



Ref: MG/F/19-2718
May 12, 2019

Amman Stock Exchange,
Amman - Jordan

Dear Sirs,

Subject: Afaq for Energy English Financial Statements Q1. 2019

As per JSC regulations, we are pleased to enclose the English financial statements for the third quarter as of 31/03/2019 for AFAQ Energy.

Sincerely,

AFAQ Energy



بيروت حرمين
الدائرة الإدارية والمالية
الديوان
٢٠١٩
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AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

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

31 MARCH 2019



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 31 March 2019, comprising the interim consolidated statement of financial position as at 31 March 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 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.

Material uncertainty related to going concern

The Group's current liabilities exceeded its current assets by JD 117,978,620 as of 31 March 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 put a future cashflow plan to monitor the financing requirements in order to meet the short-term liabilities that due in 12-months.

Amman – Jordan
30 April 2019

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Assets-			
Non-current Assets-			
Lands, property and equipment	3	296,321,424	297,860,098
Projects in progress		4,899,755	3,447,088
Right of use assets	2	9,764,147	-
Intangible assets		12,247,678	12,987,404
Strategic fuel inventory		141,716	3,238,686
Financial assets at fair value through other comprehensive income		210,000	210,000
		<u>323,584,720</u>	<u>317,743,276</u>
Current Assets-			
Inventories		54,618,856	49,372,747
Accounts receivable and cheques under collection		54,057,031	48,560,111
Due from related parties	5	30,043,154	25,620,414
Financial assets at fair value through profit or loss		26,250	26,250
Other current assets		3,620,051	2,842,682
Cash on hand and at banks	4	42,034,103	23,915,022
		<u>184,399,445</u>	<u>150,337,226</u>
Total Assets		<u><u>507,984,165</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	10	15,561,453	15,561,453
Retained earnings		19,178,924	17,989,119
Total shareholders' equity		<u>144,740,377</u>	<u>143,550,572</u>
Non- controlling interest		<u>3,672,812</u>	<u>3,549,564</u>
Total equity		<u><u>148,413,189</u></u>	<u><u>147,100,136</u></u>
Non-current Liability-			
Loans and Murabaha	7	48,180,746	32,327,983
Lease liability – long term	2	9,012,165	-
		<u>57,192,911</u>	<u>32,327,983</u>
Current Liabilities-			
Due to banks	6	48,562,924	70,383,772
Loans and Murabaha- short term	7	97,603,154	100,517,525
Due to related parties	5	2,436,752	3,344,875
Post-dated cheques – short term		811,017	998,786
Income tax provision	9	1,198,483	1,368,150
Lease liability – short term	2	829,069	-
Governmental deposits		74,199,289	52,295,902
Due to Jordan Petroleum Refinery Company Ltd.		9,435,398	14,343,408
Accounts payable and other current liabilities		67,301,979	45,399,965
		<u>302,378,065</u>	<u>288,652,383</u>
Total Liabilities		<u><u>359,570,976</u></u>	<u><u>320,980,366</u></u>
Total Equity and Liabilities		<u><u>507,984,165</u></u>	<u><u>468,080,502</u></u>

The attached notes from 1 to 12 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 2019 (UNAUDITED)

	<i>Notes</i>	31 March 2019 JD	31 March 2018 JD
Revenues		222,478,450	243,488,732
Cost of revenues		(214,376,682)	(235,399,776)
Gross profit		<u>8,101,768</u>	<u>8,088,956</u>
General and administrative expenses		(2,374,480)	(1,877,283)
Finance costs		(4,182,776)	(3,131,292)
Change in fair value of financial assets through profit or loss		-	133,659
Gains from disposal of property , plant and equipment		-	35,491
Other income		117,580	310,966
Profit for the period before tax		<u>1,662,092</u>	<u>3,560,497</u>
Income tax expense for the period	9	(349,039)	(661,303)
Profit for the period		<u>1,313,053</u>	<u>2,899,194</u>
Add: other comprehensive income items		-	-
Total comprehensive income for the period		<u><u>1,313,053</u></u>	<u><u>2,899,194</u></u>
Attributed to:			
Shareholders		1,189,805	2,750,337
Non-controlling interests		123,248	148,857
		<u>1,313,053</u>	<u>2,899,194</u>
		<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>
Basic and diluted earnings per share for shareholders	8	<u>0/011</u>	<u>0/025</u>

The attached notes from 1 to 12 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 2019 (UNAUDITED)**

	Paid in capital	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	JD	JD	JD	JD	JD	JD
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
Period ended 31 March 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 adoption 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	-	-	2,750,337	2,750,337	148,857	2,899,194
Balance at 31 March 2018	110,000,000	14,302,827	29,353,166	153,655,993	1,148,029	154,804,022

The attached notes from 1 to 12 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 2019 (UNAUDITED)

	Note	31 March 2019 JD	31 March 2018 JD
<u>Operating activities</u>			
Profit for the period before tax		1,662,092	3,560,497
Adjustments for:			
Depreciation and amortization		3,305,653	2,936,815
Unrealized gain on financial assets at fair value through profit or loss		-	(133,659)
Finance costs		4,182,776	3,131,292
Gain from disposal of property and equipment		-	(35,491)
Strategic fuel inventory valuation loss		-	114,685
Working capital adjustments			
Accounts receivable and cheques under collection		(5,496,920)	(1,212,156)
Inventories		(5,246,109)	22,874,099
Strategic fuel inventory		3,096,970	-
Other current assets		(777,368)	(11,681,638)
Due from related parties		(4,422,740)	(3,118,645)
Accounts payable and other current liabilities		16,994,003	(13,983,641)
Due to related parties		(908,123)	(2,371,808)
Governmental deposits		21,903,387	(1,621,425)
Post-dated cheques		(187,769)	3,798,198
Net cash flows from operating activities before tax		34,105,852	2,257,123
Income tax paid		(518,706)	(1,267,149)
Net cash flows from operating activities		33,587,146	989,974
<u>Investing activities</u>			
Purchase of property and equipment and projects in progress		(2,316,311)	(6,378,552)
Proceeds from sale of property and equipment		-	109,650
Net cash flows used in investing activities		(2,316,311)	(6,268,902)
<u>Financing activities</u>			
Loans		12,851,870	3,821,762
Due from related parties		-	(3,209,087)
Finance cost paid		(4,182,776)	(3,131,292)
Net cash flows from (used in) financing activities		8,669,094	(2,518,617)
Net increase (decrease) in cash and cash equivalents		39,939,929	(7,797,545)
Cash and cash equivalents at beginning of the period		(46,468,750)	(48,423,416)
Cash and cash equivalents at ending of the period	4	(6,528,821)	(56,220,961)

The attached notes from 1 to 12 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 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 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 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 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 three months period ended 31 March 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:

	<u>JD</u>
	(Unaudited)
Assets	
Right of use assets	<u>9,927,756</u>
Liabilities	
Lease liabilities	<u>9,927,756</u>

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%.
- 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 31 March 2019:

	<u>Right of use assets</u>	<u>Lease liabilities</u>
	JD	JD
As of 1 January 2019	9,927,756	9,927,756
Depreciation for the period	(163,609)	-
Finance cost for the period	-	173,736
Paid during the period	-	(260,258)
As of 31 March 2019 (unaudited)	<u>9,764,147</u>	<u>9,841,234</u>

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:

<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 2,316,311 during the three months period ended 31 March 2019 (31 March 2018: JD 6,378,552).

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.

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

(4) CASH AND CASH EQUIVALENT

	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand	1,246,355	4,105,767
Cheques with maturities less than one month	20,451,233	14,321,709
Cash at banks	20,336,515	5,487,546
	<u>42,034,103</u>	<u>23,915,022</u>
Less: due to banks	(48,562,924)	(70,383,772)
Cash and cash equivalents	<u>(6,528,821)</u>	<u>(46,468,750)</u>

(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 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Due from related parties*		
Stone Castle Restaurant– Bayt Omar	1,981,058	1,870,130
Developed Crushers Company LTD (sister company)	6,284,613	5,600,748
United Iron and Steel Manufacturing Company PLC (sister company)	318,593	217,109
Advanced Transport and Land Shipping Services Company LTD (sister company)	10,786,566	10,444,346
Jordan Modern International Trade Company LTD (sister company)	12,507	14,844
Modern Cement and Mining Company LTD (sister company)	5,242,190	2,434,279
Mr. Muin Qadada (Vice Chairman)	9,877	24,715
Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company)	174,239	148,878
Jordan Modern Ready Mix Concrete Company LTD (sister company)	234,279	329,704
Al Adiyat company (sister company)	-	261,394
Jena for Mining Company (sister company)	-	25,070
Jordan Modern Advanced Chemical Industries Company LTD (sister company)	4,828	1,359
Arab Towers Contracting Company (sister company)	3,351,602	2,666,225
Magnisia Jordan limited shareholding company (sister company)	1,335,131	1,317,491
Jordan Modern Company for high Information Technology (sister company)	276,770	264,122
Jordan Modern Shipping and Clearance Company LTD	28,943	-
Al Manseer charity	1,958	-
	<u>30,043,154</u>	<u>25,620,414</u>

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

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Due to related parties*		
Jordan Modern Shipping and Clearance Company LTD (sister company)	-	85,909
Manaseer for Commercial Services (sister company)	102,079	21,700
Al Adiyat Al Sereea Machinery Trading Company sister company)	47,240	237,602
Jordan Modern Food and Industries Company LTD (sister company)	6,757	9,732
Manaseer Group for Industrial and Commercial Investments Company LTD (Parent company)	48,964	758,220
Engineer Ziad Al Manaseer (Chairman)	131,713	131,713
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>2,436,752</u>	<u>3,344,875</u>

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

	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
Expenses charged by headquarter	90,413	106,841
Oil and fuel sales	<u>3,455,045</u>	<u>4,502,609</u>

Property and equipment

The Group purchased property and equipment and have projects with related parties amounting to JD 1,728,852 during the period ended 31 March 2019.

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

	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	<u>32,279</u>	<u>31,065</u>

**AFAQ FOR ENERGY
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(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 2019	31 December 2018
	JD	JD	JD
		(unaudited)	(audited)
Capital Bank	1,000,000	768,994	18,118,282
Societe Generale Bank	1,500,000	1,480,956	5,134,595
Arab Jordan Investment Bank	21,804,900	22,099,783	20,687,333
Jordan Kuwait Bank	13,000,000	12,730,575	12,653,852
Arab Bank	6,700,000	6,654,150	6,719,869
Bank Al Etihad	1,000,000	571,439	721,205
Housing Bank for Trade and Finance	7,500,000	4,257,027	6,348,636
		<u>48,562,924</u>	<u>70,383,772</u>

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 due to banks in JD ranges from 8% to 9.25%.

(7) LOANS AND MURABAHA

	31 March 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	2,865,966	16,739,825	1,439,600	1,526,094
Societe Generale Bank Jordan – loans JD	2,819,428	4,048,890	1,587,614	1,699,300
Arab Jordan Investment Bank loans- JD	2,946,152	1,983,161	3,325,179	2,616,709
Jordan Kuwait Bank loans- JD	3,178,656	6,092,424	3,178,656	6,622,200
Standard Chartered Bank loan- JD	42,915,450	-	40,365,806	-
Islamic International Arab Bank credit facilities – JD	2,285,901	-	4,528,579	-
Jordan Ahli Bank loans – JD	2,000,160	2,926,740	2,166,840	3,426,780
Bank of Jordan loans – JD	2,000,000	5,983,333	2,000,000	6,483,333
Housing Bank for Trade and Finance - JD	2,382,027	2,482,373	1,770,833	1,243,567
Bank Al Etihad loans – JD	34,209,414	7,924,000	40,154,418	8,710,000
	<u>97,603,154</u>	<u>48,180,746</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 interest rates on loans ranges from 7.25%-8.5% (note 3).

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

<u>Year</u>	<u>JD</u>
2019	97,603,154
2020	18,447,282
2021	14,056,466
2022 and after	15,676,998
	<u>145,783,900</u>

(8) EARNINGS PER SHARE FOR SHAREHOLDERS

	<u>31 March 2019 JD (Unaudited)</u>	<u>31 March 2018 JD (Unaudited)</u>
Profit for the period for shareholders (JD)	1,189,805	2,750,337
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>0/011</u>	<u>0/025</u>

(9) INCOME TAX

Movement on income tax is as follows:

	<u>31 March 2019 JD (Unaudited)</u>	<u>31 December 2018 JD (Audited)</u>
Balance at the beginning of the period/ year	1,368,150	4,576,898
Income tax paid	(518,706)	(5,155,440)
Income tax national contribution charged for the period/ year *	349,039	1,946,692
Balance at the end of the period/ year	<u>1,198,483</u>	<u>1,368,150</u>

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

	31 March 2019	31 March 2018
	JD (Unaudited)	JD (Unaudited)
Income tax and national contribution expense for the period	349,039	661,303

The income tax is calculated for the period ended 31 March 2019 in accordance with income tax law no. (38) of 2018 and for 31 March 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 for the year 2009. The Company has submitted its income tax declaration for the years 2010 to 2017 and 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 (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 from 2015 to 2017 but the final acceptance was not reached to the date of these consolidated financial statements.

The branch in Aqaba Special Economic Zone reached a final settlement with Income and Sales Tax Department up to 2014, and submitted the income tax declaration for the years from 2015 to 2017. The Income and Sales Tax Department has not reviewed its records up to the date of these consolidated financial statements.

Jordan Modern Food Trading Company/ Lumi (subsidiary):

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

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

The company submitted its income tax declaration for the years 2012 to 2017 and has not been reviewed by the Income and Sales Tax Department up to the date of these consolidated financial statements.

Aqaba Bank Chemical Company (subsidiary):

The Company reached a final settlement with the Income and Sales Tax Department until year 2016, and submitted its tax declaration for 2017 and has not been reviewed by the Income and Sales Tax Department up to the date of these consolidated financial statement.

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(10) LEGAL RESERVES

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

(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 2019 (2018: 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 2018 (2017: JD 409,711). 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 with related parties for construction of gas stations. The expected remaining cost to complete these projects is JD 409,711 as of 31 March 2019 (31 December 2018: JD 406,910).

(12) SEGMENT INFORMATION

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

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

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

	Afaq JD	Oil and Fuel JD	Import and Export JD	Grocery Trading JD	Total JD (Unaudited)
For the three month ended 31 March 2019					
Revenue-					
Revenues	-	219,142,476	1,230,172	2,105,802	222,478,450
Cost of revenues	-	(211,658,880)	(981,435)	(1,736,367)	(214,376,682)
Gross profit	-	7,483,596	248,737	369,435	8,101,768
Segments results-					
Profit (loss) before tax	(15,944)	1,432,860	230,429	14,747	1,662,092
Other segments information-					
General and administrative expenses	(17,088)	(1,930,421)	(21,338)	(405,633)	(2,374,480)
Provision for doubtful debt	-	-	-	-	-
Finance cost	-	(4,181,066)	(1,157)	(553)	(4,182,776)
Other income (expense)	1,144	60,751	4,187	51,498	117,580

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	Afaq	Oil and Fuel	Import and Export	Grocery Trading	Total
	JD	JD	JD	JD	JD
					(Unaudited)
For the three month ended 31 March 2018					
Revenue-					
Revenues	-	239,685,749	1,468,798	2,334,185	243,488,732
Cost of revenues	-	(232,349,633)	(1,230,166)	(1,819,977)	(235,399,776)
Gross profit	-	7,336,116	238,632	514,208	8,088,956

Segments results-

Profit (loss) before tax	119,369	3,142,149	209,954	89,025	3,560,497
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Other segments information-

General and administrative expenses	(15,750)	(1,311,773)	(28,099)	(521,661)	(1,877,283)
Provision for doubtful debt	-	-	-	-	-
Finance cost	-	(3,130,737)	(451)	(104)	(3,131,292)
Change in fair value of financial assets through profit or loss	133,659	-	-	-	133,659
Gain from disposal of property and equipment	-	35,491	-	-	35,491
Other income (expense)	1,460	213,052	(128)	96,582	310,966

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

As of 31 March 2019

Assets and liabilities-

Segment assets	163,886,301	469,757,682	7,646,413	2,932,323	(136,238,554)	507,984,165
Segment liabilities	19,471,905	356,659,822	1,225,876	2,557,846	(20,344,473)	359,570,976

As of 31 December 2018

(Audited)

Assets and liabilities

Segment assets	164,697,460	435,983,332	9,026,512	2,866,667	(144,493,469)	468,080,502
Segment liabilities	19,053,027	321,433,566	2,836,406	2,507,221	(24,849,854)	320,980,366