



Ref : GA/18-010
April 16, 2018

To :
Amman Stock Exchange,
Amman – Jordan

Dear Sirs,

Subject: Afaq for Energy Preliminary Financial Results 2017

As per ASE regulations regarding Preliminary Disclosure, You are pleased to find enclosed Preliminary Financial Results as of 31/12/2017 for AFAQ Energy.

Sincerely,

AFAQ Energy



| |
|---------------------------------------|
| بورصة عمان |
| الدائرة الإدارية والمالية |
| الديوان |
| ١٦ نيسان ٢٠١٨ |
| الرقم المتسلسل: ٢٠٨٤ |
| رقم الملف: ٧١٤٨٦ |
| الجهة المختصة: ٦١٦ المراجعة والمصادقة |

AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Afaq For Energy Public Shareholding Company
Amman- Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Afaq For Energy Public Shareholding Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the [consolidated] Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

Group's current liabilities exceeded its current assets by JD 130,112,888 as of 31 December 2017, this indicates a material uncertainty of the Group's ability to continue as a going concern and to meet its short-term liabilities during the next 12 months. The Group's management is seeking additional financing from banks to reschedule the existing loans. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| 1. Revenue recognition | |
|--|---|
| Key Audit matter | How the key audit matter was addressed in the audit: |
| <p>The Group's revenues amounted to JD 920,297,369 for the year ended 31 December 2017 (2016: JD 771,149,434), out of this total gas stations sales from petroleum products equaled to JD 894,028,139 (2016: JD 752,392,283) representing 97% of total revenues. The fuel sale prices are determined by the government of Jordan based on the distribution agreement signed between the Group and the Ministry of Energy and Mining Resources on 20 November 2012. There is a risk that, if revenue not recognized in the appropriate period and according to the prices as per the distribution agreement, this could misstate earnings of the Group.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We assessed the appropriateness of the Group's revenue recognition accounting policies in accordance with International Financial Reporting Standards and distribution agreement; - We obtained understanding, tested and evaluated the Group's controls over revenue recognition. - We performed year-end cut-off audit procedures to assess whether revenue had been recorded in the correct period. - Having built expectations about the expected revenues for the year we |



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| | |
|--|---|
| | <p>performed substantive analytical procedures using financial and non-financial information.</p> <ul style="list-style-type: none"> - We have compared the monthly sales prices per accounting records to the retail prices of petroleum products published by the Ministry of Energy and Mining Resources. <p>Refer to revenues disclosure note (21) in the consolidated financial statements.</p> |
| <p>2. Completeness of provision for doubtful debts and cheques under collection</p> | |
| <p>Key Audit matter</p> <p>The Group's trade receivable and cheques under collection related to multiple customers net of allowance for doubtful debts amounted to JD 39,154,683 as of 31 December 2017 (2016: JD 42,332,123). There is a risk of uncertainty over collectability of receivables from certain customers, which could misstate earnings of the Group.</p> <p>The determination as to whether a trade receivable and cheques under collection are collectible involves management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. The management use these information in order to determine the provision for a certain transaction or for the full balance.</p> <p>We focused on this area since it requires a high level of management judgment and since the valuation of allowance for doubtful accounts receivable and cheques under</p> | <p>How the key audit matter was addressed in the audit</p> <ul style="list-style-type: none"> - Our audit procedures included the following: - We tested on a sample basis of accounts receivable balances where impairment indication existed and no provision recognized. This included verifying if collection is made after the financial year ended, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. - We obtained a lawyer letter for legal cases raised against customers to assess the collectability of their accounts receivables and the sufficiency of allowance for doubtful debts taken against them. <p>Refer to Accounts receivable and cheques under collection disclosure note (10) in the consolidated financial statements.</p> |

| | |
|---|--|
| collection may have a significant impact on the earnings. | |
| 3. Recognition of related party transactions | |
| <p>Key Audit matter</p> <p>The Group's due from related parties amounting to JD 20,334,431 as of 31 December 2017 (2016: JD 7,814,846) and due to related parties amounting to JD 4,928,939 as of 31 December 2017 (2016: JD 13,548,215). The Group has significant transactions with related parties in the form of revenues, expenses and capital expenditures for the year ended. There is a risk that, if not at arm's length or not reflecting the goods or services provided in the period, such transactions could be used to manipulate earnings or to distribute profits. Related parties, which are the most risky from the audit perspective, are those with material outstanding balances and having higher number transactions.</p> | <p>How the key audit matter was addressed in the audit</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We have evaluated the appropriateness of management's procedures to identify and record related party transactions. - We have vouched material agreements with related parties to understand the nature of the transactions. - We preformed confirmation procedures by obtaining confirmations and statement of accounts from all related parties, vouch them, and test on a sample basis these transaction with the supporting documents and management approvals. <p>Refer to related parties disclosure note (11) in the consolidated financial statements.</p> |

Other information included in the Group's 2017 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated] financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.

ERNST & YOUNG
Amman - Jordan

Ernst & Young/ Jordan

Mohammad Ibrahim Al- Karaki
License No. 882

Amman-Jordan
28 March 2018

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Notes | 2017 JD | 2016 JD |
|---|-------|---------------------------|---------------------------|
| Assets- | | | |
| Non-current Assets- | | | |
| Lands, property and equipment | 4 | 285,017,364 | 210,933,439 |
| Projects in progress | 5 | 7,849,547 | 17,677,063 |
| Intangible assets | 6 | 15,987,404 | 18,987,404 |
| Strategic fuel inventory | 7 | 5,205,900 | 4,475,090 |
| Goodwill | 8 | 2,879,234 | - |
| | | <u>316,939,449</u> | <u>252,072,996</u> |
| Current Assets- | | | |
| Inventories | 9 | 44,493,201 | 16,602,965 |
| Accounts receivable and cheques under collection | 10 | 39,154,683 | 42,332,123 |
| Due from related parties | 11 | 20,334,431 | 7,814,846 |
| Financial assets at fair value through profit or loss | 12 | 994,936 | 134,000 |
| Other current assets | 13 | 4,174,032 | 9,492,659 |
| Cash on hand and at banks | 14 | 20,030,670 | 33,810,349 |
| | | <u>129,181,953</u> | <u>110,186,942</u> |
| Total Assets | | <u><u>446,121,402</u></u> | <u><u>362,259,938</u></u> |
| Equity and Liabilities | | | |
| Equity- | | | |
| Paid in capital | 1 | 110,000,000 | 110,000,000 |
| Statutory reserve | 15 | 14,302,827 | 11,326,435 |
| Retained earnings | | 27,722,672 | 23,420,395 |
| Total shareholders' equity | | <u>152,025,499</u> | <u>144,746,830</u> |
| Non- controlling interest | | 999,172 | - |
| Total equity | | <u><u>153,024,671</u></u> | <u><u>144,746,830</u></u> |
| Non-current Liability- | | | |
| Loans and Murabaha | 16 | 33,801,890 | 19,079,833 |
| | | <u>33,801,890</u> | <u>19,079,833</u> |
| Current Liabilities- | | | |
| Due to banks | 14,18 | 68,454,086 | 67,991,872 |
| Loans and Murabaha- short term | 16 | 91,550,194 | 37,515,419 |
| Due to related parties | 11 | 4,928,939 | 13,548,215 |
| Due to governmental entities- short term | 17 | - | 4,280,000 |
| Post-dated cheques – short term | | 509,763 | 3,119,320 |
| Income tax provision | 19 | 4,576,898 | 3,514,674 |
| Governmental deposits | | 41,397,637 | 30,710,248 |
| Due to Jordan Petroleum Refinery Company Ltd. | | 14,948,527 | 19,260,551 |
| Accounts payable and other current liabilities | 20 | 32,928,797 | 18,492,976 |
| | | <u>259,294,841</u> | <u>198,433,275</u> |
| Total Liabilities | | <u><u>293,096,731</u></u> | <u><u>217,513,108</u></u> |
| Total Equity AND Liabilities | | <u><u>446,121,402</u></u> | <u><u>362,259,938</u></u> |

The attached notes from 1 to 29 form part of these consolidated financial statements

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

| | <u>Notes</u> | <u>2017</u> JD | <u>2016</u> JD |
|---|--------------|----------------------|----------------------|
| Revenues | 21 | 920,297,369 | 771,149,434 |
| Cost of revenues | | <u>(875,172,205)</u> | <u>(736,009,199)</u> |
| Gross profit | | 45,125,164 | 35,140,235 |
| General and administrative expenses | 22 | (7,584,599) | (5,662,827) |
| Finance costs | | (7,742,341) | (4,204,223) |
| Provision for doubtful debts | 10 | (1,300,000) | (500,000) |
| Change in fair value of financial assets through profit or loss | | (144,157) | - |
| Gains (losses) from disposal of property , plant and equipment | | 324,664 | (61,589) |
| Other income | | <u>1,085,184</u> | <u>795,447</u> |
| Profit for the year before tax | | 29,763,915 | 25,507,043 |
| Income tax expense | 19 | <u>(5,903,063)</u> | <u>(4,679,307)</u> |
| Profit for the year | | 23,860,852 | 20,827,736 |
| Add: other comprehensive income items | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>23,860,852</u> | <u>20,827,736</u> |
| Contributed to: | | | |
| Shareholders | | 23,778,669 | - |
| Non-controlling interest | | <u>82,183</u> | <u>-</u> |
| | | <u>23,860,852</u> | <u>-</u> |
| | | <u>(JD/ Fills)</u> | <u>(JD/ Fills)</u> |
| Basic and diluted earnings per share | | <u>0/216</u> | <u>0/189</u> |

The attached notes from 1 to 29 form part of these consolidated financial statements

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

| | Paid in capital | Statutory reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|--------------------|-------------------|-------------------|--------------------|--------------------------|--------------------|
| | JD | JD | JD | JD | JD | JD |
| Balance as of 1 January 2017 | 110,000,000 | 11,326,435 | 23,420,395 | 144,746,830 | - | 144,746,830 |
| Total comprehensive income for the year | - | - | 23,778,669 | 23,778,669 | 82,183 | 23,860,852 |
| Transfer to statutory reserve | - | 2,976,392 | (2,976,392) | - | - | - |
| Dividends (note 15) | - | - | (16,500,000) | (16,500,000) | - | (16,500,000) |
| Non-Controlling interest (note 8) | - | - | - | - | 916,989 | 916,989 |
| Balance as of 31 December 2017 | 110,000,000 | 14,302,827 | 27,722,672 | 152,025,499 | 999,172 | 153,024,671 |
| Balance as of 1 January 2016 | 110,000,000 | 8,775,731 | 20,543,363 | 139,319,094 | - | 139,319,094 |
| Total comprehensive income for the year | - | - | 20,827,736 | 20,827,736 | - | 20,827,736 |
| Transfer to statutory reserve | - | 2,550,704 | (2,550,704) | - | - | - |
| Dividends (note 15) | - | - | (15,400,000) | (15,400,000) | - | (15,400,000) |
| Balance as of 31 December 2016 | 110,000,000 | 11,326,435 | 23,420,395 | 144,746,830 | - | 144,746,830 |

The attached notes from 1 to 29 form part of these consolidated financial statements

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

| | <u>Notes</u> | <u>2017</u> <u>JD</u> | <u>2016</u> <u>JD</u> |
|--|--------------|--------------------------|--------------------------|
| <u>Operating activities</u> | | | |
| Profit for the year before tax | | 29,763,915 | 25,507,043 |
| Adjustments for: | | | |
| Depreciation and amortization | 4,6 | 10,804,910 | 8,677,724 |
| Provision for doubtful debts | 10 | 1,300,000 | 500,000 |
| Unrealized loss of financial assets at fair value through profit or loss | | 144,157 | 2,250 |
| Finance costs | | 7,724,341 | 4,204,223 |
| (Gain) loss from disposal of lands, property plant and equipment | | (324,664) | 61,589 |
| Reversal from strategic fuel inventory impairment loss | 7 | (976,533) | (44,495) |
| Working capital adjustments | | | |
| Accounts receivable and cheques under collection | | 2,206,855 | (12,682,784) |
| Inventories | | (27,792,500) | (6,250,279) |
| Strategic fuel inventory | | 245,723 | - |
| Other current assets | | 5,392,820 | 345,566 |
| Due from related parties | | (16,602,363) | 3,514,692 |
| Post-dated cheques | | (2,609,557) | (13,413) |
| Due to related parties | | (4,280,000) | (446,153) |
| Due to governmental entities | | (8,619,276) | (4,280,000) |
| Governmental deposits | | 10,687,389 | 9,799,897 |
| Accounts payable and other current liabilities | | 8,773,892 | 5,189,966 |
| Net cash flows from operating activities before paid tax | | 15,857,109 | 34,085,826 |
| Income tax paid | 19 | (4,840,839) | (4,028,290) |
| Net cash flows from operating activities | | 11,016,270 | 30,057,536 |
| <u>Investing activities</u> | | | |
| Purchase of lands, property plant and equipment and projects in progress | 4, 5 | (62,548,398) | (34,090,041) |
| Proceeds from sale of lands, property, plant and equipment | | 847,091 | 177,012 |
| Purchase of financial assets at fair value through profit or loss | | (895,092) | (110,000) |
| Net cash paid for acquisition of subsidiary | 8 | (3,742,740) | - |
| Net cash flows used in investing activities | | (66,339,139) | (34,023,029) |
| <u>Financing activities</u> | | | |
| Dividends paid | 15 | (16,500,000) | (15,400,000) |
| Loans and Murabaha | | 65,323,317 | 24,786,143 |
| Finance costs | | (7,742,341) | (4,204,223) |
| Net cash flows from financing activities | | 41,080,976 | 5,181,920 |
| (Decrease) increase in cash and cash equivalents | | (14,241,893) | 1,216,427 |
| Cash and cash equivalents at 1 January | | (34,181,523) | (35,397,950) |
| Cash and cash equivalents at 31 December | 14 | (48,423,416) | (34,181,523) |

The attached notes from 1 to 29 form part of these consolidated financial statements

(1) GENERAL INFORMATION

Afaq for Energy PLC was established as a public shareholding company on 5 August 2008 with an authorized and paid capital of JD 5,000,000, divided into 5,000,000 shares with a par value of JD 1 per share. The company has increased its capital several times over the years to become JD 110,000,000 divided into 110,000,000 shares with a par value of JD 1 per share.

The main objectives of the Company is to invest or to participate in the capital of the companies that operate in the energy sector.

Jordan Modern Oil and Fuel Services Company (subsidiary) signed an agreement with the Ministry of Energy and Natural Resources on 20 November 2012 in which the company granted the right of distributing and marketing the oil products in addition to any other oil services authorized in Jordan for a period of ten years from the commercial Operations start date. In May 2013, the operational trading activities have been started.

The head office of the Company is located in Amman - Hashemite Kingdom of Jordan.

The consolidated financial statements were approved by management on 28 March 2018.

(2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(2.1) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

The consolidated financial statements have been presented in Jordanian Dinar, which is the functional currency of the Group.

The consolidated financial statements have been prepared under the historical cost convention.

(2.2) Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except for the followings:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the group financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the group financial statements.

(2.3) Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries where the Company holds control over the subsidiaries. The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions income, and expenses between the Company and subsidiaries are eliminated. The subsidiaries which are included in the consolidated financial statement are as the following:

| Name of the company | Main activity | Country of incorporation | Ownership percentage |
|---|------------------------|--------------------------|----------------------|
| Jordan Modern Oil and Fuel Services Company | Fuel marketing | Jordan | 100% |
| Jordan Modern Importing and Exporting Company (Free Zone) | Mineral oils marketing | Jordan | 100% |
| Jordan Modern Food Trading Company (Lumi)* | Commercial | Jordan | 100% |
| Aqaba Bulk Chemical Co. | Warehousing Services | Jordan | 55% |

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to conform with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

(3) SIGNIFICANT ACCOUNTING POLICIES

The following represent the major accounting policies adopted:

Lands, property plant and equipment

Property, plant and equipment (except land) are stated at cost, less accumulated depreciation and any impairment in value. The cost of property, equipment and accumulated depreciation is eliminated from the sale or disposal of property and equipment. Any gain or loss is recognized in the consolidated statement of comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using annual percentages as follows:

| | <u>Annual rate of depreciation</u> |
|------------------------|--|
| Buildings | 2% |
| Equipment and tools | 10-20% |
| Vehicles and tanks | 15% |
| Computers and systems | 10-33% |
| Furniture and fixtures | 10% |
| Billboards | 10-15% |

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and impairment loss is recognized in the consolidated statement of comprehensive income.

Projects in progress

Projects in progress are stated at cost. This includes the cost of materials, direct salaries and wages on the projects and other direct costs. Project in progress are not subject for depreciation, until they are completed.

Intangible assets

Intangible assets are carried at cost less any accumulated amortization. Intangible assets represents the license of oil distribution based on agreement signed with Ministry of Energy and Natural Resources.

Intangible assets are being amortized over the agreement period of ten years from the commercial operation date in May 2013.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Accounts receivable

Accounts receivable are recorded at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand, cheques under collection due in one month and cash at banks, less due to bank.

Loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Interest is recognized on long term loans during the year in which the income statement is accrued. Interest on long- term loans to finance project under construction is capitalized as part of the cost of these projects.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer when goods are delivered.

Revenue from distribution is recognized when service is provided to customers when goods are delivered.

Revenue from rent is recognized over the term of the rent contract.

Interest revenue is recognized as interest accrues using the effective interest method.

Income tax

The Group calculates income tax provision in accordance with the Income Tax Law No. 34 of 2014 and IAS 12 in which this standard states recognition for differed tax arising from the difference between the accounting and tax value of assets and liabilities.

Impairment of financial assets

The group assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are considered impaired when there is objective evidence of impairment as a result of one or more events (loss event) that occur after the asset's initial measurement, that will have a direct and reasonably estimated impact on its future cash flows. Permanent impairment indicators could comprise of indications that the borrower or a group of borrowers are facing significant financial difficulties, or neglect, or default in making interest or principal payments, and are likely to be subject to bankruptcy or financial restructuring. Furthermore, permanent impairment indicators exist when observable data indicates the existence of a measurable decrease in estimated cash flows such as changes in the Group's economic conditions due to negligence.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income.

Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Group.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions. We believe that our estimates of the consolidated financial statement are reasonable and detailed as the following:

(1) Useful life of property and equipment

The Group's management estimates the useful life for property, plant and equipment for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually. Future depreciation expense is adjusted if management believes that the remaining useful life of the assets differs from previous estimations.

(2) Provision for slow moving inventory

The Group's management performs an annual study on the ageing and value of inventory and based on the results of the study, a provision is taken against inventory proportional to its ageing and value.

(3) Provision for doubtful debts

The Group's management reviews the credit limits granted to its customers periodically. When customers do not commit to their obligations to pay, and after the additional grace period granted, and after taking appropriate legal action, a provision is booked against the receivable balance until collected or it will be written off.

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| <u>(4) LANDS, PROPERTY, AND EQUIPMENT</u> | | | | | | | | |
|--|-------------|-------------|--------------------|----------------------|-----------------------|------------------------|------------|-------------|
| 2017 | Land* | Buildings* | Vehicles and tanks | Equipment and tools* | Computers and systems | Furniture and fixtures | Billboards | Total |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cost | | | | | | | | |
| Balance at 1 January 2017 | 104,261,448 | 94,595,126 | 23,925,411 | 9,050,785 | 5,210,016 | 1,286,069 | 1,069,929 | 239,398,784 |
| Additions | 30,402,218 | 640,371 | 12,573,258 | 1,901,308 | 451,379 | 251,947 | 180,910 | 46,401,391 |
| Resulted from owning a subsidiary (note 8) | - | 2,340,065 | 62,515 | 9,829,262 | 2,735,478 | 46,187 | - | 15,013,507 |
| Transfers from projects in progress (note 5) | - | 20,732,715 | - | 5,241,805 | - | - | - | 25,974,520 |
| Disposals | (466,206) | - | (338,638) | (22,760) | (13,088) | - | - | (840,692) |
| Balance at 31 December 2017 | 134,197,460 | 118,308,277 | 36,222,546 | 26,000,400 | 8,383,785 | 1,584,203 | 1,250,839 | 325,947,510 |
| Accumulated Depreciation | | | | | | | | |
| Balance at 1 January 2017 | - | 9,029,449 | 12,398,447 | 2,836,580 | 2,966,757 | 558,964 | 675,148 | 28,465,345 |
| Resulted from owning a subsidiary (note 8) | - | 351,172 | 41,312 | 2,965,185 | 1,586,625 | 33,864 | - | 4,978,158 |
| Charge for the year | - | 2,363,680 | 3,028,286 | 1,414,522 | 650,176 | 197,788 | 150,458 | 7,804,910 |
| Disposals | - | - | (312,902) | (5,097) | (268) | - | - | (318,267) |
| Balance at 31 December 2017 | - | 11,744,301 | 15,155,143 | 7,211,190 | 5,203,290 | 790,616 | 825,606 | 40,930,146 |
| Net book value at 31 December 2017 | 134,197,460 | 106,563,976 | 21,067,403 | 18,789,210 | 3,180,495 | 793,587 | 425,233 | 285,017,364 |

* Land lots owned by Jordan Modern Oil and Fuel Services Company (subsidiary) with a carrying value of JD 160,743,393 are pledged as collateral against the bank loans granted to the Group (note 16).

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| 2016 | Land | Buildings | Vehicles and tanks | Equipment and tools | Computers and systems | Furniture and fixtures | Billboards | Total |
|--|-------------|------------|--------------------|---------------------|-----------------------|------------------------|------------|-------------|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Cost | | | | | | | | |
| Balance at 1 January 2016 | 94,790,164 | 87,034,538 | 20,562,706 | 7,055,916 | 4,265,827 | 1,133,587 | 1,015,808 | 215,858,546 |
| Additions | 4,520,000 | 5,081,624 | 3,647,460 | 2,029,516 | 932,886 | 147,371 | 54,121 | 16,412,978 |
| Transfers from projects in progress (note 5) | 4,951,284 | 2,492,568 | - | 43,627 | 41,842 | 5,499 | - | 7,534,820 |
| Disposals | - | (13,604) | (284,755) | (78,274) | (30,539) | (388) | - | (407,560) |
| Balance at 31 December 2016 | 104,261,448 | 94,595,126 | 23,925,411 | 9,050,785 | 5,210,016 | 1,286,069 | 1,069,929 | 239,398,784 |
| Accumulated Depreciation | | | | | | | | |
| Balance at 1 January 2016 | - | 7,338,795 | 10,327,245 | 1,915,870 | 2,391,268 | 440,188 | 543,214 | 22,956,580 |
| Charge for the year | - | 1,702,258 | 2,202,963 | 924,314 | 597,091 | 119,164 | 131,934 | 5,677,724 |
| Disposals | - | (11,604) | (131,761) | (3,604) | (21,602) | (388) | - | (168,959) |
| Balance at 31 December 2016 | - | 9,029,449 | 12,398,447 | 2,836,580 | 2,966,757 | 558,964 | 675,148 | 28,465,345 |
| Net book value at | | | | | | | | |
| 31 December 2016 | 104,261,448 | 85,565,677 | 11,526,964 | 6,214,205 | 2,243,259 | 727,105 | 394,781 | 210,933,439 |

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Depreciation charge for the year is included in cost of revenue and general and administrative expense as follows:

| | 2017 | 2016 |
|--|------------------|------------------|
| | JD | JD |
| Cost of revenue | 6,942,429 | 4,887,673 |
| General and administrative expense (note 22) | 862,481 | 790,051 |
| | <u>7,804,910</u> | <u>5,677,724</u> |

(5) PROJECTS IN PROGRESS

| | Expected total cost of project | Expected completion date | 2017 | 2016 |
|--|--------------------------------------|--------------------------------|------------------|-------------------|
| | JD | | JD | JD |
| Muqablain (Asfuor) fuel station project | 1,800,000 | January 2017 | - | 1,795,362 |
| Bait Omar restaurant project | 719,487 | February 2017 | - | 625,553 |
| Wadi Al Rimam fuel station project | 705,740 | March 2017 | - | 644,260 |
| The Jordan Vally Potash fuel station project | 1,055,740 | March 2017 | - | 851,438 |
| Al Yadoodeh 2 fuel station project | 935,492 | April 2017 | - | 164,508 |
| Al Mafrag 2 fuel station project | 800,000 | August 2017 | - | 549,543 |
| Al Mashare fuel station project | 1,700,000 | January 2017 | - | 1,683,171 |
| Dead sea 1 fuel station project | 1,500,000 | March 2017 | - | 1,224,138 |
| Dead sea 2 fuel station project | 1,000,000 | February 2017 | - | 904,628 |
| Wadi Saqra fuel station project | 1,000,000 | January 2017 | - | 982,812 |
| Ma'an fuel station project | 1,000,000 | April 2017 | - | 808,574 |
| Al Taneeb fuel station project | 1,312,486 | April 2017 | - | 487,514 |
| Al Madouneh fuel station project | 1,700,000 | February 2018 | 57,016 | 1,603,823 |
| Al Madouneh warehouse project | 500,000 | February 2017 | - | 414,180 |
| Electric cars chargers project | 140,000 | October 2017 | - | 101,398 |
| Storage project | 4,930,329 | June 2017 | - | 39,672 |
| Arab army station project | 3,300,000 | August 2017 | - | 2,804,045 |
| Solar power project | 1,812,055 | October 2018 | 285,321 | 16,954 |
| Al Hizam 3 fuel station project | 2,000,000 | April 2017 | - | 1,748,541 |
| Al Abdali fuel station project | 107,000 | January 2017 | - | 106,470 |
| Al Karak fuel station project- Mo'tah | 2,000,000 | March 2018 | 1,892,484 | - |
| Al Karak fuel station project- Al Wasbah | 1,709,747 | January 2018 | 1,492,816 | - |
| Al Karak fuel station project- Al Qatranah 2 | 1,500,000 | April 2018 | 1,380,389 | - |
| Central market fuel station project | 1,300,000 | March 2018 | 988,229 | - |
| Al Jowaidah 2 fuel station project | 1,000,000 | April 2018 | 845,987 | - |
| The royal court fuel station project | 1,200,000 | June 2018 | 529,067 | - |
| Idoon fuel station project | 1,200,000 | June 2018 | 42,595 | - |
| Other fuel station projects | - | - | 335,643 | 120,479 |
| | | | <u>7,849,547</u> | <u>17,677,063</u> |

Movement on projects in progress was as follows:

| | 2017 JD | 2016 JD |
|--------------------------------------|--------------|-------------|
| Balance at the beginning of the year | 17,677,063 | 7,534,820 |
| Additions* | 16,147,004 | 17,677,063 |
| Transfers to property and equipment | (25,974,520) | (7,534,820) |
| Balance at end of the year | 7,849,547 | 17,677,063 |

* The interest which was capitalized for project loans for Jordan Modern Oil and Fuel Services Company (a subsidiary) amounting to JD 1,208,620 during 2017 (2016: JD 1,227,004)

(6) INTANGIBLE ASSETS

Intangible assets represents the value of the license of oil distribution. Jordan Modern Oil and Fuel Services Company (subsidiary) signed an agreement with Ministry of Energy and Natural Resources on 20 November 2012 by which, the company was granted the right of distributing oil products and services for a period of ten years with a market share of 33% for JD 30,000,000. The value of the intangible asset is being amortized over the agreement period of ten years from the commercial operation start date in May 2013.

Movement on intangible asset is as follows:

| | Fuel distribution license 2017 JD | 2016 JD |
|--------------------------------------|---|------------|
| 31 December 2017- | | |
| Cost: | | |
| Balance at the beginning of the year | 30,000,000 | 30,000,000 |
| Balance at the end of the year | 30,000,000 | 30,000,000 |
| Accumulated amortization: | | |
| Balance at the beginning of the year | 11,012,596 | 8,012,596 |
| Amortization for the year | 3,000,000 | 3,000,000 |
| Balance at the end of the year | 14,012,596 | 11,012,596 |
| Net Book Value | 15,987,404 | 18,987,404 |

(7) STRATEGIC FUEL INVENTORY

Based on the agreement signed with the Ministry of Energy and Mineral Resources for the right of distributing and marketing oil products and services, the subsidiary (Jordan Modern Oil and Fuel Services Company) should maintain a strategic inventory during the term of the agreement in order to run the stations continuously.

Movement on fair value of strategic fuel inventory resulting from the revaluation based on fuel prices as on 31 December was as follows:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| | JD | JD |
| Balance at the beginning of the year | 4,475,090 | 4,430,595 |
| Reversal of impairment losses during the year | 976,533 | 44,495 |
| Issuances during the year | <u>(245,723)</u> | <u>-</u> |
| Balance at the end of the year | <u>5,205,900</u> | <u>4,475,090</u> |

(8) ACQUISITION OF A SUBSIDIARY

On 30 June 2017, Jordan Modern Oil & Gas Services (a subsidiary) acquired 55% of the share capital of Aqaba Bulk Chemicals, a limited liability company, which specializes in providing logistics and warehousing services.

The Group has not yet completed the process to determine the fair value of assets and liabilities acquired through the subsidiary, thus, provisional value amounts have been used. In accordance with IFRS, the measurement period can not exceed one year from the acquisition date. The acquisition resulted in recognition of intangible asset amounting to JD 2,879,234, representing the difference between the amount paid and the Group's share in the net assets of the acquiree, whereas difference was recognized temporarily as goodwill.

The provisional amount of the fair values of the assets and liabilities of the acquiree, and their carrying amounts as of the date of acquisition (30 June 2017) are as follows:

| | JD |
|---|---------------------------|
| Assets | |
| Property, plant and equipment | 10,035,349 |
| Financial assets at fair value through other comprehensive income | 110,000 |
| Inventories | 97,736 |
| Account receivables | 329,415 |
| Other debit balances | 74,193 |
| Cash on hand and at banks | 257,260 |
| | <u>10,903,953</u> |
| Liabilities | |
| Loans | 3,433,515 |
| Partners' account | 4,082,778 |
| Account payables | 637,142 |
| Other credit balances | 712,763 |
| | <u>8,866,198</u> |
| Net Assets acquired | <u>2,037,755</u> |
| Non-controlling interests | <u>916,989</u> |
| The Group's share in net assets | 1,120,766 |
| Goodwill resulted from the acquisition | <u>2,879,234</u> |
| The price paid for the Group's share of 55% | <u><u>4,000,000</u></u> |
| Cash flows at acquisition : | |
| Net cash acquired with the subsidiary | 257,260 |
| Cash paid | (4,000,000) |
| Net cash paid | <u><u>(3,742,740)</u></u> |

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(9) INVENTORIES

| | 2017 | 2016 |
|-----------------------------|-------------------|-------------------|
| | JD | JD |
| Fuel | 37,042,564 | 8,641,083 |
| Oil and lubricants | 3,325,063 | 3,804,831 |
| Tires and stations supplies | 3,371,537 | 3,474,729 |
| Grocery items | 754,037 | 682,322 |
| | <u>44,493,201</u> | <u>16,602,965</u> |

(10) ACCOUNTS RECEIVABLE AND CHEQUES UNDER COLLECTION

| | 2017 | 2016 |
|---------------------------------------|--------------------|-------------------|
| | JD | JD |
| Customers receivables | 39,361,031 | 33,175,665 |
| Cheques under collection | 776,602 | 9,096,919 |
| Rent receivables | 817,050 | 559,539 |
| Less: allowance for doubtful accounts | <u>(1,800,000)</u> | <u>(500,000)</u> |
| | <u>39,154,683</u> | <u>42,332,123</u> |

Doubtful debts for which lawsuits were raised against them amounted to JD 2,481,373 as of 31 December 2017 (2016: JD 2,080,068). The movement on the allowance for doubtful debts are as follows:

| | 2017 | 2016 |
|---------------------------|------------------|----------------|
| | JD | JD |
| Balance as of 1 January | 500,000 | - |
| Additions | <u>1,300,000</u> | <u>500,000</u> |
| Balance as of 31 December | <u>1,800,000</u> | <u>500,000</u> |

As at 31 December, the aging of trade receivables is as follows:

| | Neither past due nor impaired | Past due but not impaired | | | | Total |
|------|-------------------------------------|---------------------------|-----------------|----------------|------------|------------|
| | | 1 - 30 days | 31 - 90 days | 91-120 days | > 120 days | |
| | JD | JD | JD | JD | JD | JD |
| 2017 | 11,793,694 | 8,806,783 | 5,362,573 | 2,254,627 | 10,255,633 | 38,473,310 |
| 2016 | 13,170,416 | 14,669,431 | 3,550,272 | 3,564,158 | 5,797,778 | 40,752,055 |

Unimpaired trade receivables are expected to be fully recovered based on management judgment.

In the normal course of business, the Group obtains bank guarantees from some customers' on their receivables. The value of the customers' receivables covered by guarantees is JD 9,672,517 as of 31 December 2017 (2016: JD 8,674,363).

(11) RELATED PARTIES TRANSACTIONS

The related parties represent the major shareholders and key management personnel of the Group and the companies in which they are the major shareholders. The prices and conditions of these transactions are determined by the Group's management.

Consolidated statement of financial position:

| | 2017 | 2016 |
|---|-------------------|------------------|
| | JD | JD |
| Due from related parties* | | |
| Stone Castle Restaurant– Bayt Omar | 1,410,452 | 296,525 |
| Developed Crushers Company LTD (sister company) | 8,163,865 | 2,356,335 |
| United Iron and Steel Manufacturing Company PLC (sister company) | 366,382 | 3,112,992 |
| Advanced Transport and Land Shipping Services Company LTD (sister company) | 6,962,789 | 320,408 |
| Jordan Modern International Trade Company LTD (sister company) | 4,637 | 4,826 |
| Modern Cement and Mining Company LTD (sister company) | 486,652 | 136,881 |
| Mr. Muin Qadada (Vice Chairman) | 18,973 | 46,762 |
| Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company) | 104,989 | 18,229 |
| Jordan Modern Ready Mix Concrete Company LTD (sister company) | 198,846 | 2,352 |
| Al Manaseer Group for Commercial and Industrial Investments (Parent company) | - | 1,468,786 |
| Al Adiyat Agricultural company (sister company) | - | 4,187 |
| Distinguished Mining Company (sister company) | - | 31,208 |
| Engineer Ziad Al Manaseer (Chairman) | - | 6,191 |
| Jena for Mining Company (sister company) | - | 8,615 |
| Jordan Modern Advanced Chemical Industries Company LTD (sister company) | 487 | 549 |
| Arab Towers Contracting Company (sister company) | 2,467,705 | - |
| Magnisia Jordan limited shareholding company (sister company) | 91,108 | - |
| Jordan Modern Company for high Information Technology (sister company) | 57,046 | |
| Al Manseer charity | 500 | - |
| | <u>20,334,431</u> | <u>7,814,846</u> |

| | 2017 JD | 2016 JD |
|---|------------------|-------------------|
| Due to related parties* | | |
| Arab Towers Contracting Company LTD (sister company) | - | 9,649,693 |
| Jordan Modern Shipping and Clearance Company LTD (sister company) | 85,498 | 109,042 |
| Manaseer for Commercial Services (sister company) | 4,521 | 16,608 |
| Jordan Modern High Technology Company LTD (sister company) | - | 19,033 |
| Al Adiyat Al Sereea Machinery Trading Company sister company) | 109,909 | 3,751,863 |
| Jordan Modern Food and Industries Company LTD (sister company) | 29,041 | 1,000 |
| Jordan Modern Telecom Company sister company) | - | 976 |
| Manaseer Group for Industrial and Commercial Investments Company LTD (Parent company) | 2,472,124 | - |
| Engineer Ziad Al Manaseer (Chairman) | 127,847 | - |
| Khalid Ahmad Al Jafali (partner in a subsidiary) | 717,226 | - |
| Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary) | 717,226 | - |
| Afaq company for importing and storage (partner in a subsidiary) | 665,547 | - |
| | <u>4,928,939</u> | <u>13,548,215</u> |

* Related party balances are interest- free and do not have a due date.

Property and equipment

The Group purchased property and equipment and have projects in progress with relate parties by JD 24,919,780 as on 31 December 2017 (2016: JD 23,796,066).

Consolidated statement of comprehensive income:

Transactions with related parties are as follows:

| | 2017 JD | 2016 JD |
|---------------------------------|-------------------|-------------------|
| Expenses charged by head office | <u>285,839</u> | <u>310,441</u> |
| Oil and fuel sales | <u>22,124,102</u> | <u>29,362,753</u> |

The Group recognized benefits for Board of Director during 2017.

| | <u>2017</u> JD | <u>2016</u> JD |
|-----------------------------|-------------------|-------------------|
| Board of directors benefits | 25,000 | 25,000 |

Below is the summary for compensation paid to key management personal:

| | <u>2017</u> JD | <u>2016</u> JD |
|-----------------------|-------------------|-------------------|
| Salaries and benefits | 146,480 | 144,000 |

(12) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details are as follows:

| | <u>2017</u> JD | <u>2016</u> JD |
|--|-------------------|-------------------|
| Listed financial assets | | |
| Listed shares | 784,936 | 24,000 |
| Unlisted financial assets | | |
| Unlisted shares | 210,000 | 110,000 |
| Total financial assets at fair value through profit or loss | <u>994,936</u> | <u>134,000</u> |

(13) OTHER CURRENT ASSETS

| | <u>2017</u> JD | <u>2016</u> JD |
|-----------------------|-------------------|-------------------|
| Advances to suppliers | 1,807,853 | 7,191,191 |
| Prepaid expenses | 1,610,512 | 1,476,934 |
| Income tax deposits | 13,235 | 79,326 |
| Refundable deposits | 477,592 | 488,497 |
| Employee receivable | 147,193 | 108,174 |
| Others | 117,647 | 148,537 |
| | <u>4,174,032</u> | <u>9,492,659</u> |

(14) CASH AND CASH EQUIVALENTS

| | <u>2017</u> JD | <u>2016</u> JD |
|---|---------------------|---------------------|
| Cash on hand | 1,250,277 | 3,426,919 |
| Cheques with maturities less than one month | 14,054,785 | 19,224,125 |
| Cash at banks | 4,725,608 | 11,159,305 |
| | <u>20,030,670</u> | <u>33,810,349</u> |
| Due to Banks (note 18) | <u>(68,454,086)</u> | <u>(67,991,872)</u> |
| Cash and cash equivalents | <u>(48,423,416)</u> | <u>(34,181,523)</u> |

(15) EQUITY

STATUTORY RESERVE

This amount represents appropriations at 10% of net income before income tax during this year and prior years. This reserve is not available for distribution to shareholders.

DIVIDENDS

The general assembly approved in its ordinary meeting held on 18 April 2017, the distribution of cash dividends amounted to JD 16,500,000 representing 15% of the paid in capital against 2016 profit (2015: JD 15,400,000 representing 14% of the paid in capital).

(16) LOANS AND MURABAHA

| | 2017 | | 2016 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Short term | Long term | Short term | Long term |
| | JD | JD | JD | JD |
| Capital Bank of Jordan – loans JD | 1,439,600 | 2,965,692 | 255,510 | 894,090 |
| Societe Generale Bank Jordan – loans JD | 1,474,762 | 3,252,441 | 4,727,203 | - |
| Arab Jordan Investment Bank loans- JD | 3,683,399 | 5,770,618 | 2,491,992 | 5,592,559 |
| Jordan Kuwait Bank loans- JD | 3,704,865 | 7,935,960 | 13,000,000 | - |
| Standard Chartered Bank loan- JD | 32,508,320 | - | 10,634,998 | 12,593,184 |
| Islamic International Arab Bank credit facilities – JD | 1,432,374 | 1,029,167 | 6,405,716 | - |
| Jordan Ahli Bank loans – JD | 2,145,520 | 5,381,343 | - | - |
| Bank of Jordan loans – JD | 12,489,838 | 7,466,669 | - | - |
| Bank Al Etihad loans – JD | 32,671,516 | - | - | - |
| | <u>91,550,194</u> | <u>33,801,890</u> | <u>37,515,419</u> | <u>19,079,833</u> |

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Summary of the details and terms of the loans granted above is as follows:

| | Credit limit ceiling | Monthly instalment | Interest rate | First instalment date | Last instalment date |
|--|-------------------------|-----------------------------------|------------------|--------------------------|-------------------------|
| | JD | JD | JD | JD | JD |
| <u>Capital Bank loans:</u> | | | | | |
| Declining loan (1) | 539,000 | 14,910 | JD | 20 February 2017 | 20 February 2020 |
| Declining loan (2) | 110,000 | 2,750 | JD | 18 July 2017 | 18 October 2020 |
| Declining loan (3) | 500,000 | 12,500 | JD | 30 July 2017 | 30 October 2020 |
| Declining loan (4) | 3,300,000 | 269,800 | JD | 1 March 2018 | 30 April 2019 |
| <u>Standard Chartered Bank Loan</u> | | | | | |
| Revolving loan (1) | 29,428,491 | One month from withdrawal date | USD | - | - |
| | | | | 31 December 2016 | 31 December 2018 |
| Declining loan (2) | 31,950,000 | 968,181 | JD | | |
| <u>Jordan Ahli Bank:</u> | | | | | |
| Declining loan (1) | 5,500,000 | 114,583 | JD | 31 August 2017 | 31 July 2021 |
| Declining loan (2) | 2,500,000 | 52,083 | JD | 31 October 2017 | 31 October 2021 |
| <u>Societe Generale Bank loan</u> | | | | | |
| Declining loan (1) | 2,768,628 | 70,313 | JD | 28 January 2018 | 28 December 2020 |
| Declining loan (2) | 1,940,575 | 48,965 | JD | 28 January 2018 | 28 December 2020 |
| <u>Arab Jordan Investment Bank loans:</u> | | | | | |
| Declining loan (1) | 1,250,000 | 26,041 | JD | 13 May 2016 | 13 April 2020 |
| Declining loan (2) | 2,850,000 | 79,166 | JD | 28 July 2016 | 28 June 2019 |
| Declining loan (3) | 2,167,966 | 45,165 | JD | 31 October 2016 | 10 September 2017 |
| Declining loan (4) | 2,750,000 | 57,291 | JD | 30 November 2016 | 31 October 2020 |
| Declining loan (5) | 1,673,144 | 34,857 | JD | 28 February 2017 | 31 January 2021 |
| Declining loan (6) | 693,900 | 14,456 | JD | 28 February 2017 | 31 January 2021 |
| Declining loan (7) | 392,850 | 8,184 | JD | 28 February 2017 | 31 January 2021 |
| Declining loan (8) | 250,000 | 6,100 | JD | 30 July 2017 | 30 November 2021 |
| Declining loan (9) | 1,007,309 | 20,986 | JD | 20 August 2017 | 20 July 2021 |
| Declining loan (10) | 650,000 | 13,542 | JD | 31 October 2017 | 30 September 2021 |

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| | Credit limit ceiling | Monthly instalment | Interest rate | First instalment date | Last instalment date |
|---|-------------------------|-----------------------------------|------------------|--------------------------|-------------------------|
| | JD | JD | JD | JD | JD |
| <u>Jordan Kuwait Bank loan:</u> | | | | | |
| Declining loan (1) | 3,202,902 | 66,727 | JD | 28 February 2017 | 31 January 2021 |
| Declining loan (2) | 1,300,000 | 27,083 | JD | 2 April 2017 | 31 March 2022 |
| Declining loan (3) | 3,760,190 | 78,338 | JD | 2 April 2017 | 31 March 2022 |
| Declining loan (4) | 1,130,000 | 23,541 | JD | 2 April 2017 | 31 March 2022 |
| Declining loan (5) | 300,000 | 6,250 | JD | 28 April 2017 | 31 January 2021 |
| Declining loan (6) | 875,000 | 18,229 | JD | 28 February 2017 | 31 March 2022 |
| Declining loan (7) | 625,000 | 13,020 | JD | 28 April 2017 | 31 January 2021 |
| Declining loan (8) | 305,000 | 6,354 | JD | 28 April 2017 | 31 January 2021 |
| Declining loan (9) | 657,600 | 13,700 | JD | 28 April 2017 | 31 January 2021 |
| Declining loan (10) | 1,409,518 | 29,365 | JD | 2 July 2017 | 31 May 2022 |
| Declining loan (11) | 501,676 | 10,452 | JD | 28 July 2017 | 28 June 2021 |
| <u>Islamic International Arab Bank Murabaha:</u> | | | | | |
| Facilities Murabaha (1) | 1,300,000 | 35,750 | JD | 27 March 2018 | 22 February 2022 |
| Facilities Murabaha (2) | 777,812 | 21,390 | JD | 27 March 2018 | 22 February 2022 |
| <u>Bank of Jordan loans:</u> | | | | | |
| Declining loan (1) | 2,000,000 | 41,666 | JD | 28 December 2017 | 28 December 2021 |
| Declining loan (2) | 1,000,000 | 20,833 | JD | 28 January 2018 | 28 December 2020 |
| Declining loan (3) | 4,000,000 | 83,333 | JD | 28 January 2018 | 28 January 2022 |
| Declining loan (4) | 3,000,000 | 62,500 | JD | 28 January 2018 | 28 January 2022 |
| Revolving loan | 9,999,999 | One month from withdrawal date | JD | - | - |
| <u>Bank Al Etihad loans:</u> | | | | | |
| Trade finance loan | 33,000,000 | One month from withdrawal date | JD | - | - |

These loans are secured by a first degree mortgage on properties owned by Jordan Modern Oil and Fuel Services Company (subsidiary) as well as the personal guarantee of the Chairman of the Board.

The interest rates on loans in JD ranges (7.25-8.5%) and the interest rate on loans in USD 5%.

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The aggregate amounts of annual principal maturities of long term loans and Murabaha are as follows:

| Year | JD |
|----------------|-------------------|
| 2019 | 16,011,869 |
| 2020 | 12,547,436 |
| 2021 and after | 5,242,585 |
| | <u>33,801,890</u> |

(17) DUE TO GOVERNMENTAL ENTITIES

This item represents the balance owed to Ministry of Energy and Natural Resources by Jordan Modern Oil and Fuel Services Company (subsidiary) related to the value of the fuel distribution license amounting to JD 30,000,000, where the Company signed an agreement with the Ministry of Energy and Natural Resources on 20 November 2012 in which the Company was granted the right of distributing oil products and services for a period of ten years and a 33% share (note 6). Down payment of JD 8,600,000 was paid in 2013 and the remaining balance amounting to JD 21,400,000 was divided to five equal annual installments of JD 4,280,000 each subject to an annual interest rate of 2.5%.

Details of amounts due to governmental entities are as follows:

| | 2017 JD | 2016 JD |
|--|------------|------------|
| Due to Ministry of Energy and National Resources | - | 4,280,000 |
| Less: short term portion | - | 4,280,000 |
| Long term portion | - | - |

(18) DUE TO BANKS

This item represents the utilized balances of the overdraft credit facilities granted to the Jordan Modern Company for Oil and Gas Services (subsidiary) by banks, the details are as follows:

| | Ceiling JD | Balance as on | |
|-----------------------------|---------------|-------------------|-------------------|
| | | 2017 JD | 2016 JD |
| Capital Bank | 20,000,000 | 19,832,606 | 21,304,444 |
| Societe Generale Bank | 5,000,000 | 4,926,346 | 2,114,395 |
| Arab Jordan Investment Bank | 20,000,000 | 8,080,485 | 19,259,213 |
| Jordan Kuwait Bank | 12,000,000 | 12,903,842 | 11,310,364 |
| Arab Bank | 5,000,000 | 4,942,953 | 2,932,179 |
| Etihad Bank | 12,000,000 | 10,279,699 | 11,071,277 |
| Housing Bank | 5,000,000 | 7,488,155 | - |
| | | <u>68,454,086</u> | <u>67,991,872</u> |

These facilities are secured by a first degree mortgage bond on the properties of Jordan Modern Company for Oil and Gas Services (subsidiary) in addition to the guarantee of the Chairman of the Board.

The interest rates on due to bank in JD ranges from 7.5% to 8.5%.

(19) INCOME TAX

Movement on income tax provision is as follows:

| | 2017 JD | 2016 JD |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 3,514,674 | 2,863,657 |
| Income tax paid | (4,840,839) | (4,028,290) |
| Income tax charge for the year* | 5,903,063 | 4,679,307 |
| Balance at the ending of the year | 4,576,898 | 3,514,674 |

* Income tax appearing in the consolidated statement of comprehensive income represents the following:

| | 2017 JD | 2016 JD |
|---------------------------------|------------|------------|
| Income tax expense for the year | 5,903,063 | 4,679,307 |

The income tax is calculated for the year ended 31 December 2017 and 2016 in accordance with the Income Tax Law No. (34) of 2014.

Afaq For Energy:

The Company reached a final settlement with the Income and Sales Tax Department for the year 2009. The Company has submitted its income tax declaration for the years 2010 to 2016 and has not been reviewed by the Income and Sales Tax Department up to the date of these consolidated financial statements.

Jordan Modern Oil and Fuel Services Company (subsidiary):

The Company reached a final settlement with the Income and Sales Tax Department up to the year 2014. The company submitted its income tax declaration for the years 2015 and 2016 but the final acceptance was not reached to the date of these consolidated financial statements.

The branch in Aqaba Special Economic Zone reached a final settlement with Income and Sales Tax Department up to 2014, and submitted the income tax declaration for the years 2015 and 2016. The Income and Sales Tax Department has not reviewed its records up to the date of these consolidated financial statements.

Jordan Modern Food Trading Company/ Lumi (subsidiary):

The company reached a final settlement with the Income Tax Department for the years 2012 and 2014 and the company submitted its income tax declaration for the years 2013 to 2016 and has not been reviewed by the Income Tax Department up to the date of these consolidated financial statements.

Jordan Modern Importing and Exporting Company (Free Zone) (subsidiary):

The company submitted its income tax declaration for the years 2012 to 2016 and has not been reviewed by the Income and Sales Tax Department up to the date of these consolidated financial statements.

Aqaba Bank Chemical Company (subsidiary):

The Company reached a final settlement with the Income and Sales Tax Department until year 2016.

Reconciliation between taxable profit and accounting profit is as follows:

| | 2017 | 2016 |
|---------------------------|-------------------|-------------------|
| | JD | JD |
| Accounting Profit | 29,763,915 | 25,507,043 |
| Non- taxable income | 1,444,157 | 502,250 |
| Tax-exempt income | (1,388,810) | (1,091,359) |
| Taxable profit | <u>29,819,262</u> | <u>24,917,934</u> |
| Effective income tax rate | 19.83% | 18.34% |
| Statutory income tax rate | 5%-20% | 5%-20% |

(20) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

| | 2017 | 2016 |
|-----------------------------------|-------------------|-------------------|
| | JD | JD |
| Trade payables | 30,109,471 | 15,600,078 |
| Advances from customers | 1,473,177 | 756,040 |
| Sales tax | 854,601 | 1,722,819 |
| Accrued expenses | 139,647 | 99,043 |
| Jordan universities fee provision | 69,762 | 69,761 |
| Unpaid dividends | 105,271 | 86,250 |
| Social security | 176,868 | 158,985 |
| | <u>32,928,797</u> | <u>18,492,976</u> |

(21) REVENUES

| | 2017 | 2016 |
|-----------------------------|--------------------|--------------------|
| | JD | JD |
| Fuel and oil sales | 894,028,139 | 752,392,283 |
| Fuel transportation revenue | 15,965,157 | 10,899,391 |
| Rent revenue | 1,644,325 | 1,446,775 |
| Grocery sales | 8,659,748 | 6,410,985 |
| | <u>920,297,369</u> | <u>771,149,434</u> |

(22) GENERAL AND ADMINISTRATIVE EXPENSES

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| | JD | JD |
| Salaries and wages | 3,223,187 | 2,399,763 |
| Advertisements | 447,225 | 285,118 |
| Head office charges | 285,839 | 310,441 |
| Rent | 206,143 | 297,829 |
| Professional fees | 302,659 | 77,432 |
| Vehicles expenses | 238,948 | 151,661 |
| Water, electricity and telephone | 630,776 | 490,389 |
| Registration, licenses and stamps fees | 730,984 | 380,771 |
| Training travel and accommodation | 91,825 | 84,023 |
| Donations | 123,139 | 55,492 |
| Stationary and printing | 14,903 | 12,662 |
| Hospitality | 37,414 | 37,420 |
| Maintenance and fuel | 89,591 | 64,467 |
| Consumable tools | 13,206 | 11,581 |
| Board members benefits | 55,704 | 25,000 |
| Depreciation | 862,481 | 790,051 |
| Others | 230,575 | 188,727 |
| | <u>7,584,599</u> | <u>5,662,827</u> |

(23) SEGMENT INFORMATION

For management purposes, the Group is organized into three major business segments in accordance with the reports sent to chief operating decision maker:

- Oil and Fuel.
- Import and Export.
- Grocery trading

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These segments information are detailed below:

| | Oil and Fuel | Import and Export | Grocery Trading | Afaq for Energy | Total |
|--|-----------------|----------------------|--------------------|--------------------|---------------|
| | JD | JD | JD | JD | JD |
| For the year ended 31 December 2017 | | | | | |
| Revenue- | | | | | |
| Revenue | 901,549,774 | 10,087,847 | 8,659,748 | - | 920,297,369 |
| Cost of Revenue | (859,336,048) | (8,593,801) | (7,242,356) | - | (875,172,205) |
| Gross profit | 42,213,726 | 1,494,046 | 1,417,392 | - | 45,125,164 |
| Segments results- | | | | | |
| Profit (loss) before tax | 28,485,867 | 1,388,810 | 80,131 | (190,893) | 29,763,915 |
| Other segments information- | | | | | |
| General and administrative expenses | (5,577,261) | (112,291) | (1,836,148) | (58,899) | (7,584,599) |
| Finance costs | (7,738,353) | (3,462) | (526) | - | (7,742,341) |
| Provision for doubtful accounts | (1,300,000) | - | - | - | (1,300,000) |
| Other income | 563,091 | 10,517 | 499,413 | 12,163 | 1,085,184 |
| Gain from disposal of land, property and equipment | 324,664 | - | - | - | 324,664 |
| Change of fair value of financial assets | - | - | - | (144,157) | (144,157) |
| Capital expenditures | 45,729,155 | 61,243 | 610,993 | - | 46,401,391 |
| For the year ended 31 December 2016 | | | | | |
| Revenue- | | | | | |
| Revenue | 754,862,652 | 9,875,797 | 6,410,985 | - | 771,149,434 |
| Cost of revenue | (721,934,928) | (8,635,334) | (5,438,937) | - | (736,009,199) |
| Gross profit | 32,927,724 | 1,240,463 | 972,048 | - | 35,140,235 |
| Segments results- | | | | | |
| Profit (loss) before tax | 24,399,930 | 1,046,864 | 101,823 | (41,574) | 25,507,043 |
| Other segments information- | | | | | |
| General administrative expenses | (4,180,172) | (113,943) | (1,327,138) | (41,574) | (5,662,827) |
| Finance costs | (4,094,523) | (105,167) | (4,533) | - | (4,204,223) |
| Provision for doubtful accounts | (500,000) | - | - | - | (500,000) |
| Losses from disposal of land, property and equipment | (61,589) | - | - | - | (61,589) |
| Other income | 308,490 | 25,511 | 461,446 | - | 795,447 |
| Capital expenditures | 33,654,988 | 3,332 | 431,721 | - | 34,090,041 |

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| | Oil and Fuel JD | Import and Export JD | Grocery Trading JD | Afaq for Energy JD | Eliminations JD | Total JD |
|---------------------------------------|-----------------------|----------------------------|--------------------------|--------------------------|--------------------|-------------|
| As of 31 December 2017 | | | | | | |
| <u>Assets and liabilities-</u> | | | | | | |
| Segment assets | 416,056,915 | 9,018,215 | 2,726,300 | 181,155,103 | (162,835,131) | 446,121,402 |
| Segment liabilities | 287,173,072 | 3,990,891 | 2,475,726 | 29,455,585 | (29,998,543) | 293,096,731 |
| As of 31 December 2016 | | | | | | |
| <u>Assets and liabilities</u> | | | | | | |
| Segment assets | 315,971,017 | 7,811,795 | 2,559,604 | 156,048,198 | (120,130,676) | 362,259,938 |
| Segment liabilities | 211,031,288 | 4,173,279 | 2,372,438 | 11,301,008 | (11,264,905) | 217,613,108 |

(24) CONTINGENT LIABILITIES

Bank Guarantees

As of the date of financial statements, the Group is has a contingent liabilities in the form of bank guarantees amounting to JD 25,735,792 (2016: JD 8,085,953).

Legal cases

There is a number of legal cases raised against Jordan Modern Oil and Fuel Services Company (subsidiary) in the normal course of business amounting to JD 480,635 (2016: JD 409,711). According to the Group's management and legal advisor, no material liability will arise as a result of these lawsuits. On the other hand, the group raised legal cases against others for a total amount of JD 2,333,129 as of 31 December 2017.

Capital expenditures

The Group contracted related parties to construct gas station projects and to purchase equipment. The expected remaining cost to complete these projects is JD 7,849,547 as of 31 December 2017 (2016: JD 10,461,745).

(25) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivable, cheques under collection, due from related parties and other current assets. Financial liabilities consist of due to banks, loans and murabaha, trade payables, postdated cheques, government deposits, amounts due to government, amounts due to related parties and other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

(26) RISK MANAGEMENT

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (due to banks and loans).

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December:

| | Increase in basis points | Effect on profit for the year |
|-------------|-----------------------------|----------------------------------|
| | | |
| 2017 | | |
| JD | 100 | 1,938,062 |
| | | |
| | Decrease in basis points | Effect on profit for the year |
| JD | 100 | (1,938,062) |
| | | |
| 2016 | | |
| JD | 100 | 1,245,871 |
| | | |
| | Decrease in basis points | Effect on profit for the year |
| JD | 100 | (1,245,871) |

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group provides its services to a large number of customers. Top 10 customer accounts for 27% of outstanding trade receivables at 31 December 2017 (2016: 25%).

Liquidity risk

The Group limits its liquidity risk by ensuring adequate financing is available from Banks facilities.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December.

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| | Less than 3 months | 3 to 12 months | From 1 to 5 years | Total |
|---|-----------------------|-------------------|----------------------|--------------------|
| | JD | JD | JD | JD |
| 2017- | | | | |
| Trade payables and other current liabilities | 32,928,797 | - | - | 32,928,797 |
| Due to related parties | 4,928,939 | - | - | 4,928,939 |
| Due to banks | 68,454,086 | - | - | 68,454,086 |
| Loans and Murabaha | 78,064,606 | 20,695,167 | 36,463,787 | 135,223,560 |
| Due to Jordan Petroleum Refinery Company Ltd. | 14,948,527 | - | - | 14,948,527 |
| Governmental deposits | 41,397,637 | - | - | 41,397,637 |
| Post dated cheques | 509,763 | - | - | 509,763 |
| Due to governmental entities | - | - | - | - |
| Total | 241,232,355 | 20,695,167 | 36,463,787 | 298,391,309 |
| | | | | |
| | Less than 3 months | 3 to 12 months | From 1 to 5 years | Total |
| | JD | JD | JD | JD |
| 2016- | | | | |
| Trade payables and other current liabilities | 18,492,976 | - | - | 18,492,976 |
| Due to related parties | 13,548,215 | - | - | 13,548,215 |
| Due to banks | 67,991,872 | - | - | 67,991,872 |
| Loans and Murabaha | - | 40,187,139 | 23,311,809 | 63,498,948 |
| Due to Jordan Petroleum Refinery Company Ltd. | 19,260,551 | - | - | 19,260,551 |
| Governmental deposits | 30,710,248 | - | - | 30,710,248 |
| Post dated cheques | - | 3,119,320 | - | 3,119,320 |
| Due to governmental entities | - | 4,280,000 | - | 4,280,000 |
| Total | 150,003,862 | 47,586,459 | 23,311,809 | 220,902,130 |

Currency risk

Most of the Group's transactions are in Jordanian Dinars, US Dollars. The Jordanian Dinar is pegged to the US Dollar (USD 1.41 for 1 JD). Accordingly, the Group is not exposed to significant currency risk.

(27) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

Capital comprises paid-in capital, statutory reserve and retained earnings and is measured at JD 152,025,499 as at 31 December 2017 (2016: JD 144,746,830).

(28) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions

The Group plans to adopt the remaining phases on the effective date and will not restate comparative information.

(a) Classification and Measurement

The Group does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

During 2017, the Group has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 15, whereas,

The Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 “Leases” which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

(29) COMPARATIVE FIGURES

Some of 2016 comparative figures were reclassified to correspond with 31 December 2017 presentation. The reclassification has no effect on the profit and equity of the year 2016.