



Ref: MG/F/19-5676
Aug 20, 2019

Amman Stock Exchange,
Amman – Jordan

Dear Sirs,

Subject: Afaq for Energy English Financial Statements Q2. 2019

As per JSC regulations, we are pleased to enclose herewith the English financial statements for the second quarter ended 30/06/2019 for AFAQ Energy.

Sincerely,

AFAQ Energy



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|-------------------------------|
| بورصة عمان |
| الدائرة الإدارية والمالية |
| الدويان |
| ٢١ آب ٢٠١٩ |
| الرقم التسلسلي: ٤٠٢٠ |
| رقم الملف: ١٢٨٦ |
| الجهة المختصة: الملتزم الادرا |

AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

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

30 JUNE 2019

**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 2019, comprising the interim consolidated statement of financial position as at 30 June 2019 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 115,512,357 as of 30 June 2019. This indicates a material uncertainty of the Group's ability to continue as a going concern. The Group has taken various corrective actions to overcome the negative impact on the Group's financial position. In addition to that, the management prepared a future cashflow plan to monitor the financing requirements in order to meet the short-term liabilities that due in 12 months.

Amman – Jordan
31 July 2019



AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2019

| | <u>Notes</u> | 30 June 2019 JD (Unaudited) | 31 December 2018 JD (Audited) |
|---|--------------|--------------------------------------|--|
| ASSETS - | | | |
| Non-current assets- | | | |
| Lands, property and equipment | 3 | 294,398,977 | 297,860,098 |
| Projects in progress | | 4,961,629 | 3,447,088 |
| Intangible assets | | 11,499,733 | 12,987,404 |
| Strategic fuel inventory | | 141,716 | 3,238,686 |
| Financial assets at fair value through other comprehensive income | | 210,000 | 210,000 |
| Right of use assets | 2 | 10,751,788 | - |
| | | <u>321,963,843</u> | <u>317,743,276</u> |
| Current Assets- | | | |
| Inventories | | 35,188,157 | 49,372,747 |
| Accounts receivable and cheques under collection | | 53,449,971 | 48,560,111 |
| Due from related parties | 5 | 34,808,282 | 25,620,414 |
| Financial assets at fair value through profit or loss | | 26,250 | 26,250 |
| Other current assets | | 4,114,883 | 2,842,682 |
| Cash on hand and at banks | 4 | 22,237,975 | 23,915,022 |
| | | <u>149,825,518</u> | <u>150,337,226</u> |
| Total Assets | | <u><u>471,789,361</u></u> | <u><u>468,080,502</u></u> |
| EQUITY AND LIABILITIES- | | | |
| Equity- | | | |
| Paid in capital | 1 | 110,000,000 | 110,000,000 |
| Statutory reserve | 12 | 15,561,453 | 15,561,453 |
| Retained earnings | | 16,457,094 | 17,989,119 |
| Total shareholders' equity | | <u>142,018,547</u> | <u>143,550,572</u> |
| Non- controlling interests | | <u>3,744,349</u> | <u>3,549,564</u> |
| Total Equity | | <u><u>145,762,896</u></u> | <u><u>147,100,136</u></u> |
| Liabilities - | | | |
| Non-current Liability- | | | |
| Lease liability | 2 | 9,633,191 | - |
| Loans and Murabaha | 8 | 51,055,399 | 32,327,983 |
| | | <u>60,688,590</u> | <u>32,327,983</u> |
| Current Liabilities- | | | |
| Due to banks | 7 | 39,435,413 | 70,383,772 |
| Loans and Murabaha- short term | 8 | 78,577,416 | 100,517,525 |
| Due to related parties | 5 | 2,362,196 | 3,344,875 |
| Post-dated cheques – short term | | 588,242 | 998,786 |
| Income tax provision | 10 | 1,530,461 | 1,368,150 |
| Lease liability – short term | 2 | 1,832,540 | - |
| Governmental deposits | | 66,919,669 | 52,295,902 |
| Due to Jordan Petroleum Refinery Company Ltd. | | 3,223,134 | 14,343,408 |
| Accounts payable and other current liabilities | | 70,868,804 | 45,399,965 |
| | | <u>265,337,875</u> | <u>288,652,383</u> |
| Total Liabilities | | <u><u>326,026,465</u></u> | <u><u>320,980,366</u></u> |
| Total Equity and Liabilities | | <u><u>471,789,361</u></u> | <u><u>468,080,502</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 2019 (UNAUDITED)

| | <u>Notes</u> | For the three months ended | | For the six months ended | |
|---|--------------|----------------------------|------------------|--------------------------|-------------------|
| | | 30 June | | 30 June | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | JD | JD | JD | JD |
| Sales | | 211,487,844 | 248,130,365 | 433,966,294 | 491,619,097 |
| Cost of sales | | (197,999,727) | (238,137,711) | (412,376,409) | (473,537,487) |
| Gross profit | | 13,488,117 | 9,992,654 | 21,589,885 | 18,081,610 |
| General and administrative expenses | | (2,320,860) | (2,073,687) | (4,695,340) | (3,950,970) |
| Financing costs | | (4,238,641) | (3,020,174) | (8,421,417) | (6,151,466) |
| Expected credit loss | | (759,047) | - | (759,047) | - |
| Gain from sale of property and equipment | | 11,452 | 2,430 | 11,452 | 37,921 |
| Gain of financial assets at fair value through profit or loss | | - | 178,325 | - | 311,984 |
| Other income | | 608,637 | 393,075 | 726,217 | 704,041 |
| Profit for the period before tax | | 6,789,658 | 5,472,623 | 8,451,750 | 9,033,120 |
| Income tax and national contribution expense for the period | 10 | (1,189,951) | (768,072) | (1,538,990) | (1,429,375) |
| Profit for the period | | 5,599,707 | 4,704,551 | 6,912,760 | 7,603,745 |
| Add: other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period | | 5,599,707 | 4,704,551 | 6,912,760 | 7,603,745 |
| Attributed to: | | | | | |
| Shareholders | | 5,528,170 | 4,634,929 | 6,717,975 | 7,385,266 |
| Non-controlling interests | | 71,537 | 69,622 | 194,785 | 218,479 |
| | | 5,599,707 | 4,704,551 | 6,912,760 | 7,603,745 |
| | | (JD/ Fils) | (JD/ Fils) | (JD/ Fils) | (JD/ Fils) |
| Basic and diluted earnings per share for the period | 9 | 0/050 | 0/042 | 0/061 | 0/067 |

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 2019 (UNAUDITED)

| | Paid in capital | Statutory reserve | Retained earnings | Total | Non- controlling interest | Total equity |
|--|--------------------|----------------------|----------------------|--------------|---------------------------------|--------------|
| | JD | JD | JD | JD | JD | JD |
| Period ended 30 June 2019 - | | | | | | |
| Balance at 1 January 2019 | 110,000,000 | 15,561,453 | 17,989,119 | 143,550,572 | 3,549,564 | 147,100,136 |
| Total comprehensive income for the period | - | - | 6,717,975 | 6,717,975 | 194,785 | 6,912,760 |
| Dividends (note 11) | - | - | (8,250,000) | (8,250,000) | - | (8,250,000) |
| Balance at 30 June 2019 | 110,000,000 | 15,561,453 | 16,457,094 | 142,018,547 | 3,744,349 | 145,762,896 |
| 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 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 |

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 2019 (UNAUDITED)

| | <u>Note</u> | 30 June 2019 JD | 30 June 2018 JD |
|---|-------------|-----------------------|-----------------------|
| <u>Operating activities</u> | | | |
| Profit for the period before tax | | 8,451,750 | 9,033,120 |
| Adjustments for: | | | |
| Depreciation and amortization | | 6,294,165 | 5,967,853 |
| Expected credit loss | | 759,047 | - |
| Financing costs | | 8,421,417 | 6,151,466 |
| Gain of financial assets at fair value through profit or loss | | - | (311,984) |
| Loss (gain) from disposal of property and equipment | | 11,452 | (37,921) |
| Gain from valuation of strategic fuel inventory to the realizable value | | - | (567,781) |
| Working capital adjustments | | | |
| Accounts receivable and cheques under collection | | (5,648,907) | (9,765,730) |
| Inventories | | 14,184,590 | 22,294,765 |
| Strategic fuel inventory | | 3,096,970 | - |
| Other current assets | | (1,272,201) | (268,638) |
| Due from / to related parties | | (9,187,868) | (7,199,386) |
| Accounts payable and other current liabilities | | 15,232,565 | 9,765,730 |
| Governmental deposits | | 14,623,767 | 24,553,995 |
| Post-dated cheques | | (410,544) | 3,275,708 |
| Net cash flows from operating activities before tax paid | | <u>54,556,203</u> | <u>62,891,197</u> |
| Income tax paid | | (1,376,679) | (4,576,898) |
| Net cash flows from operating activities | | <u>53,179,524</u> | <u>58,314,299</u> |
| <u>Investing activities</u> | | | |
| Purchase of property and equipment and projects in progress | | (3,087,457) | (6,489,029) |
| Proceeds from sale of property and equipment | | 46,034 | 1,137,965 |
| 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>(3,041,423)</u> | <u>(4,280,394)</u> |
| <u>Financing activities</u> | | | |
| Repayment of loans and Murabaha | | (3,212,693) | (34,966,825) |
| Interest paid | | (8,421,417) | (6,151,466) |
| Dividends paid | | (8,250,000) | (11,728,858) |
| Due from/ to related parties | | (982,679) | 2,764,135 |
| Net cash flows used in financing activities | | <u>(20,866,789)</u> | <u>(50,083,014)</u> |
| Net Increase in cash and cash equivalents | | 29,271,312 | 3,950,891 |
| Cash and cash equivalents at 1 January | | <u>(46,468,750)</u> | <u>(48,423,416)</u> |
| Cash and cash equivalents at 30 June | 4 | <u>(17,197,438)</u> | <u>(44,472,525)</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 2019 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 2018. In addition, results of the six months period ended 30 June 2019 do not necessarily indicative of the expected results for the financial year ending 31 December 2019.

(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 2018, except for the adoption of new amendment effective as of 1 January 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the interim condensed consolidated statement of financial position as at 1 January 2019:

| | JD |
|---------------------|--------------------|
| | (Unaudited) |
| Assets | |
| Right of use assets | 9,927,756 |
| Liabilities | |
| Lease liabilities | 9,927,756 |

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics, which equaled to 7% - 9%.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The lease contract terms used to calculate the lease liabilities vary from 5 to 15 years.

The below schedule show the right of use assets and the lease liabilities and the movement on it for the period ended 30 June 2019:

| | Right of use assets | Lease liabilities |
|---------------------------------------|--------------------------------|------------------------------|
| | JD | JD |
| As of 1 January 2019 | 9,927,756 | 9,927,756 |
| Depreciation for the period | (345,484) | - |
| Finance cost for the period | - | 368,459 |
| Additions during the period | 1,169,516 | 1,169,516 |
| As of 31 June 2019 (unaudited) | 10,751,788 | 11,465,731 |
| | | 30 June 2019 JD |
| Lease liabilities - short term | | 1,832,540 |
| Lease liabilities - long term | | 9,633,191 |
| | | 11,465,731 |

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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.

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

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. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's, interim 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:

| Name of the company | Country of incorporation | Ownership percentage | Main activity |
|---|--------------------------|----------------------|---------------------------------|
| 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 3,087,457 during the six months period ended 30 June 2019 (30 June 2018: JD 6,489,029).

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 2019.

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2019

(4) CASH AND CASH EQUIVALENTS

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

| | 30 June 2019 JD (Unaudited) | 30 June 2018 JD (Unaudited) |
|---|--------------------------------------|--------------------------------------|
| Cash on hand | 1,005,039 | 3,088,021 |
| Cheques with maturities less than one month | 15,396,868 | 12,890,530 |
| Cash at banks | 5,836,068 | 10,648,530 |
| | <u>22,237,975</u> | <u>26,627,081</u> |
| Less: due to banks (Note 7) | (39,435,413) | (71,099,606) |
| | <u>(17,197,438)</u> | <u>(44,472,525)</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 2019 JD (Unaudited) | 31 December 2018 JD (Audited) |
|---|--------------------------------------|--|
| Due from related parties* | | |
| Stone castle restaurant- Bayt Omar | 2,074,274 | 1,870,130 |
| Developed crushers company LTD (sister company) | 6,866,892 | 5,600,748 |
| United iron and steel manufacturing company PLC (sister company) | 459,061 | 217,109 |
| Advanced transport and land shipping services company LTD (sister company) | 12,963,249 | 10,444,346 |
| Jordan modern international trade company LTD (sister company) | 14,903 | 14,844 |
| Modern cement and mining company LTD (sister company) | 6,925,967 | 2,434,279 |
| Mr. Muin Qadada (Vice Chairman) | 16,276 | 24,715 |
| Al Bunyan for cement and concrete products manufacturing company LTD (sister company) | 205,408 | 148,878 |
| Jordan modern ready-mix concrete company LTD (sister company) | 329,464 | 329,704 |
| Jordan modern advanced chemical industries company LTD (sister company) | 11,966 | 1,359 |
| Al Adiyat agriculture company (sister company) | - | 261,394 |
| Jena for mining company (sister company) | - | 25,070 |
| Arab towers contracting company (sister company) | 444,160 | 2,666,225 |
| Magnisia Jordan limited shareholding company (sister company) | 1,360,131 | 1,317,491 |
| Jordan modern company for high information technology (sister company) | 272,839 | 264,122 |
| Al Manseer charity | 3,908 | - |
| Jordan first modern logistics (sister company) | 11,603 | - |
| Manaseer group for industrial and commercial investments (parent company) | 2,536,831 | - |
| Roaa spare parts and maintenance (sister company) | 310,075 | - |
| Jordan modern food and industries company (sister company) | 1,275 | - |
| | <u>34,808,282</u> | <u>25,620,414</u> |

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| | 30 June 2019 | 31 December 2018 |
|--|------------------|---------------------|
| | JD | JD |
| Due to related parties* | (Unaudited) | (Audited) |
| Jordan modern shipping and clearance company LTD (sister company) | 25,579 | 85,909 |
| Manaseer for commercial services (sister company) | 175,429 | 21,700 |
| Al Adiyat Al Sereea machinery trading company (sister company) | 139,558 | 237,602 |
| Jordan modern food and industries company LTD (sister company) | - | 9,732 |
| Manaseer group for industrial and commercial I=investments company (Parent company) | - | 758,220 |
| Engineer Ziad Al Manaseer (Chairman) | 131,563 | 131,713 |
| Khalid Ahmad Al Jafali (partner in a subsidiary) | 612,226 | 717,226 |
| Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary) | 612,294 | 717,226 |
| Afaq company for importing and storage (partner in a subsidiary) | 665,547 | 665,547 |
| | <u>2,362,196</u> | <u>3,344,875</u> |

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

| | 30 June 2019 | 30 June 2018 |
|---------------------------------|------------------|------------------|
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Expenses charged by Head Office | <u>154,903</u> | <u>210,801</u> |
| Oil and fuel sales | <u>8,503,197</u> | <u>9,293,112</u> |

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

| | 30 June 2019 | 30 June 2018 |
|-----------------------|-----------------|-----------------|
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Salaries and benefits | <u>64,528</u> | <u>81,342</u> |

Property and equipment

The Group purchased property and equipment and have projects with related parties amounting to JD 3,087,457 during the period ended 30 June 2019 (30 June 2018: 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 JD 2,879,234 and an increase in non-controlling interest of JD 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:

Assets

| | <u>Fair value</u> | <u>Book value</u> |
|---------------------------|-------------------|-------------------|
| | 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 |
| | <u>16,138,925</u> | <u>10,903,953</u> |

Liabilities

| | | |
|---|------------------|------------------|
| 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 |
| | <u>8,866,198</u> | <u>8,866,198</u> |
| Net assets acquired | <u>7,272,727</u> | <u>4,000,000</u> |
| Non-controlling interest | <u>3,272,727</u> | |
| Group's share of net assets acquired | <u>4,000,000</u> | |
| Amount paid for Group's 55% share in equity | <u>4,000,000</u> | |

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The movement on the preliminary Goodwill is as follows:

| | 30 June 2019 | 31 December 2018 |
|---|-----------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Balance at the beginning of the period/year | - | 2,879,234 |
| Reclassification to change in valuation of property and equipment | - | (2,879,234) |
| Balance at the end of the period/year | - | - |

(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 | |
|--------------------------------------|------------|-----------------|---------------------|
| | Ceiling | 30 June 2019 | 31 December 2018 |
| | JD | JD | JD |
| | | (Unaudited) | (Audited) |
| Capital Bank of Jordan* | 1,000,000 | 737,068 | 18,118,282 |
| Société General Bank** | 1,500,000 | 1,526,110 | 5,134,595 |
| Arab Jordan Investment Bank*** | 10,722,600 | 10,471,916 | 20,687,333 |
| Jordan Kuwait Bank | 13,000,000 | 12,968,551 | 12,653,852 |
| Arab Bank | 8,400,000 | 8,124,846 | 6,719,869 |
| Bank Al-Etihad | 1,000,000 | 974,284 | 721,205 |
| Housing Bank for Trading and Finance | 5,000,000 | 4,632,638 | 6,348,636 |
| | | 39,435,413 | 70,383,772 |

These facilities are guaranteed by a first class mortgage on the lands 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 8% to 9,25%.

* During the first half of the year, the company rescheduled the overdraft facility amounting to JD 17,000,000 to a long-term loan at an interest rate of 9%.

** During the first half of the year, the company rescheduled the overdraft facility amounting to JD 3,600,000 to a long-term loan at an interest rate of 8.5%.

*** During the first half of the year, the company rescheduled the overdraft facility amounting to JD 12,000,000 to a long-term loan at an interest rate of 8.75%.

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(8) LOANS AND MURABAHA

| | 30 June 2019 | | 31 December 2018 | |
|--|-------------------|-------------------|--------------------|-------------------|
| | Short term | Long term | Short term | Long term |
| | JD | JD | JD | JD |
| | (Unaudited) | (Unaudited) | (Audited) | (Audited) |
| Capital Bank of Jordan – loans JD | 5,564,916 | 13,680,975 | 1,439,600 | 1,526,094 |
| Société General Bank Jordan – loans JD | 2,631,532 | 3,529,747 | 1,587,614 | 1,699,300 |
| Arab Jordan Investment Bank loans- JD | 5,434,243 | 10,263,872 | 3,325,179 | 2,616,709 |
| Jordan Kuwait Bank loans- JD | 3,178,656 | 5,032,872 | 3,178,656 | 6,622,200 |
| Standard Chartered Bank loan- USD | 28,910,354 | - | 40,365,806 | - |
| Islamic International Arab Bank credit facilities – JD | 1,553,685 | - | 4,528,579 | - |
| Jordan Ahli Bank loans – JD | 2,000,160 | 2,426,700 | 2,166,840 | 3,426,780 |
| Bank of Jordan loans – JD | 2,000,000 | 5,483,333 | 2,000,000 | 6,483,333 |
| Bank Al-Etihad loans - JD | 26,053,870 | 7,336,000 | 40,154,418 | 8,710,000 |
| Housing Bank for Trading and Finance – JD | 1,250,000 | 3,301,900 | 1,770,833 | 1,243,567 |
| | <u>78,577,416</u> | <u>51,055,399</u> | <u>100,517,525</u> | <u>32,327,983</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.

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

| Year | JD |
|----------------|--------------------|
| 2019 | 78,577,416 |
| 2020 | 20,822,036 |
| 2021 and after | 30,233,363 |
| | <u>129,632,815</u> |

(9) EARNINGS PER SHARE FOR THE PERIOD

| | For the three months ended | | For the six months ended | |
|---|----------------------------|-------------------|--------------------------|-------------------|
| | 30 June | | 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | JD | JD | JD | JD |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit for the period | 5,528,170 | 4,634,929 | 6,717,975 | 7,385,266 |
| Weighted average number of shares (shares) | 110,000,000 | 110,000,000 | 110,000,000 | 110,000,000 |
| | <u>(JD/ Fils)</u> | <u>(JD/ Fils)</u> | <u>(JD/ Fils)</u> | <u>(JD/ Fils)</u> |
| Basic and diluted earnings per share for the period | <u>0/050</u> | <u>0/042</u> | <u>0/061</u> | <u>0/067</u> |

(10) INCOME TAX

Movement on income tax provision is as follows:

| | 30 June 2019 JD (Unaudited) | 31 December 2018 JD (Audited) |
|--|--------------------------------------|--|
| Balance at the beginning of the period/ year | 1,368,150 | 4,576,898 |
| Income tax paid | (1,376,679) | (5,155,440) |
| Income tax and national contribution charge for the period/ year | 1,538,990 | 1,946,692 |
| Balance at the ending of the period/ year | 1,530,461 | 1,368,150 |

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

| | 30 June 2019 JD (Unaudited) | 30 June 2018 JD (Unaudited) |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Income tax expense for the period | 1,538,990 | 1,429,375 |
| | 1,538,990 | 1,429,375 |

The income tax is calculated for the periods ended 30 June 2019 in accordance with income tax law no. (38) of 2018 and for the period ended 30 June 2018 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 declarations for the years from 2010 to 2018 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 declarations for the years 2015 to 2018 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 declarations for the years 2015 to 2018, 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 from 2013 to 2016. The Company submitted its income tax declarations for the years up to 2018 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 declarations for the years from 2012 to 2018, 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, the Company submitted its income tax declarations for the years 2017 and 2018, but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

(11) DIVIDENDS

The general assembly approved in its meeting held on 29 April 2019 cash dividends to shareholders amounting to JD 8,250,000 representing 7.5% of the paid in capital against 2018 profits (JD 16,500,000 representing 15% of the paid in capital against 2017 profit in the previous year).

(12) STATUTORY RESERVES

The Group did not apportion any amounts to the statutory reserve in accordance with the Jordanian Companies Law, since 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 4,474,186 as of 30 June 2019 (31 December 2018: JD 8,085,953)

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 471,510 as of 30 June 2019. 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 2019 (31 December 2018: JD 6,664,976).

(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.
- Fuel storage.

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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 | Elimination JD | Total JD (Unaudited) |
|---|------------|-----------------------|-------------|----------------------------|-----------------------|-------------------|----------------------------|
| For the six months ended 30 June 2019 | | | | | | | |
| Revenue- | | | | | | | |
| Sales | - | 424,831,095 | 963,115 | 3,669,317 | 4,502,767 | - | 433,966,294 |
| Cost of sales | - | (405,060,422) | (301,104) | (3,109,621) | (3,905,262) | - | (412,376,409) |
| Gross profit | - | 19,770,673 | 662,011 | 559,696 | 597,505 | - | 21,589,885 |
| Segments results- | | | | | | | |
| Profit (loss) before tax | (180,456) | 7,622,614 | 432,854 | 504,402 | 72,336 | - | 8,451,750 |
| Other segments information- | | | | | | | |
| General and administrative expenses | (182,337) | (3,133,884) | (343,260) | (68,081) | (967,778) | - | (4,695,340) |
| Financing costs | - | (8,353,665) | (64,666) | (1,917) | (1,169) | - | (8,421,417) |
| Gain from disposal of property and equipment | - | 11,452 | - | - | - | - | 11,452 |
| Gain of financial assets at fair value through profit or loss | - | - | - | - | - | - | - |
| Other income | 1,881 | 87,086 | 178,770 | 14,701 | 443,779 | - | 726,217 |

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| | Afaq | Oil and | ABCCO | Import and | Food | Total |
|--|------|---------|-------|------------|---------|-------------|
| | JD | Fuel | JD | Export | Trading | JD |
| | | JD | | JD | 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) |
| Financing costs | - | (6,071,092) | (79,194) | (1,037) | (143) | (6,151,466) |
| 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 | Oil and | ABCCO | Import and | Food | | Total |
|--|------|---------|-------|------------|---------|--------------|-------------|
| | JD | Fuel | JD | Export | Trading | Eliminations | JD |
| | | JD | | JD | JD | JD | (Unaudited) |

As of 30 June 2019

Assets and liabilities-

| | | | | | | | |
|---------------------|-------------|-------------|-----------|-----------|-----------|---------------|-------------|
| Segment assets | 151,475,944 | 409,852,866 | 9,692,692 | 9,090,800 | 2,918,578 | (111,241,519) | 471,789,361 |
| Segment liabilities | 9,783,379 | 313,427,623 | 6,185,246 | 2,396,292 | 2,500,979 | (8,267,054) | 326,026,465 |

As of 31 December 2018

(Audited)

Assets and liabilities

| | | | | | | | |
|---------------------|-------------|-------------|-----------|-----------|-----------|---------------|-------------|
| Segment assets | 164,697,460 | 426,787,493 | 9,195,839 | 9,026,512 | 2,866,667 | (144,493,469) | 468,080,502 |
| Segment liabilities | 19,053,027 | 314,960,332 | 6,473,234 | 2,836,406 | 2,507,221 | (24,849,854) | 320,980,366 |