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Ref: MG/F/18-4052

JULY 31, 2018

To:

Jordan Security Commission,
Amman – Jordan

Dear Sirs,

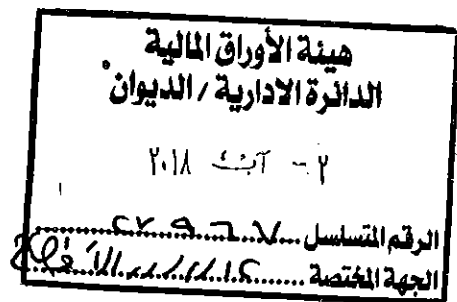
Subject: Afaq for Energy English Financial Statements Q2. 2018

As per JSC regulations, you are pleased to find enclosed english financial statements quarter two as of 30/06/2018 for AFAQ Energy.

Sincerely,

AFAQ Energy

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AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS(UNAUDITED)**

30 JUNE 2018



Building a better
working world

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT
TO THE CHAIRMAN AND BOARD OF DIRECTORS OF
AFAQ FOR ENERGY PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Afaq for Energy (a public shareholding Company) ("the Company") and its subsidiaries ("the Group") as at 30 June 2018, comprising the interim consolidated statement of financial position as at 30 June 2018 and the interim consolidated statements of comprehensive income and the interim consolidated statements of changes in equity and the interim consolidated statements of cash flows for the six month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of a matter

The Group's current liabilities exceeded its current assets by JD 143,496,956 as of 30 June 2018. 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 new financing from banks to reschedule its existing loans. Our conclusion is not qualified in respect of this matter.

Amman – Jordan
29 July 2018

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2018

	<u>Notes</u>	<u>30 June 2018 JD (Unaudited)</u>	<u>31 December 2017 JD (Audited)</u>
ASSETS-			
Non-current assets-			
Lands, property and equipment	3	295,888,252	285,017,364
Projects in progress		3,485,917	7,849,547
Intangible assets		14,499,733	15,987,404
Strategic fuel inventory		5,773,681	5,205,900
Goodwill	6	-	2,879,234
		<u>319,647,583</u>	<u>316,939,449</u>
Current Assets-			
Inventories		22,198,436	44,493,201
Accounts receivable and cheques under collection		47,800,570	39,154,683
Due from related parties	5	27,447,069	20,334,431
Financial assets at fair value through profit or loss		236,250	994,936
Other current assets		4,442,670	4,174,032
Cash on hand and at banks	4	26,627,081	20,030,670
		<u>128,752,076</u>	<u>129,181,953</u>
Total Assets		<u><u>448,399,659</u></u>	<u><u>446,121,402</u></u>
Equity and Liabilities			
Equity-			
Paid in capital	1	110,000,000	110,000,000
Statutory reserve	12	14,302,827	14,302,827
Retained earnings		17,488,095	27,722,672
Total shareholders' equity		<u>141,790,922</u>	<u>152,025,499</u>
Non- controlling interests		<u>4,490,378</u>	<u>999,172</u>
Total Equity		<u>146,281,300</u>	<u>153,024,671</u>
Non-current Liability-			
Loans and Murabaha	8	29,869,327	33,801,890
		<u>29,869,327</u>	<u>33,801,890</u>
Current Liabilities-			
Due to banks	7	71,099,606	68,454,086
Loans and Murabaha- short term	8	60,515,932	91,550,194
Due to related parties	5	7,606,326	4,928,939
Post-dated cheques – short term		3,785,471	509,763
Income tax provision	10	1,429,375	4,576,898
Governmental deposits		65,951,632	41,397,637
Due to Jordan Petroleum Refinery Company Ltd.		15,932,843	14,948,527
Accounts payable and other current liabilities		45,927,847	32,928,797
		<u>272,249,032</u>	<u>259,294,841</u>
Total Liabilities		<u>302,118,359</u>	<u>293,096,731</u>
Total Equity and Liabilities		<u><u>448,399,659</u></u>	<u><u>446,121,402</u></u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	<i>Notes</i>	For the three months ended		For the six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		JD	JD	JD	JD
Sales		248,130,365	215,843,270	491,619,097	441,292,739
Cost of sales		(238,137,711)	(204,935,321)	(473,537,487)	(421,393,985)
Gross profit		9,992,654	10,907,949	18,081,610	19,898,754
General and administrative expenses		(2,073,687)	(1,872,222)	(3,950,970)	(3,567,146)
Financing costs		(3,020,174)	(1,889,697)	(6,151,466)	(3,575,967)
Provision for doubtful debts		-	-	-	(150,000)
Gain from sale of property and equipment		2,430	-	37,921	264,634
Gain (loss) of financial assets at fair value through profit or loss		178,325	(130,155)	311,984	(102,209)
Other income		393,075	81,578	704,041	510,571
Profit for the period before tax		5,472,623	7,097,453	9,033,120	13,278,637
Income tax expense for the period	10	(768,072)	(1,400,002)	(1,429,375)	(3,006,456)
Profit for the period		4,704,551	5,697,451	7,603,745	10,272,181
Add: other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		4,704,551	5,697,451	7,603,745	10,272,181
Attributed to:					
Shareholders		4,634,929	5,697,451	7,385,266	10,272,181
Non-controlling interests		69,622	-	218,479	-
		4,704,551	5,697,451	7,603,745	10,272,181
		(JD/ Fils)	(JD/ Fils)	(JD/ Fils)	(JD/ Fils)
Basic and diluted earnings per share for the period	9	0/042	0/051	0/067	0/093

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Paid in capital	Statutory reserve	Retained earnings	Total	Non- controlling interest	Total equity
	JD	JD	JD	JD	JD	JD
Period ended 30 June 2018 -						
Balance at 1 January 2018	110,000,000	14,302,827	27,722,672	152,025,499	999,172	153,024,671
Impact of Expected Credit Loss, (ECL) approach – IFRS 9	-	-	(1,119,843)	(1,119,843)	-	(1,119,843)
Balance at 1 January 2018 - restated	110,000,000	14,302,827	26,602,829	150,905,656	999,172	151,904,828
Total comprehensive income for the period	-	-	7,385,266	7,385,266	218,479	7,603,745
Adjustments (note 6)	-	-	-	-	3,272,727	3,272,727
Dividends (note 11)	-	-	(16,500,000)	(16,500,000)	-	(16,500,000)
Balance at 30 June 2018	110,000,000	14,302,827	17,488,095	141,790,922	4,490,378	146,281,300
Period ended 30 June 2017 -						
Balance at 1 January 2017	110,000,000	11,326,435	23,420,395	144,746,830	-	144,746,830
Total comprehensive income for the period	-	-	10,272,181	10,272,181	-	10,272,181
Dividends (note 11)	-	-	(16,500,000)	(16,500,000)	-	(16,500,000)
Balance at 30 June 2017	110,000,000	11,326,435	17,192,576	138,519,011	-	138,519,011

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Note	30 June 2018 JD	30 June 2017 JD
<u>Operating activities</u>			
Profit for the period before tax		9,033,120	13,278,637
Adjustments for:			
Depreciation and amortization		5,967,853	4,947,221
Provision for doubtful debts		-	150,000
Financing costs		6,151,466	3,575,967
Gain of financial assets at fair value through profit or loss		(311,984)	-
Gain from disposal of property and equipment		(37,921)	(264,634)
Gain from valuation of strategic fuel inventory to the realizable value		(567,781)	(265,416)
Working capital adjustments			
Accounts receivable and cheques under collection		(9,765,730)	1,770,872
Inventories		22,294,765	311,434
Strategic fuel inventory		-	(1,812,468)
Other current assets		(268,638)	(1,277,204)
Due from / to related parties		(7,199,386)	(22,323,966)
Accounts payable and other current liabilities		9,765,730	6,789,900
Governmental deposits		24,553,995	16,082,816
Post-dated cheques		3,275,708	(1,684,051)
Net cash flows from operating activities before tax paid		<u>62,891,197</u>	<u>19,279,108</u>
Income tax paid		(4,576,898)	(3,954,459)
Net cash flows from operating activities		<u>58,314,299</u>	<u>15,324,649</u>
<u>Investing activities</u>			
Purchase of property and equipment and projects in progress		(6,489,029)	(28,737,468)
Proceeds from sale of property and equipment		1,137,965	756,204
Purchase of assets at fair value through profit or loss		-	(902,843)
Dividends received		185,975	-
Proceeds from sale of financial instruments at fair value through profit and loss		884,695	-
Net cash flows used in investing activities		<u>(4,280,394)</u>	<u>(28,884,107)</u>
<u>Financing activities</u>			
Repayment of loans and Murabaha		(42,403,080)	(3,960,414)
Proceeds from loans and Murabaha		7,436,255	22,380,624
Interest paid		(6,151,466)	(3,575,967)
Dividends paid		(11,728,858)	(8,261,707)
Due from/ to related parties		2,764,135	(9,979,636)
Net cash flows used in financing activities		<u>(50,083,014)</u>	<u>(3,397,100)</u>
Net Increase (decrease) in cash and cash equivalents		3,950,891	(16,956,558)
Cash and cash equivalents at 1 January		<u>(48,423,416)</u>	<u>(34,181,523)</u>
Cash and cash equivalents at 30 June	4	<u>(44,472,525)</u>	<u>(51,138,081)</u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

(1) GENERAL INFORMATION

Afaq for Energy was established as a public shareholding company on 5 August 2008 with an authorized and paid in 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 objective of the Company is to invest 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 got the rights 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 starting date. The commercial operations has started in May 2013.

The headquarter of the group is located in Queen Alia International Airport Road- Amman - Hashemite Kingdome of Jordan.

(2) BASIS OF PREPARATION INTERIM FINANCIAL STATEMENTS

(2.1) Basis of preparation

The interim condensed consolidated financial statements for the six months period ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual report as of 31 December 2017. In addition, results of the six months period ended 30 June 2018 do not necessarily indicative of the expected results for the financial year ending 31 December 2018.

(2.2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new amendment effective as of 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously 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 standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognized in retained earnings in the statement of changes in equity. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortized cost.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group's policy to calculate ECLs of debt instruments is for a period of 12 months.

The adoption of the ECL requirements of IFRS 9 resulted in an increase in impairment allowances of the Group's accounts receivable by JD 1,119,843. The increase in allowance resulted in adjustment of the opening retained earnings balance with the same amount.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 has no impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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 non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

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.

These amendments do not have any impact on the Group's consolidated financial statements.

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

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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's consolidated financial statements.

(2.3) Basis of consolidation of financial statements

The interim condensed 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 included in the interim condensed consolidated financial statements are as follows:

<u>Name of the company</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	<u>Main activity</u>
Jordan Modern Oil and fuel Services Company	Jordan	100%	Fuel distribution
Jordan Modern Importing and Exporting Company (Free Zone)	Jordan	100%	Oil and lubricants distribution
Jordan Modern Food Trading Company	Jordan	100%	Trading
Aqaba Bulk Chemical Co.	Jordan	55%	Warehousing Services

(3) PROPERTY AND EQUIPMENT

The Group purchased property and equipment amounting to JD 6,489,029 during the six months period ended 30 June 2018 (30 June 2017: JD 28,737,468).

Included in this account, lands with a book value of JD 160,743,393 owned by Jordan Modern Oil and Fuel Services (a subsidiary), that are mortgaged against the Group's credit facilities as of 30 June 2018.

(4) CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents shown in the interim consolidated statement of cash flows represent the following:

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>JD</u>	<u>JD</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash on hand	3,088,021	2,109,435
Cheques with maturities less than one month	12,890,530	7,834,306
Cash at banks	10,648,530	1,790,491
	<u>26,627,081</u>	<u>11,734,232</u>
Less: due to banks (Note 7)	<u>(71,099,606)</u>	<u>(62,872,313)</u>
	<u>(44,472,525)</u>	<u>(51,138,081)</u>

(5) RELATED PARTIES TRANSACTIONS

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.

Balances with related parties included in interim consolidated statement of financial position are as follows:

	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Due from related parties*		
Stone Castle Restaurant– Bayt Omar	1,674,248	1,410,452
Developed Crushers Company LTD (sister company)	9,146,885	8,163,865
United Iron and Steel Manufacturing Company PLC (sister company)	49,973	366,382
Advanced Transport and Land Shipping Services Company LTD (sister company)	10,904,145	6,962,789
Jordan Modern International Trade Company LTD (sister company)	14,614	4,637
Modern Cement and Mining Company LTD (sister company)	749,720	486,652
Mr. Muin Qadada (Vice Chairman)	13,440	18,973
Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company)	140,908	104,989
Jordan Modern Ready Mix Concrete Company LTD (sister company)	403,695	198,846
Jordan Modern Advanced Chemical Industries Company LTD (sister company)	5,607	487
Arab Towers Contracting Company (sister company)	3,944,504	2,467,705
Magnisia Jordan limited shareholding company (sister company)	251,268	91,108
Jordan Modern Company for high Information Technology (sister company)	148,062	57,046
Al Manseer charity	-	500
	<u>27,447,069</u>	<u>20,334,431</u>

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Due to related parties*		
Jordan Modern Shipping and Clearance Company LTD (sister company)	18,536	85,498
Manaseer for Commercial Services (sister company)	-	4,521
Al Adiyat Al Sereea Machinery Trading Company sister company)	119,810	109,909
Jordan Modern Food and Industries Company LTD (sister company)	-	29,041
Manaseer Group for Industrial and Commercial Investments Company LTD (Parent company)	5,236,259	2,472,124
Engineer Ziad Al Manaseer (Chairman)	131,722	127,847
Khalid Ahmad Al Jafali (partner in a subsidiary)	717,226	717,226
Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary)	717,226	717,226
Afaq company for importing and storage (partner in a subsidiary)	665,547	665,547
	<u>7,606,326</u>	<u>4,928,939</u>

Transactions with related parties included in the interim consolidated statements of comprehensive income are as follows:

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Unaudited)
Expenses charged by Head Office	<u>210,801</u>	<u>128,102</u>
Oil and fuel sales	<u>9,293,112</u>	<u>12,261,598</u>

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

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	<u>81,342</u>	<u>66,000</u>

Property and equipment

The Group purchased property and equipment and have projects with related parties amounting to JD 8,004,075 during the period ended 30 June 2018 (30 June 2017: JD 3,586,043).

(6) PURCHASE OF A SUBSIDIARY

Jordan Modern Oil and Fuel Services Company (subsidiary) purchased 55% of the equity of Aqaba Bulk Chemicals Limited Liability Company ABCCO on 30 June 2017. Aqaba Bulk Chemicals Company provides storage facilities and logistics services.

The valuation of the assets and liabilities of ABCCO was completed in the first half of 2018, and resulted in an increase in the property and equipment from JOD 5,234,972 to JOD 15,270,321, a decrease in preliminary Goodwill of JOD 2,879,234 and an increase in non-controlling interest of JOD 3,272,727.

The fair value and book value of Aqaba Bulk Chemicals Company's assets and liabilities as of the date of purchase (30 June 2017) were as follows:

<u>Assets</u>	Fair value	Book value
	JD	JD
Property and Equipment	15,270,321	10,035,349
Financial investments	110,000	110,000
Inventory	97,736	97,736
Accounts receivable	329,415	329,415
Other receivables	74,193	74,193
Cash on hand and at banks	257,260	257,260
	16,138,925	10,903,953
<u>Liabilities</u>	Fair value	Book value
	JD	JD
Loans	3,433,515	3,433,515
Partners' current account	4,082,778	4,082,778
Accounts payable	637,142	637,142
Other payables	712,763	712,763
	8,866,198	8,866,198
Net assets acquired	7,272,727	4,000,000
Non-controlling interest	3,272,727	
Group's share of net assets acquired	4,000,000	
Amount paid for Group's 55% share in equity	4,000,000	

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

The movement on the preliminary Goodwill is as follows:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	2,879,234	-
Goodwill due to the purchase	-	2,879,234
Reclassification to change in valuation of property and equipment	(2,879,234)	-
Balance at the end of the period/year	-	2,879,234

(7) DUE TO BANKS

This item represents the utilized overdraft credit facilities granted to the Jordan Modern Company for Oil and Gas Services (a subsidiary).

		Balance as at	
		30 June 2018	31 December 2017
Ceiling		JD	JD
		(Unaudited)	(Audited)
Capital Bank	18,000,000	17,470,993	19,832,606
Societe Generale Bank	5,000,000	5,032,940	4,926,346
Arab Jordan Investment Bank	19,390,000	13,657,355	8,080,485
Jordan Kuwait Bank	12,000,000	11,796,158	12,903,842
Arab Bank	6,700,000	6,589,116	4,942,953
Etihad Bank	12,000,000	11,592,459	10,279,699
Housing Bank for Trading and Finance	5,000,000	4,960,585	7,488,155
		71,099,606	68,454,086

These facilities are guaranteed by a first class mortgage on the land of Jordan Modern Company for Oil and Gas Services (a subsidiary) in addition to the personal guarantee of the Chairman of the board of directors. The interest rates on overdrafts ranges from 7% to 8.25%.

(8) LOANS AND MURABAHA

	30 June 2018		31 December 2017	
	Short term	Long term	Short term	Long term
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Capital Bank of Jordan – loans JD	1,274,215	2,411,276	1,439,600	2,965,692
Societe Generale Bank Jordan – loans JD	1,514,362	2,494,799	1,474,762	3,252,441
Arab Jordan Investment Bank loans- JD	3,655,949	3,971,529	3,683,399	5,770,618
Jordan Kuwait Bank loans- JD	3,443,544	8,211,528	3,704,865	7,935,960
Standard Chartered Bank loan- USD	26,701,274	-	32,508,320	-
Islamic International Arab Bank credit facilities – JD	9,013,549	-	1,432,374	1,029,167
Jordan Ahli Bank loans – JD	2,174,103	4,426,860	2,145,520	5,381,343
Bank of Jordan loans – JD	4,229,791	7,483,335	12,489,838	7,466,669
Bank Al Etihad loans – JD	8,509,145	-	32,671,516	-
Housing Bank for Trading and Finance – JD	-	870,000	-	-
	<u>60,515,932</u>	<u>29,869,327</u>	<u>91,550,194</u>	<u>33,801,890</u>

These loans are guaranteed by a first class mortgage on the lands owned by Jordan Modern Oil and Fuel Services Company (a subsidiary), as well as the personal guarantee of the Chairman of the Board of Directors, and have interest rates that ranges from (7% – 8.25%) for Jordanian Dinar loans and (LIBOR+ 1.02%) for USD Dollar loans.

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

Year	JD
2019	12,645,065
2020	11,298,362
2021 and after	5,925,900
	<u>29,869,327</u>

(9) EARNINGS PER SHARE FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	4,634,929	5,697,451	7,385,266	10,272,181
Weighted average number of shares (shares)	110,000,000	110,000,000	110,000,000	110,000,000
	(JD/ Fils)	(JD/ Fils)	(JD/ Fils)	(JD/ Fils)
Basic and diluted earnings per share	<u>0/042</u>	<u>0/051</u>	<u>0/067</u>	<u>0/093</u>

(10) INCOME TAX

Movement on income tax provision is as follows:

	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Balance at the beginning of the period/ year	4,576,898	3,514,674
Income tax paid	(4,576,898)	(4,840,839)
Income tax charge for the period/ year	1,429,375	5,903,063
Balance at the ending of the period/ year	1,429,375	4,576,898

Income tax in the interim condensed consolidated statements of comprehensive income represents the following:

	30 June 2018 JD (Unaudited)	30 June 2017 JD (Unaudited)
Income tax expense for the period	1,429,375	2,566,671
Prior year income tax	-	439,785
	1,429,375	3,006,456

The income tax is calculated for the periods ended 30 June 2018 and 30 June 2017 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 until the year 2009. The Company has submitted its income tax declaration for the years from 2010 to 2017 but has not been reviewed by the Income and Sales Tax Department up to the date of these interim condensed consolidated financial statements.

Jordan Modern Oil and fuel Services Company (a 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 to 2017 but the Income and Sales Tax Department did not review them up to the date of these interim condensed 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 to 2017, but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

Jordan Modern Food Trading Company/ Lumi Market (a subsidiary)

The Company reached a final settlement with the Income and Sales Tax Department for the years 2012 and 2014. The Company submitted its income tax declaration for the years 2013 to 2017 but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

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

The Company submitted its income tax declaration for the years from 2012 to 2017, but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

Aqaba Bulk Chemicals Company (subsidiary):

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

(11) DIVIDENDS

The general assembly approved in its meeting held on 29 April 2018, the distribution of cash dividends to shareholders amounting to JD 16,500,000 representing 15% of the paid in capital on 2017 results (2017: JD 16,500,000 representing 15% of the paid in capital on 2016 results).

(12) LEGAL RESERVES

The Group did not transfer any amounts to the statutory reserve in accordance with the Jordanian Companies Law, as these are interim financial statements.

(13) CONTINGENT LIABILITIES

Bank Guarantees

The Group contingent liabilities are in the form of bank letters of guarantee amounting to JD 8,807,401 as of 30 June 2018 which include a guarantee issued in favor of the Ministry of Energy and Mineral Resources amounting to JD 4,601,000.

Legal cases

There is a number of legal cases raised against Jordan Modern Oil and Fuel Services Company (a subsidiary) in the normal course of business amounting to JD 409,711 as of 30 June 2018. According to the Group's management and legal advisor, no material liability will arise as a result of these lawsuits.

Capital expenditures

The Group entered into projects for construction of gas stations. The expected remaining cost to complete these projects is JD 4,845,765 as of 30 June 2018 (31 December 2017: JD 3,338,764).

(14) 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.
- Food trading

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

The revenues, profits, assets and liabilities of the business segments are as follows:

	Afaq JD	Oil and Fuel JD	ABCCO JD	Import and Export JD	Food Trading JD	Total JD (Unaudited)
For the six months ended 30 June 2018						
Revenue-						
Sales	-	481,489,535	1,061,099	4,248,682	4,819,781	491,619,097
Cost of sales	-	(465,258,683)	(301,104)	(3,719,496)	(4,258,204)	(473,537,487)
Gross profit	-	16,230,852	759,995	529,186	561,577	18,081,610
Segments results-						
Profit (loss) before tax	285,434	7,798,810	485,508	492,764	(29,396)	9,033,120
Other segments information-						
General and administrative expenses	(28,756)	(2,640,484)	(314,918)	(48,891)	(917,921)	(3,950,970)
Provision for doubtful debt	-	(6,071,092)	(79,194)	(1,037)	(143)	(6,151,466)
Financing costs						
Gain from disposal of property and equipment	-	37,921	-	-	-	37,921
Other income						
Gain of financial assets at fair value through profit or loss	311,984	-	-	-	-	311,984
Other income	2,206	241,613	119,625	13,506	327,091	704,041

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

	Afaq	Oil and Fuel	Import and Export	Food Trading	Total
	JD	JD	JD	JD	JD
					(Unaudited)

For the six months ended 30

June 2017

Revenue-

Sales	-	431,705,020	5,772,233	3,815,486	441,292,739
Cost of sales	-	(413,157,610)	(5,022,964)	(3,213,411)	(421,393,985)
Gross profit	-	18,547,410	749,269	602,075	19,898,754

Segments results-

Profit (loss) before tax	(285,415)	12,145,065	707,928	711,059	13,278,637
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Other segments information-

General and administrative expenses	(285,415)	(3,052,530)	(43,868)	(185,333)	(3,567,146)
Provision for doubtful debt	-	(150,000)	-	-	(150,000)
Financing costs	-	(3,570,574)	(2,873)	(2,520)	(3,575,967)
Gain on disposal of property and equipment	-	264,634	-	-	264,634
Other income	-	208,334	5,400	296,837	510,571
Gain of financial assets at fair value through profit or loss	-	(102,209)	-	-	(102,209)

	Afaq	Oil and Fuel	ABCCO	Import and Export	Food Trading	Eliminations	Total
	JD	JD	JD	JD	JD	JD	JD
							(Unaudited)

As of 30 June 2018

Assets and liabilities-

Segment assets	175,195,839	410,497,586	10,581,107	9,993,411	2,925,931	(160,794,215)	448,399,659
Segment liabilities	27,313,226	302,578,153	7,875,215	4,473,324	2,704,955	(42,826,514)	302,118,359

As of 31 December 2017

Assets and liabilities

Segment assets	181,155,103	406,861,076	9,195,839	9,018,215	2,726,300	(162,835,131)	446,121,402
Segment liabilities	29,455,585	280,699,838	6,473,234	3,990,891	2,475,726	(29,998,543)	293,096,731