



Ref: MG/F/19-7766
NOV 17, 2019

Amman Stock Exchange,
Amman – Jordan

Dear Sirs,

Subject: Afaq for Energy English Financial Statements Q3. 2019

As per JSC regulations, we are pleased to enclose herewith the English financial statements for the third quarter ended 30/09/2019 for AFAQ Energy.

Sincerely,

AFAQ Energy



بورصة عمان
الدائرة الإدارية والمالية
الديوان

١٩ تشرين الثاني ٢٠١٩

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الرقم التسلسلي:
رقم الملف:
الجهة المختصة:
د. م. م. م.

AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

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

30 SEPTEMBER 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 30 September 2019, comprising the interim consolidated statement of financial position as at 30 September 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 nine-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 a matter

The Group's current liabilities exceeded its current assets by JD 109,192,508 as of 30 September 2019. The Group has taken a number of 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. Our conclusion is not qualified regarding this matter.

Amman – Jordan
29 October 2019

Ernst + Young

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

	Notes	30 September 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Assets-			
Non-current Assets-			
Lands, property and equipment	3	296,172,436	297,860,098
Projects in progress		4,213,155	3,447,088
Intangible assets		10,743,569	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	11,426,281	-
		<u>322,907,157</u>	<u>317,743,276</u>
Current Assets-			
Inventories		55,508,399	49,372,747
Accounts receivable and cheques under collection		60,120,975	48,560,111
Due from related parties	5	45,213,295	25,620,414
Financial assets at fair value through profit or loss		26,250	26,250
Other current assets		3,395,193	2,842,682
Cash on hand and at banks	4	19,804,996	23,915,022
		<u>184,069,108</u>	<u>150,337,226</u>
Total Assets		<u><u>506,976,265</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		18,231,093	17,989,119
Total shareholders' equity		<u>143,792,546</u>	<u>143,550,572</u>
Non- controlling interest		<u>3,843,494</u>	<u>3,549,564</u>
Total equity		<u>147,636,040</u>	<u>147,100,136</u>
Non-current Liability-			
Loans and Murabaha	8	55,914,223	32,327,983
Lease liabilities	2	10,164,386	-
		<u>66,078,609</u>	<u>32,327,983</u>
Current Liabilities-			
Due to banks	7	32,600,450	70,383,772
Loans and Murabaha- short term	8	97,426,471	100,517,525
Due to related parties	5	2,280,406	3,344,875
Post-dated cheques – short term		387,293	998,786
Income tax provision	10	935,976	1,368,150
Governmental deposits		67,725,316	52,295,902
Due to Jordan Petroleum Refinery Company Ltd.		3,023,462	14,343,408
Accounts payable and other current liabilities		87,927,064	45,399,965
Lease liabilities due within one year	2	955,178	-
		<u>293,261,616</u>	<u>288,652,383</u>
Total Liabilities		<u>359,340,225</u>	<u>320,980,366</u>
Total Equity and Liabilities		<u><u>506,976,265</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 and to be read with the interim review report

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	<i>Notes</i>	For the three months ended		For the nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		JD	JD	JD	JD
Revenues		224,978,202	267,490,483	658,944,496	759,109,580
Cost of revenues		(218,582,959)	(259,896,236)	(630,959,368)	(733,433,723)
Gross profit		6,395,243	7,594,247	27,985,128	25,675,857
General and administrative expenses		(639,226)	(1,148,472)	(5,334,567)	(5,099,442)
Expected credit loss		-	-	(759,047)	-
Gain from sale of property and equipment		95,081	302,317	106,533	340,238
Gain (Loss) in fair value of financial assets at fair value through profit or loss		-	-	-	311,984
Financing costs		(4,597,464)	(4,464,009)	(13,018,881)	(10,615,475)
Interest income		-	550,018	-	550,018
Other income		765,363	68,288	1,491,580	772,329
Profit for the period before tax		2,018,997	2,902,389	10,470,746	11,935,509
Income tax expense for the period	10	(367,457)	(760,987)	(1,684,842)	(2,190,362)
Profit for the period		1,651,540	2,141,402	8,785,904	9,745,147
Add: other comprehensive income items		-	-	-	-
Total comprehensive income for the period		1,651,540	2,141,402	8,785,904	9,745,147
Attributable to:					
Shareholders		1,552,395	2,280,358	8,491,974	9,665,624
Non-controlling interest		99,145	(138,956)	293,930	79,523
		1,651,540	2,141,402	8,785,904	9,745,147
		(JD/ Fills)	(JD/ Fills)	(JD/ Fills)	(JD/ Fills)
Basic and diluted earnings per share for the period	9	0/014	0/021	0/077	0/088

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements and to be read with the interim review report

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

	Shareholders' Equity											
	Paid in capital		Statutory reserve		Retained earnings		Total		Non-controlling interest		Total equity	
	JD		JD		JD		JD		JD		JD	
For the period ended at 30 September 2019-												
Balance as of 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	-	-	-	-	8,491,974	-	8,491,974	-	293,930	-	8,785,904	
Dividends (Note 11)	-	-	-	-	(8,250,000)	-	(8,250,000)	-	-	-	(8,250,000)	
Balance as of 30 September 2019	110,000,000	-	15,561,453	-	18,231,093	-	143,792,546	-	3,843,494	-	147,636,040	
For the period ended at 30 September 2018-												
Balance as of 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	-	-	-	-	9,665,624	-	9,665,624	-	79,523	-	9,745,147	
Adjustments (Note 6)	-	-	-	-	-	-	-	-	2,355,738	-	2,355,738	
Dividends (Note 11)	-	-	-	-	(16,500,000)	-	(16,500,000)	-	-	-	(16,500,000)	
Balance as of 30 September 2018	110,000,000	-	14,302,827	-	19,768,453	-	144,071,280	-	3,434,433	-	147,505,713	

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements and to be read with the interim review report

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	<u>Note</u>	30 September 2019 JD	30 September 2018 JD
<u>Operating activities</u>			
Profit for the period before tax		10,470,746	11,935,509
Adjustments for:			
Depreciation and amortization		10,786,691	10,194,103
Expected credit loss		759,047	-
Gain of financial assets at fair value through profit or loss		-	(311,984)
Financing costs		13,018,881	10,615,475
Gain from disposal of property and equipment		(106,533)	(340,238)
Gain from valuation of strategic fuel inventory to the realizable value		-	(354,004)
Interest income		-	(550,018)
<u>Working capital adjustments</u>			
Accounts receivable and cheques under collection		(12,319,910)	(15,112,875)
Inventories		(6,135,652)	10,099,938
Strategic fuel inventory		3,096,970	2,198,718
Other current assets		(552,511)	(455,906)
Due from / to related parties		(20,657,349)	4,310,104
Accounts payable and other current liabilities		31,207,152	1,122,757
Due to government		15,429,414	19,429,797
Post-dated cheques		(611,493)	1,149,893
Net cash flows from operating activities before tax		44,385,453	53,931,269
Income tax paid	10	(2,117,016)	(4,576,898)
Net cash flows from operating activities		42,268,437	49,354,371
<u>Investing activities</u>			
Purchase of property and equipment and projects in progress	3	(6,612,856)	(7,351,438)
Proceeds from sale of property and equipment		205,773	885,326
Proceeds from sale of financial instruments at fair value through profit and loss		-	884,695
Dividends income received		-	185,975
Net cash flows (used in) investing activities		(6,407,083)	(5,395,442)
<u>Financing activities</u>			
Repayment of loans and murabaha		(16,555,948)	(30,972,680)
Proceeds from loans and murabaha		37,051,134	6,141,531
Interest paid		(13,018,881)	(10,615,475)
Paid from the lease obligation		(1,414,363)	-
Dividends paid		(8,250,000)	(18,780,971)
Net cash flows (used in) financing activities		(2,188,058)	(54,227,595)
Net increase (decrease) in cash and cash equivalents		33,673,296	(10,268,666)
Cash and cash equivalents at the beginning of the period		(46,468,750)	(48,423,416)
Cash and cash equivalents at the ending of the period	4	(12,795,454)	(58,692,082)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements and to be read with the interim review report

(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 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 nine months period ended 30 September 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 nine months period ended 30 September 2019 is 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.

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

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.

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

• *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 30 September 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	(538,820)	-
Finance cost for the period	-	568,826
Paid during the period	-	(1,414,363)
Additions during the period	2,037,345	2,037,345
As of 31 June 2019 (unaudited)	<u>11,426,281</u>	<u>11,119,564</u>
		30 September 2019
		JD
Lease liabilities - short term		955,178
Lease liabilities - long term		<u>10,164,386</u>
		<u>11,119,564</u>

- B) The new accounting policies adopted by the Group as of the date of application of IFRS 16 are as follows:

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.

**AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
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30 SEPTEMBER 2019**

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%	Motor oil and lubricants distribution
Jordan modern food trading company	Jordan	100%	Trading
Aqaba bulk chemicals company	Jordan	55%	Warehousing services

(3) LANDS, PROPERTY AND EQUIPMENT

The Group has purchased property and equipment amounting to JD 6,612,856 during the nine months period ended 30 September 2019 (30 September 2018: JD 7,351,438).

Included in this account, lands and buildings with a book value of JD 160,743,393, that are mortgaged against the Group's credit facilities as of 30 September 2019.

(4) CASH AND CASH EQUIVALENT

For the purposes of preparing the interim cash flow statement, cash consists of the following:

	<u>30 September 2019</u>	<u>30 September 2018</u>
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand	794,665	1,366,945
Cheques with maturities less than one month	16,288,678	17,058,512
Cash at banks	<u>2,721,653</u>	<u>6,775,478</u>
	19,804,996	25,200,935
Less: due to banks (Note 7)	<u>(32,600,450)</u>	<u>(83,893,017)</u>
	<u>(12,795,454)</u>	<u>(58,692,082)</u>

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

(5) RELATED PARTIES TRANSACTIONS

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

The nature of balances with related parties are as follows:

	Nature of transaction	30 September 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Due from related parties*			
Modern cement and mining company LTD (sister company)	Financing / Operating	15,101,157	2,434,279
Advanced transport and land shipping services company LTD (sister company)	Operating	14,040,901	10,444,346
Developed crushers company LTD (sister company)	Operating	7,546,657	5,600,748
Manaseer group for industrial and commercial investments (parent company)	Financing	4,426,329	-
Magnisia Jordan limited shareholding company (sister company)	Operating	1,562,653	1,317,491
United iron and steel manufacturing company PLC (sister company)	Operating	530,661	217,109
Jordan modern company for high information technology (sister company)	Operating	462,170	264,122
Roaa spare parts and maintenance (sister company)	Operating	374,461	-
Jordan modern ready-mix concrete company LTD (sister company)	Operating	350,224	329,704
Al Bunyan for cement and concrete products manufacturing company LTD (sister company)	Operating	268,220	148,878
Al Adiyat agriculture company (sister company)	Operating	190,185	261,394
Stone castle restaurant– Bayt Omar (sister company)	Operating	153,714	1,870,130
Jena for mining company (sister company)	Operating	116,796	25,070
Mr. Muin Qadada (Vice Chairman)	Operating	20,606	24,715
Jordan modern food and industries company (sister company)	Operating	18,515	-
Al Bunyan for marble and granite (sister company)	Operating	12,188	-
Jordan modern international trade company LTD (sister company)	Operating	8,434	14,844
Modern field of iron scrap company (sister company)	Operating	8,179	-
Leading mining company (sister company)	Operating	6,290	-
Manseer charity (sister company)	Operating	5,158	-
Jordan first modern logistics (sister company)	Operating	4,990	-
Jordan modern advanced chemical industries company LTD (sister company)	Operating	2,277	1,359
Jordan modern chemical technology company (sister company)	Operating	2,000	-
Trust company for cement industries (sister company)	Operating	530	-
Arab towers contracting company (sister company)	Operating	-	2,666,225
		<u>45,213,295</u>	<u>25,620,414</u>

* The required balances from related parties are non-interest bearing and have no maturity date.

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	Nature of transaction	30 September 2019	31 December 2018
		JD	JD
Due to related parties*		(Unaudited)	(Audited)
Khalid Ahmad Al Jafali (partner in a subsidiary)	Financing	612,294	717,226
Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary)	Financing	612,226	717,226
Afaq company for importing and storage (partner in a subsidiary)	Financing	570,709	665,547
Al Adiyat Al Sereea machinery trading company (sister company)	Operating	177,816	237,602
Manaseer for commercial services (sister company)	Operating	177,798	21,700
Engineer Ziad Al Manaseer (Chairman)	Operating	129,563	131,713
Jordan modern food and industries company LTD (sister company)	Operating	-	9,732
Manaseer group for industrial and commercial investments company (Parent company)	Financing	-	758,220
Jordan modern shipping and clearance company LTD (sister company)	Operating	-	85,909
		<u>2,280,406</u>	<u>3,344,875</u>

* The required balances to related parties are non-interest bearing and have no maturity date.

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

	30 September 2019	30 September 2018
	JD	JD
	(Unaudited)	(Unaudited)
Expenses charged by head office	158,510	321,876
Oil and fuel sales	10,376,674	14,140,033

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

	30 September 2019	30 September 2018
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	96,977	112,092

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Property and equipment

The Group purchased property and equipment and have construction projects with related parties amounting to JD 102,453 during the period ended 30 September 2019 (30 September 2018: JD 17,297,287).

(6) ACQUISITION 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 by JD 5,234,972 to become JD 15,270,321, and a decrease in preliminary Goodwill by JD 2,879,234 and an increase in non-controlling interest of JD 2,355,738.

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

<u>Assets</u>	<u>Fair value</u> JD	<u>Book value</u> 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>
<u>Liabilities</u>	<u>Fair value</u> JD	<u>Book value</u> JD
Loans	3,433,515	3,433,515
Partners' current account	4,082,778	4,082,778
Accounts payable	637,142	637,142
Other payables	712,763	712,763
	<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 September 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

		Balance as at	
	Ceiling	30 September 2019	31 December 2018
	JD	JD	JD
		(Unaudited)	(Audited)
Capital Bank of Jordan*	1,000,000	899,956	18,118,282
Société General Bank**	1,500,000	1,522,626	5,134,595
Arab Jordan Investment Bank***	13,270,000	13,252,640	20,687,333
Jordan Kuwait Bank****	1,000,000	991,790	12,653,852
Arab Bank	6,700,000	6,721,835	6,719,869
Bank Al-Etihad	1,000,000	870,509	721,205
Housing Bank for Trading and Finance	5,000,000	4,841,516	6,348,636
Standard Chartered Bank	3,500,000	3,499,578	-
		<u>32,600,450</u>	<u>70,383,772</u>

These facilities are guaranteed by a first class mortgage on lands of Jordan Modern Oil and Gas Services Company (a Subsidiary), in addition to the personal guarantee of the Chairman of the board of directors, the interest rates on overdrafts ranges from 8.25% to 9.5%.

* 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%.

**** 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 9%.

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(8) LOANS AND MURABAHA

	30 September 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	5,266,741	12,770,250	1,439,600	1,526,094
Société General Bank Jordan – loans JD	2,486,713	2,778,490	1,587,614	1,699,300
Arab Jordan Investment Bank loans- JD	5,471,824	8,878,882	3,325,179	2,616,709
Jordan Kuwait Bank loans- JD	4,978,656	14,438,208	3,178,656	6,622,200
Standard Chartered Bank loan- USD	34,522,717	-	40,365,806	-
Islamic International Arab Bank credit facilities – JD	1,398,419	-	4,528,579	-
Jordan Ahli Bank loans – JD	2,000,160	1,926,660	2,166,840	3,426,780
Bank of Jordan loans – JD	2,000,000	4,983,333	2,000,000	6,483,333
Bank Al-Etihad loans - JD	23,050,992	6,649,000	25,171,471	8,710,000
Bank Al-Erihad revolving – JD	15,000,249	-	14,982,947	-
Housing Bank for Trading and Finance – JD	1,250,000	3,489,400	1,770,833	1,243,567
	<u>97,426,471</u>	<u>55,914,223</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, and have interest rates that ranges from (8.25% – 9.5 %) for Jordanian Dinar loans and (LIBOR for 3 months +1.02) for USD Dollar loans.

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

Year	JD
2020	97,426,471
2021	27,286,930
2022 and after	28,627,293
	<u>153,340,694</u>

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(9) EARNINGS PER SHARE FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to the shareholders	1,552,395	2,280,358	8,491,974	9,665,624
Weighted average number of shares	110,000,000	110,000,000	110,000,000	110,000,000
	(JD/ Fills)	(JD/ Fills)	(JD/ Fills)	(JD/ Fills)
Basic and diluted earnings per share	0/014	0/021	0/077	0/088

(10) INCOME TAX

Movement on income tax provision is as follows:

	30 September 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	1,368,150	4,576,898
Income tax paid	(2,117,016)	(5,155,440)
Income tax and national contribution charge for the period/ year	1,684,842	1,946,692
Balance at the ending of the period/ year	935,976	1,368,150

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

	30 September 2019	30 September 2018
	JD	JD
	(Unaudited)	(Unaudited)
Income tax expense for the period	1,684,842	2,190,362
	1,684,842	2,190,362

The income tax is calculated for the period ended 30 September 2019 in accordance with income tax law no. (38) of 2018 and for the period ended 30 September 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, the distribution of cash dividends to shareholders amounting to JD 8,250,000 representing 7.5% of the paid in capital on 2018 results (2018: JD 16,500,000 representing 15% of the paid in capital on 2017 results).

(12) LEGAL RESERVES

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

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(13) CONTINGENT LIABILITIES

Bank Guarantees

The Group contingent liabilities in the form of bank guarantees to JD 4,474,186 as of 30 September 2019 (31 December 2018: JD 8,085,953).

Legal cases

There are 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 September 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 September 2019 (31 December 2018: JD 7,849,547).

(14) SEGMENT INFORMATION

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

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

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

	Afaq JD	Oil and Fuel JD	ABCCO JD	Import and Export JD	Food Trading JD	Total JD (Unaudited)
For the nine months ended 30 September 2019						
Revenue-						
Revenues	-	642,836,900	1,470,417	6,629,391	8,007,788	658,944,496
Cost of revenues	-	(616,989,632)	(451,656)	(5,732,107)	(7,785,973)	(630,959,368)
Gross profit	-	25,847,268	1,018,761	897,284	221,815	27,985,128
Segments results-						
Profit (loss) before tax	(261,463)	9,149,157	653,178	831,395	98,479	10,470,746
Other segments information-						
General and administrative expenses	(263,344)	(3,692,102)	(545,869)	(91,850)	(741,402)	(5,334,567)
Expected credit losses	-	(759,047)	-	-	-	(759,047)
Gain from disposal of property and equipment	-	105,659	-	-	874	106,533
Other income	1,881	571,524	271,228	27,964	618,983	1,491,580
Financing costs	-	(12,924,145)	(90,942)	(2,003)	(1,791)	(13,018,881)
Interest income	-	-	-	-	-	-
Gain of financial assets at fair value through profit or loss	-	-	-	-	-	-

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	Afaq	Oil and Fuel	ABCCO	Import and Export	Food Trading	Total
	JD	JD	JD	JD	JD	JD
(Unaudited)						
For the nine months ended 30 September 2018						
Revenue-						
Sales	-	740,862,228	1,610,717	8,917,778	7,718,857	759,109,580
Cost of sales	-	(717,246,864)	(746,123)	(7,833,867)	(7,606,869)	(733,433,723)
Gross profit	-	23,615,364	864,594	1,083,911	111,988	25,675,857

Segments results-						
Profit (loss) before tax	60,555	10,670,358	220,899	1,004,061	(20,364)	11,935,509
Other segments information-						
General and administrative expenses	(255,304)	(3,660,827)	(490,628)	(97,846)	(594,837)	(5,099,442)
Gain from disposal of property and equipment	-	380,952	(40,714)	-	-	340,238
Other income	3,875	278,670	7,350	19,625	462,809	772,329
Financing costs	-	(10,493,819)	(119,703)	(1,629)	(324)	(10,615,475)
Interest income	-	550,018	-	-	-	550,018
Gain of financial assets at fair value through profit or loss	311,984	-	-	-	-	311,984

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

As of 30 September 2019

Assets and liabilities-

Segment assets	153,405,659	453,152,424	9,580,052	11,550,585	3,484,873	(124,177,128)	508,976,265
Segment liabilities	9,813,114	354,744,102	5,832,282	4,529,083	3,046,160	(18,424,518)	359,340,225

As of 31 December 2018

Assets and liabilities

Segment assets	164,897,460	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