-	40,000,000
	-	40,000,000

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

12) RELATED PARTIES TRANSACTIONS

12.1 Key management remuneration

Salaries and remunerations short term paid to the Company higher executive management amounted for the nine months ended September 30, 2018: JD 144,110 (September 30, 2017: JD 246,105).

- As shown in note (10) the group took a loan from Bank of Jordan, of which considered due to related party.

13) INCOME TAX EXPENSE FOR THE PERIOD

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of its operations for the nine months ended September 30, 2018 was 10.68% against 10.75% for the nine months ended September 30, 2017.

The tax rate based on prevailing local law is 20% for Al Eqbal Company and Al Fakher Company Amman while it reached 10% from profit of Alfakher Holding Company – Cayman Islands.

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

<i>In Jordanian Dinar</i>	September 30, 2018 (Reviewed not audited)	December 31, 2017 (Audited)
Balance at the beginning of the year	6,021,753	5,609,153
Provision for the period / year	4,431,363	5,693,123
Income tax paid for the period / year	(5,752,713)	(5,280,523)
Balance at the end of the period / year	4,700,403	6,021,753

Group tax position

a- Parent company – Al Eqbal for Investment PLC

The income tax was settled until 2016. 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 the claim was misplaced and will be separated for the company.

The tax return for the year 2017 was submitted within the legal period and the department hasn't audited the company's accounts and did not issue the final decision till the date of the condensed consolidated interim financial information.

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

b- Subsidiary – AL Fakher for Trading Tobacco LLC

Al Fakher – Amman

The Income Tax was settled until the financial year 2008. The Income Tax Department audited the accounts of the company and issued its final decision for the financial years 2009, 2010, 2011, 2012, 2013, 2014 and 2015 that was objected to the court of the tax, in the Company's management and tax consultant's opinion, the decision of the Tax Department is misplaced and will be dismissed in favor of the company.

The tax return was submitted for the financial years 2016 and 2017 within the legal period of submission, the department did not audit the company's accounts and did not issue its final decision till the date of the preparation of the condensed consolidated interim financial information.

In the tax consultant and company's management opinion, the company should take a provision by an amount of JD 4,431,363 as a provision of 10% of net profit of the investment in Al Fakher Holding-Cayman Island for the period ended September 30, 2018.

c- Al Fakher – Aqaba private

The Income Tax was settled until 2015. The tax return was submitted for the years 2016 and 2017 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 condensed consolidated interim financial information.

The division has stopped operating since the end of 2015, and a tax clearance form was sent showing that the taxes owed were paid and clear.

d- Subsidiary – Spectrum International for Renewable Energy

The Income Tax was settled until the financial year 2014. The tax return was submitted for the financial years 2015, 2016 and 2017 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 condensed consolidated interim financial information.

In the tax consultant and company's management opinion, the company is not obligated to take a provision for the income tax liability for the business results.

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14) CONTINGENT LIABILITIES

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

<i>In Jordanian Dinar</i>	September 30, 2018 (Reviewed not audited)	December 31, 2017 (Audited)
Bank guarantees	3,916,269	2,405,471
	3,916,269	2,405,471

Against cash margins represented as follows:

<i>In Jordanian Dinar</i>	September 30, 2018 (Reviewed not audited)	December 31, 2017 (Audited)
Bank guarantees	1,671,996	170,755
	1,671,996	170,755

- The Company filed a lawsuit with the First Instance Court to object to the decisions passed on by the Income Tax Department for imposing income tax on the year 2012 with an amount of JD 111,756 in addition to a legal compensation amount of JD 46,123. A decision was issued in the case to accept the lawsuit and prevent the tax department from claiming the company the amount of the tax difference because of a formal error in the procedures of issuing the decision of the Tax Department, and the Court of Appeal supports this decision. The decision became final, considering the possibility that the Tax Department might correct the procedures and return the claim on the company regarding the amount of tax and this will call for a new lawsuit.
- The Group's subsidiary (Al-Fakher for Trading Tobacco and Agencies Company) filed a lawsuit with the First Instance Court to object on the decisions passed on by the Income Tax Department for imposing income taxes for the years of 2009, 2010 and 2011 with an amount of JD 7,843,927 and Legal compensation amount of JD 3,889,245 and 111,372 for the education support fund. The Tax Court decision was issued containing the cancelation of the decision of the Income Tax Department as well as preventing them from claiming the company for the amounts mentioned, and reserving an amount of JD 699,235 for income tax and JD 111,372 for the education support fund and JD 101,233 as a legal compensation. As the company filed a discriminatory appeal against the decision and the lawsuit is currently at the Supreme Court.

Based on the Group's management and tax consultant opinion, the company will not pay additional amounts over the amounts taken since the company took additional provision by JD 212,000 during the first quarter of 2018.

- 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 on the company for the amount of JD 15,565,252 for the years 2012, 2013, 2014 and 2015 with an amount of JD 9,510,970 as a legal compensation. The case is still pending.

Based on the group's managements and it's legal consultant opinion, the probability of winning the legal case is high, as the income is from a branch and not from an investment. In addition, the company has paid the due payments to the income tax department in Aqaba.

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

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15) EARNING PER SHARE

<i>In Jordanian Dinar</i>	For the nine months ended September 30,	
	2018 (Reviewed not audited)	2017 (Reviewed not audited)
Profit for the period for the shareholders (JD)	37,047,969	33,241,535
Weighted average for number of shares (Share)	60,000,000	60,000,000
Earning per share for the period	0.62	0.55

Earning per company for the period

The earning per share calculated by dividing the profit for the period on the current number of shares which is equal to 60 Million shares as of September 30, 2018.

The weighted average for number of shares has been adjusted for the comparative year due to that the company has increased its capital through capitalized free 30 Million shares from the retained earnings according to IAS (33).

16) INCREASING CAPITAL

The general assembly decided in the extraordinary meeting on June 3, 2018 to increase its capital amounted of 30,000,000 JD to become 60,000,000 JD by capitalization of 30,000,000 shares from retained earnings. The approval was issued by the Securities Commission on July 17, 2018.

17) FINANCIAL RISK MANAGEMENT

- Credit risk

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

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

<i>In Jordanian Dinar</i>	Carrying value as at	
	September 30, 2018 (Reviewed not audited)	December 31, 2017 (Audited)
Cash at banks and deposits at banks	42,493,907	21,543,982
Trade and other receivables	89,925,746	68,633,332
Other debit balances	2,775,006	1,015,353
	135,194,659	91,192,667

- Liquidity risk

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

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

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The followings are the contracted maturities of financial liabilities:

In Jordanian Dinar

	Carrying Amount	Contractual Cash Flows	less than a year	More than a year
<u>September 30, 2018 (Reviewed not audited)</u>				
Deferred cheques	173,181	(173,181)	(173,181)	-
Accounts payable	15,036,601	(15,036,601)	(15,036,601)	-
Other credit balances	16,026,877	(16,026,877)	(16,026,877)	-
Income tax provision	4,700,403	(4,700,403)	(4,700,403)	-
Loans and Bank facilities	204,568,216	(204,568,216)	(48,025,044)	(156,543,172)
Payables due to acquisition	4,183,378	(4,183,378)	(1,524,628)	(2,658,750)
Provision of employees' end of service indemnity	5,031,958	(5,031,958)	-	(5,031,958)
	<u>249,720,614</u>	<u>(249,720,614)</u>	<u>(85,486,734)</u>	<u>(164,233,880)</u>

In Jordanian Dinar

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

- **Market risk**

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

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

- **Currency Risk**

Most of the group's financial assets and liabilities are in Jordanian Dinar, UAE Dirhams and American Dollars. An increase (decrease) of the JD against the AED at 30 September would have increased (decreased) profit or loss by the amounts shown below and it's considered that exchange rate of JD against USD stays constant. this analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date when preparing the condensed consolidated interim financial information. And regarding the Turkish Lira, the group booked a translation reserve due to the fluctuation of exchange rate at the date of condensed consolidated interim financial information.

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- Interest rate risk

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

<i>In Jordanian Dinar</i>	Carrying value	
	September 30, 2018 (Reviewed not audited)	December 31, 2017 (Audited)
Fixed rate instruments		
Financial Assets	15,151,891	4,758,702
Variable rate instruments		
Financial Liabilities	(204,568,216)	(94,832,702)

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 1,534,262 for the nine months ended September 30, 2018. A decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 1,534,262 for the nine months ended September 30, 2018.

- 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 5,645 JD. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

18) 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.

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- 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>In Jordanian dinar</i>	Book value Fair value	Fair Value		
		Level (1)	Level (2)	Level (3)*
<u>September 30, 2018 (Reviewed not audited)</u>				
Cash on hand and at banks	42,598,154	42,598,154	-	-
Financial assets at fair value through statement of other comprehensive income	150,525	-	-	150,525
<u>December 31, 2017 (Audited)</u>				
Cash on hand and at banks	21,644,788	21,644,788	-	-
Financial assets at fair value through statement of other comprehensive income	784,716	483,691	-	301,025

***Fair value according to third level**

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.

		Fair Value		
<i>In Jordanian dinar</i>	<u>Book value</u>	<u>Level (1)</u>	<u>Level (2)</u>	<u>Level (3)</u>
<u>September 30, 2018 (Reviewed not audited)</u>				
Trade and other receivable	89,925,746	-	89,925,746	-
Deferred cheques	(173,181)	-	(173,181)	-
Accounts payable	(15,036,601)	-	(15,036,601)	-
Payables due to acquisition	(4,183,378)	-	(4,183,378)	-
Loans and bank facilities	(204,568,216)	-	(204,568,216)	-
<u>December 31, 2017 (Audited)</u>				
Trade and other receivable	68,633,332	-	68,633,332	-
Deferred cheques	(299,479)	-	(299,479)	-
Accounts payable	(13,901,441)	-	(13,901,441)	-
Payables due to acquisition	(32,164,360)	-	(32,164,360)	-
Loans and bank facilities	(94,832,702)	-	(94,832,702)	-

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.

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19) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year figures. The effect of reclassification as at September 30, 2017 is shown in the following table:

<i>In Jordanian Dinar</i>	September 30, 2017		
	Before reclassification	Reclassification Effect	After reclassification
Cost of sales	(69,270,485)	(8,543,947)	(77,814,432)
Selling and distribution expenses	(13,112,209)	8,543,947	(4,568,262)