



Ref: MG/F/20-3451
Aug 26, 2020

Jordan Security Commission,
Amman – Jordan

Dear Sirs,

Subject: Afaq for Energy English Financial Statements Q1. 2020

As per JSC regulations, we are pleased to enclose herewith the English financial statements for first quarter ended 31/03/2020 for AFAQ Energy.

Sincerely,

AFAQ Energy

Copy to: -

- Amman Stock Exchange,



Amman Street opposite Foreign Ministry
Telephone: +962 65734030 1-2
Fax: +962 65734070
P.O. BOX 924988 Amman 11110 - Jordan

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الدائرة الإدارية والمالية
الديوان

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الرقم التسلسلي:

رقم الملف:

الجهة المختصة:

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AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

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

31 MARCH 2020



Building a better
working world

Ernst & Young Jordan

P.O.Box 1140

Amman 11118

Jordan

Tel : 00 962 6580 0777/00 962 6552 6111

Fax: 00 962 6553 8300

www.ey.com/me

**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 31 March 2020, comprising the interim consolidated statement of financial position as at 31 March 2020 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 three-month period then ended and explanatory notes. 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 matter

We draw attention to note (13) to the interim condensed consolidated financial statements, which disclose the impact of the coronavirus pandemic on the Group's operating results for the period ended 31 March 2020. This matter does not modify our conclusion on these interim condensed consolidated financial statements.

Amman – Jordan

5 August 2020

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Assets-			
Non-current Assets-			
Lands, property and equipment	3	297,860,444	299,854,073
Projects in progress		1,110,329	489,917
Right of use assets		12,680,905	12,599,888
Intangible assets		9,237,404	9,987,404
Financial assets at fair value through other comprehensive income		210,000	210,000
		<u>321,099,082</u>	<u>323,141,282</u>
Current Assets-			
Inventories		54,697,336	35,138,070
Accounts receivable and cheques under collection		71,537,251	66,717,584
Due from related parties	5	56,671,546	50,563,224
Financial assets at fair value through profit or loss		26,250	26,250
Other current assets		3,182,362	1,699,295
Cash on hand and at banks	4	24,291,416	29,559,380
		<u>210,406,161</u>	<u>183,703,803</u>
Total Assets		<u><u>531,505,243</u></u>	<u><u>506,845,085</u></u>
Equity and Liabilities			
Equity-			
Paid in capital	1	110,000,000	110,000,000
Statutory reserve	10	17,371,306	17,371,306
Retained earnings	10	23,687,207	22,855,166
Total shareholders' equity		<u>151,058,513</u>	<u>150,226,472</u>
Non- controlling interest		3,802,405	3,731,622
Total equity		<u>154,860,918</u>	<u>153,958,094</u>
Non-current Liability-			
Loans and Murabaha	7	46,656,421	49,998,259
Lease liability – long term		11,556,803	11,287,979
		<u>58,213,224</u>	<u>61,286,238</u>
Current Liabilities-			
Due to banks	6	28,500,305	29,099,044
Loans and Murabaha- short term	7	107,883,678	99,908,953
Due to related parties	5	3,482,975	3,941,240
Income tax provision	9	1,892,854	2,149,051
Lease liability – short term		1,076,414	1,076,414
Due to government		80,619,970	76,446,198
Due to Jordan Petroleum Refinery Company Ltd.		6,111,670	6,435,887
Accounts payable and other current liabilities		88,863,235	72,543,966
		<u>318,431,101</u>	<u>291,600,753</u>
Total Liabilities		<u>376,644,325</u>	<u>352,886,991</u>
Total Equity and Liabilities		<u><u>531,505,243</u></u>	<u><u>506,845,085</u></u>

The attached notes from 1 to 13 form part of these interim condensed consolidated financial statements and should be read with the interim review report

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

	<i>Notes</i>	31 March 2020 JD	31 March 2019 JD
Revenues		196,308,246	222,478,450
Cost of revenues		(189,607,331)	(214,376,682)
Gross profit		6,700,915	8,101,768
General and administrative expenses		(2,227,166)	(2,374,480)
Finance costs		(3,486,628)	(4,182,776)
Gains from disposal of property , plant and equipment		127,029	-
Other income		39,408	117,580
Profit for the period before tax		1,153,558	1,662,092
Income tax and national contribution expense for the period	9	(250,734)	(349,039)
Profit for the period		902,824	1,313,053
Add: other comprehensive income items		-	-
Total comprehensive income for the period		902,824	1,313,053
Attributed to:			
Shareholders		832,041	1,189,805
Non-controlling interests		70,783	123,248
		902,824	1,313,053
		(JD/ Fills)	(JD/ Fills)
Basic and diluted earnings per share for shareholders	8	0/008	0/011

The attached notes from 1 to 13 form part of these interim condensed consolidated financial statements and should be read with the interim review report

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)**

	Paid in capital		Statutory reserve		Retained earnings		Total		Non-controlling interest		Total equity	
	JD		JD		JD		JD		JD		JD	
Period ended 31 March 2020 -												
Balance at 1 January 2020	110,000,000		17,371,306		22,855,166		150,226,472		3,731,622		153,958,094	
Total comprehensive income for the period	-		-		832,041		832,041		70,783		902,824	
Balance at 31 March 2020	110,000,000		17,371,306		23,687,207		151,058,513		3,802,405		154,860,918	
Period ended 31 March 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	-		-		1,189,805		1,189,805		123,248		1,313,053	
Balance at 31 March 2019	110,000,000		15,561,453		19,178,924		144,740,377		3,672,812		148,413,189	

The attached notes from 1 to 13 form part of these interim condensed consolidated financial statements and should be read with the interim review report

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

	Note	31 March 2020 JD	31 March 2019 JD
<u>Operating activities</u>			
Profit for the period before tax		1,153,558	1,662,092
Adjustments for:			
Depreciation and amortization		3,353,954	3,305,653
Finance costs		3,486,628	4,182,776
Gain from disposal of property and equipment		(127,029)	-
Inventory valuation loss		2,070,831	-
Working capital adjustments			
Accounts receivable and cheques under collection		(4,819,667)	(5,496,920)
Inventories		(21,630,097)	(2,149,139)
Other current assets		(1,483,067)	(777,368)
Due from related parties		(166,457)	(4,422,740)
Accounts payable and other current liabilities		15,995,054	16,806,234
Due to related parties		(458,265)	(908,123)
Due to government		4,173,772	21,903,387
Net cash flows from operating activities before tax		1,549,215	34,105,852
Income tax paid		(506,931)	(518,706)
Net cash flows from operating activities		1,042,284	33,587,146
<u>Investing activities</u>			
Purchase of property and equipment and projects in progress		(1,082,041)	(2,316,311)
Proceeds from sale of property and equipment		166,138	-
Net cash flows used in investing activities		(915,903)	(2,316,311)
<u>Financing activities</u>			
Loans utilized		125,865,453	159,424,639
Loans repayments		(121,232,566)	(146,572,769)
Due from related parties		(5,941,865)	-
Finance cost paid		(3,486,628)	(4,182,776)
Net cash flows (used in) from financing activities		(4,795,606)	8,669,094
Net (decrease) increase in cash and cash equivalents		(4,669,225)	39,939,929
Cash and cash equivalents at beginning of the period		460,336	(46,468,750)
Cash and cash equivalents at ending of the period	4	(4,208,889)	(6,528,821)

The attached notes from 1 to 13 form part of these interim condensed consolidated financial statements and should be read with the interim review report

(1) GENERAL INFORMATION

Afaq for Energy was established as a public 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 purpose of the Company is to invest in other 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 where company was 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 starting date. The commercial operations has started in May 2013.

The headquarter of the group is located on 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 three months period ended 31 March 2020 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 2019. In addition, results of the three months period ended 31 March 2020 do not necessarily indicative of the expected results for the financial year ending 31 December 2020.

(2.2) Changes in accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group did not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group was not be affected by these amendments on the date of transition.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments was for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Group was not be affected by these amendments on the date of transition and concluded that the uncertainty arising from IBOR reform is did not affect its hedge relationships to the extent that the hedge relationships need to be discontinued.

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020**

(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) LANDS, PROPERTY AND EQUIPMENT

The Group purchased property and equipment amounting to JD 1,082,041 during the three months period ended 31 March 2020 (31 March 2019: JD 2,316,311).

There are lands amounting to JD 186,110,373 owned by Jordan Modern Oil and Fuel Services (a subsidiary), that are mortgaged against the Group's credit facilities.

(4) CASH AND CASH EQUIVALENT

	<u>31 March 2020</u>	<u>31 March 2019</u>
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand	615,209	1,093,706
Cheques with maturities less than one month	16,143,499	25,508,877
Cash at banks	7,532,708	2,956,797
	<u>24,291,416</u>	<u>29,559,380</u>
Less: due to banks	<u>(28,500,305)</u>	<u>(29,099,044)</u>
Cash and cash equivalents	<u>(4,208,889)</u>	<u>460,336</u>

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020**

(5) 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.

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

	31 March 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Due from related parties*		
Manaseer industrial complex (sister company)	27,254,891	21,313,026
Advanced company for shipping services (sister company)	15,425,485	15,235,919
Developed crushers company LTD (sister company)	8,755,899	8,505,900
Magnisia jordan limited shareholding company (sister company)	1,839,702	1,839,701
United iron and steel manufacturing company PLC (sister company)	1,743,334	1,535,722
Ro'a company for vehicles parts LTD (sister company)	452,867	415,469
Jordan modern company for high Information technology (sister company)	304,210	453,002
Al Adiyat company (sister company)	271,088	251,275
Modern mement & mining company (sister company)	213,712	213,712
Al Bunyan for cement and concrete products Manufacturing company LTD (sister company)	134,390	247,894
Modern cement and mining company LTD (sister company)	116,796	116,796
Jena for mining company (sister company)	59,141	51,720
Jordan modern ready mix concrete company LTD (sister company)	53,602	328,421
Al-Manaseer charity	7,658	6,408
Al-Raeda for mining company	6,290	6,290
Jordan modern International trade company LTD (sister company)	6,154	19,331
Jordan modern food industries company (sister company)	5,676	-
Modern Majal for steel scrap (sister company)	5,380	6,965
Bunyan company for marbles (sister company)	5,351	8,523
Jordan modern advanced chemical industries company LTD (sister company)	4,994	2,143
Jordan modern chemical technologies LTD (sister company)	3,000	3,000
Mr. Mohammad Al-Manaseer	1,833	-
Trust for concrete industries LTD (sister company)	93	345
First company for shipping agencies (sister company)	-	1,662
	56,671,546	50,563,224

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020

	31 March 2020	31 December 2019
	JD	JD
Due to related parties*	(Unaudited)	(Audited)
Manaseer group for industrial and commercial investments company LTD (Parent company)	1,596,074	2,040,237
Jordan modern food and industries company LTD (sister company)	-	7,913
Khalid Ahmad Al Jafali (partner in a subsidiary)	612,294	612,294
Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary)	612,226	612,226
Afaq company for importing and storage (partner in a subsidiary)	570,709	570,709
Al Adiyat Al Sereea machinery trading company (sister company)	81,296	97,861
Al-Manaseer commercial services company (sister company)	10,265	-
First company for shipping agencies (sister company)	111	-
	<u>3,482,975</u>	<u>3,941,240</u>

All balances with related parties do not hold interest and do not have a due date.

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

	31 March 2020	31 March 2019
	JD	JD
	(Unaudited)	(Unaudited)
Expenses charged by the group management	51,606	90,413
Oil and fuel sales	<u>2,646,546</u>	<u>3,455,045</u>

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

	31 March 2020	31 March 2019
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	<u>33,480</u>	<u>32,279</u>

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020**

(6) DUE TO BANKS

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

	Limit	31 March 2020	31 December 2019
	JD	JD (unaudited)	JD (audited)
Capital Bank of Jordan	1,600,000	951,691	985,157
Societe Generale Bank	1,500,000	1,605,628	1,511,685
Arab Jordan Investment Bank	13,270,000	10,645,530	12,032,395
Jordan Kuwait Bank	1,000,000	903,968	976,577
Arab Bank	10,000,000	10,042,589	7,646,844
Bank Al Etihad	1,000,000	1,050,210	962,478
Housing Bank for Trade and Finance	5,000,000	3,300,689	4,983,908
		28,500,305	29,099,044

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 (Note 3).

The interest rates on due to banks in JD ranges from 8% to 9.25%.

(7) LOANS AND MURABAHA

	31 March 2020		31 December 2019	
	Short term	Long term	Short term	Long term
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Capital Bank of Jordan – loans JD	4,589,171	11,057,000	4,643,929	12,184,163
Societe Generale Bank – loans JD	2,207,076	1,980,000	2,481,159	2,160,000
Arab Jordan Investment Bank loans- JD	3,918,838	7,877,895	5,201,315	7,772,944
Jordan Kuwait Bank loans- JD	5,843,544	11,648,880	5,578,656	13,043,544
Standard Chartered Bank loan- JD	7,000,000	-	7,000,000	-
Islamic International Arab Bank credit facilities – JD	1,107,261	-	621,064	622,088
Jordan Ahli Bank loans – JD	2,166,840	926,580	2,000,160	1,426,620
Bank of Jordan loans – JD	2,000,000	3,983,333	2,000,000	4,483,333
Housing Bank for Trade and Finance - JD	2,916,667	3,907,733	2,083,333	2,343,567
Bank Al Etihad loans – JD	2,977,000	5,275,000	2,748,000	5,962,000
Standard Chartered Bank credit facilities - USD	37,041,721	-	37,675,220	-
Bank Al Etihad credit facilities – JD	36,115,560	-	27,876,117	-
	107,883,678	46,656,421	99,908,953	49,998,259

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 interest rates on JOD loans ranges from 8.5%-9.25% and for USD loans is 4% (note 3).

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020

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

<u>Year</u>	<u>JD</u>
2020	102,335,675
2021	21,050,098
2022	16,312,640
2023 and after	14,841,686
	<u>154,540,099</u>

Change in liabilities resulting from financial activities:

	<u>1 January</u>	<u>Utilized</u>	<u>Repayments</u>	<u>31 March 2020</u>
	<u>2020</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Loans and Murabaha	149,907,212	125,865,453	121,232,566	154,540,099
Due to banks	29,099,044	27,763,564	28,362,303	28,500,305

(8) EARNINGS PER SHARE FOR SHAREHOLDERS

	<u>31 March</u>	<u>31 March</u>
	<u>2020</u>	<u>2019</u>
	<u>JD</u>	<u>JD</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Profit for the period for shareholders (JD)	832,041	1,189,805
Weighted average number of shares (shares)	110,000,000	110,000,000
	<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>
Basic and diluted earnings per share	<u>0/008</u>	<u>0/011</u>

(9) INCOME TAX

Movement on income tax is as follows:

	<u>31 March</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
	<u>JD</u>	<u>JD</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at the beginning of the period/ year	2,149,051	1,368,150
Income tax paid	(506,931)	(2,209,668)
Income tax and national contribution for the period/ year	250,734	2,990,569
Balance at the end of the period/ year	<u>1,892,854</u>	<u>2,149,051</u>

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020**

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

	31 March 2020	31 March 2019
	JD (Unaudited)	JD (Unaudited)
Income tax and national contribution expense for the period	<u>250,734</u>	<u>349,039</u>

The income tax is calculated for the period ended 31 March 2020 and 31 March 2019 in accordance with income tax law no. (38) of 2018.

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 from 2010 to 2019 and has not been reviewed by the Income and Sales Tax Department up to the date of these 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 2015. The company submitted its income tax declaration for the years from 2016 to 2019.

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 from 2015 to 2019. The Income and Sales Tax Department has not reviewed its records up to the date of these financial statements.

Jordan Modern Food Trading Company/ Lumi (subsidiary):

The company reached a final settlement with the Income Tax Department for the years from 2013 and 2016 and the company submitted its income tax declaration for the years from 2017 to 2019 and has not been reviewed by the Income Tax Department up to the date of these financial statements.

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

The company submitted its income tax declaration for the years from 2012 to 2019 and has not been reviewed by the Income and Sales Tax Department up to the date of these financial statements.

Aqaba Bank Chemical Company (subsidiary):

The Company reached a final settlement with the Income and Sales Tax Department up to the year 2017, and submitted its tax declaration for 2018 and 2019 and has not been reviewed by the Income and Sales Tax Department up to the date of these financial statement.

(10) EQUITY

Legal Reserves:

The Group has not apportioned statutory reserve according to the Jordanian Companies Law as these are interim financial statements.

Dividends:

On the 2 June 2020, the general assembly has declared to distribute dividends by 12% of the authorized and paid capital against year 2019's profit. Furthermore, on 29 April 2019, the general assembly has declared dividends by 7.5% of the authorized and paid capital against year 2018's profit to shareholders.

(11) CONTINGENT LIABILITIES

Bank Guarantees

The Group contingent liabilities in the form by bank guarantees amounting to JD 4,474,186 as of 31 March 2020 (2019: JD 4,324,186).

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 31 March 2020 (31 December 2019: JD 406,910). 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 31 March 2020 (31 December 2019: JD 6,664,967).

(12) SEGMENT INFORMATION

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

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

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2020

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	Grocery Trading JD	Total JD (Unaudited)
For the three months ended 31 March 2020						
Revenue-						
Revenues	-	190,530,242	521,444	2,047,733	3,208,827	196,308,246
Cost of revenues	-	(184,922,872)	(259,272)	(1,829,296)	(2,595,891)	(189,607,331)
Gross profit	-	5,607,370	262,172	218,437	612,936	6,700,915
Segments results-						
Profit (loss) before tax	(91,583)	741,908	157,296	189,874	156,063	1,153,558
Other segments information-						
General and administrative expenses	(91,583)	(1,523,374)	(87,729)	(28,563)	(495,917)	(2,227,166)
Expected credit loss	-	-	-	-	-	-
Finance cost	-	(3,469,832)	(16,432)	-	(364)	(3,486,628)
Gains from disposal	-	-	-	-	39,408	39,408
Other income (expense)	-	127,744	(715)	-	-	127,029
	Afaq JD	Oil and Fuel JD	ABCCO JD	Import and Export JD	Grocery Trading JD	Total JD (Unaudited)
For the three months ended 31 March 2019						
Revenue-						
Revenues	-	218,606,601	535,875	1,230,172	2,105,802	222,478,450
Cost of revenues	-	(211,508,328)	(150,552)	(981,435)	(1,736,367)	(214,376,682)
Gross profit	-	7,483,596	385,323	248,737	369,435	8,101,768
Segments results-						
Profit (loss) before tax	(15,944)	1,158,975	273,885	230,429	14,747	1,662,092
Other segments information-						
General and administrative expenses	(17,088)	(1,756,969)	173,452	(21,338)	(405,633)	(2,374,480)
Expected credit loss	-	-	-	-	-	-
Finance cost	-	(4,147,231)	(33,835)	(1,157)	(553)	(4,182,776)
Other income (expense)	1,144	(35,098)	95,849	4,187	51,498	117,580

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
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	Afaq	Oil and Fuel	ABCCO	Import and Export	Grocery Trading	Eliminations	Total
	JD	JD	JD	JD	JD	JD	JD
As of 31 March 2020							(Unaudited)
<u>Assets and liabilities-</u>							
Segment assets	152,588,127	468,430,007	9,643,971	9,081,001	4,161,888	(112,399,752)	531,505,242
Segment liabilities	1,529,614	371,444,955	5,660,844	1,765,744	2,679,068	(6,435,900)	376,644,325
As of 31 December 2019							(Audited)
<u>Assets and liabilities</u>							
Segment assets	151,682,313	444,197,683	9,689,660	8,485,878	3,119,735	(110,339,184)	506,845,085
Segment liabilities	1,455,842	347,736,583	5,872,828	1,360,494	2,546,325	(6,085,081)	352,886,991

(13) SIGNIFICANT EVENTS OF THE OUTBREAK OF CORONAVIRUS (COVID-19)

As a result of coronavirus pandemic on the global economy and different businesses and the accompanied constraints imposed by the Jordanian government and surrounding countries, various products markets; supply chains and international oil prices were affected by that. Accordingly, the core operating activities of the Group has been disrupted with these procedures and events, especially that Group's primarily depends on selling fuels products.

- 1) The prime ministry of Jordan passed the following legislative orders during the period to minimize the effect of the pandemic on companies, individuals and public health, these had directly or indirectly affected the Group's operations and performance.
 - Defense Order No.1 suspends certain provisions for Social Security Law No. 1 of 2014 and its amendments and the regulations applied by the Social Security Corporation. This including suspending the application of old-age insurance for the months of March, April and May of 2020 for those subject to the Jordanian Labor Law in the private sector.
 - Defense Order No.2 involves mandatory curfew to be imposed on people all over the country from Saturday 7:00 am, 21 March 2020 until further notice.
 - Defense Order No.6 determines the wages of workers in private sector and any other organization subject to the Jordanian Labor Law.

- 2) Other orders were issued by various governmental bodies to assist the continuity of different economic sectors and reduce the financial burden on them. Examples include the following:
 - The Central Bank of Jordan's order that compel all Jordanian banks to postpone loan installments due on companies and individuals without imposing any penalties or financial burdens on them.
 - The Central Bank of Jordan's order to lower interest rates on credit facilities.
 - The Central Bank of Jordan's order to lend credit facilities to the public and private sectors at low interest rates to finance their operations.
 - The Central Bank of Jordan's order to lower the costs on its sponsored lending programs to support the economic sectors.
 - The Central Bank of Jordan not to enlist clients who had bounced cheques on the blacklist or charge them with commission for the period from 18 March 2020 to 16 April 2020 and give them 3 months grace period of to settle their dues.

The following is a summary of the overall impact from the above orders on the Group's activities:

- The Governmental lockdown procedures during the period from 21 of March 2020 to 6 June 2020 resulted in decreasing the Companies sales by JD 130,437,362 equivalent to 32% compared to the same period of the previous year.
- The pandemic resulted in drop in the global oil prices, consequently the local prices were decreased between 12.9% to 16.2% on 1 April 2020, and between 9% to 15% on 1 May 2020 compared to the previous month. Accordingly, the Group incurred a valuation loss on fuel stock by JD 2,070,831 during the period from 21 March 2020 to 31 March 2020.
- The Central Bank's order not to enlist clients who had bounced cheques on the blacklist or charge them with commission for the period from 18 March 2020 to 16 April 2020, resulted in a decrease in the Group's collections during the period from 18 March 2020 till 16 April 2020 and increased the expected credit losses by JD 926,240.
- The Central Bank of Jordan order for Jordanian banks to postpone due loan instalments for the months of March, April and May Of 2020, resulted in deferring JD 5,552,387 of the Group's due loan installments until the end of the loans' maturity.
- The Ministry of Finance deferred JD 46 million that represent taxes due from the Group on the months of March, April and May by 6 months in order to reduce financial burden on the them.
- The Group did not apply Defense Order No. 6, which determine and reduce the wages for workers in the private sector for the months of April and May 2020, and it paid the full salaries to all employees.
- The Group obtained rents holiday to certain lands and warehouses during the lockdown period for the months of April and May 2020 amounting to JD 32,127.

The management of the Group believes that the impact of the Coronavirus pandemic on the operations would be temporary. Also the management applied all necessary actions to ensure public safety and the continuity of the operations.