

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2023

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the shareholders
Afaq Energy Company
(Public Shareholding Company)

Report on auditing the Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Afaq Energy Company (P.L.C), which comprise of the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of comprehensive income, consolidated statement of shareholders' equity and consolidated statement of cash flows, for the year then ended, notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion except for the stated in the qualification basis paragraph, the consolidated financial statements present fairly, in all material respects, the statement of financial position of Afaq Energy Company (P.L.C), as of December 31, 2023, and its financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basis for qualified opinion

As shown in Note No. (10) to the consolidated financial statements, the balance of amounts due from related parties amounted to 131,917,069 dinars as of December 31, 2023, and the balance of the allowance for expected credit losses amounted to 4,335,766 dinars. The company did not apply International Financial Reporting Standard No. (9) regarding the requirements for calculating expected credit losses on amounts due from related parties.

We conduct our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the Financial Statements. We are independent from the Company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

Other matter

The company's financial statements as of December 31, 2022 were audited by another auditor and he issued his qualified report on April 4, 2023.

Key audit matters

Key audit matters, according to our professional judgment, are matters that had the significant importance in our auditing procedures that we performed to the financial statement. The basic auditing matters have been addressed in our auditing workflow to financial standards as we do not express separate opinions.

We have carried out the tasks mentioned in the auditor's responsibility paragraph related to auditing the consolidated financial statements, in addition to all matters related to that. Accordingly, our audit includes performing procedures that are designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements and the accompanying consolidated financial statements. The results of our audit procedures, including procedures to address the matters referred to below, provide the basis for our audit opinion.

<p>Key audit matters</p> <p>Recognition of revenues from the sale of petroleum derivatives</p> <p>The group's revenues amounted to 1,106,703,996 JD as of December 31, 2023, as this amount included revenues from the sale of petroleum derivatives in the amount of 1,039,708,133 JD), which revenues represent 94%. Fuel prices from the Jordanian Hashemite Kingdom are determined based on the distribution agreement and the Ministry of Energy and Mineral Resources. There is revenue recognition in the correct period and in accordance with the Jordanian government, as this could have a material impact on the company's business results.</p>	<p>Followed procedures within key audit matters</p> <p>Recognition of revenues from the sale of petroleum derivatives</p> <p>Our audit procedures include evaluating the validity of the accounting policies followed by the Group to recognize revenues in accordance with International Financial Reporting Standards and the distribution agreement. We also examined the control procedures for revenue recognition. We selected a sample of sales before and after the end of the fiscal year ending on December 31, 2023 to verify their recognition in the correct period. We performed several analytical procedures using financial and non-financial data to build expectations about the accuracy of recording revenues for the year, and we compared sales prices in a way that Monthly according to accounting records with irrigation selling prices announced by the Ministry of Energy and Mineral Resources.</p>
<p>Accounts Receivables and Checks under Collection</p> <p>In accordance with International Financial Reporting Standards, the company must review the process of calculating the allowance for credit losses in accordance with International Standard No. (9) "Financial Instruments". The management estimates losses in the value of receivables through the use of assumptions and estimates, and given its importance, it is considered one of the important audit risks. An allowance for credit losses has been recognized</p>	<p>Accounts Receivables and Checks under Collection</p> <p>The audit procedures included the control procedures used by the company on the process of collecting receivables and checks for collection, and verifying the balances of a sample of customer receivables by receiving direct confirmations. The adequacy of the provision for credit losses allocated against the receivables was studied by evaluating management's assumptions, taking into account Taking into account the available external information about the risks of forward receivables, we also evaluated the adequacy of the company's disclosures about the estimates that are important in arriving at the allowance for recorded credit losses.</p>
<p>Transactions with related parties</p> <p>Amounts due from related parties amounted to 127,581,303 JD as of December 31, 2023 (2022: 127,536,646 JD) and amounts due to related parties amounted to 621,896 JD as of December 31, 2023 (2022: 894,559 JD).</p> <p>In accordance with international auditing standards, the company enters into substantial transactions with related parties represented by revenues and expenses. The risks of these transactions lie in using such transactions for the purposes of inflating revenues or distributing profits. Transactions with related parties with significant balances and a large number of transactions are considered the most risky in terms of auditing.</p>	<p>Transactions with related parties</p> <p>The audit procedures we carried out included evaluating management's procedures for identifying and recording transactions with relevant parties, reviewing important transactions and contracts with these parties to understand the nature of these transactions, as well as obtaining confirmations of balances, reviewing account statements for relevant parties, examining samples of supporting documents, and administrative approvals for these transactions. . We also obtained a calculation of the allowance for expected credit losses prepared by management as of the end of the fiscal year, December 31, 2023.</p> <p>Disclosures of transactions with related parties are set out in Note No. (10) of the consolidated financial statements. .</p>

Key audit matter	Followed procedures within key audit matters
<p>Land, property and equipment</p> <p>In accordance with International Financial Reporting Standards, the company must review the useful life and method of depreciation and conduct a test for the decline in the value at which property and equipment appear in the financial position, and when any events or changes in circumstances appear, it appears that this value is not recoverable in the event that any indication of decline appears. Value Impairment losses are calculated in accordance with the asset impairment policy, where management estimates the impairment of property and equipment through the use of assumptions and estimates, if any, and given its importance, it is considered one of the important audit risks.</p>	<p>Land, property and equipment</p> <p>The audit procedures included studying the control procedures used in the process of verifying existence and completeness, reviewing the purchase and sale of assets during the year, verifying the process of calculating depreciation expenses, matching the inventory in terms of existence, and ensuring that the property and equipment are productive and that there is no decline in the value that appears in them, through evaluating Management assumptions, taking into account available external information about the impairment risks of property and equipment. We also focused on the adequacy of the company's disclosures about property and equipment.</p>

Other information

The management is responsible for other information. Which includes other information reported in the annual report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Regarding our audit of the consolidated financial statements of Afaq Energy Company as of December 31, 2023, we are obliged to review these other information, and while that, we consider the compatibility of these information with their financial statements or with the knowledge that we gained through audit procedure or seems to contain significant errors. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance about the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. And for such internal control, management is determined to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or material misstatement.

In preparing the consolidated Financial Statements, the Management is responsible for assessing the Company's ability to continue as a Going Concern, disclosing, as applicable, matters related to Going Concern and using the Going Concern basis of accounting. Unless the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

Certified public accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements are free from material misstatement, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and or considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these Financial Statements.

As part of an audit in accordance with The International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Financial Statements, including the disclosures, and whether the consolidated Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.

We communicated with audit committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Legal requirements report

Afaq Energy Company P.L.C maintains proper books of accounts and the accompanying consolidated financial statements contained as of December 31, 2023 in the report of the board of directors in accordance with the proper books of accounts, we recommend and approve the General Assembly After taking into account what is contained in the emphasis of matter paragraph and the other matter paragraph.

Modern Accountants

Abdul Kareem Qunais
License No.(496)

Modern Accountants



Amman-Jordan

March 30, 2024

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

	Note	2023	2022
Assets			
Non-current assets			
Lands, property and equipments	4	289,905,680	289,335,411
Construction under process	5	3,667,704	5,017,158
Intangible assets	6	1,166,667	987,404
Financial assets designated at fair value through other comprehensive income	11	210,000	210,000
Right of use assets	7	19,782,841	18,932,205
Total non-current assets		314,732,892	314,482,178
Current assets			
Inventory	8	55,032,110	54,537,718
Account receivables and checks under collection	9	82,641,491	93,861,369
Due from related parties	10	127,581,303	127,536,646
Financial assets designated at fair value through comprehensive income	11	26,250	26,250
Prepaid expenses and other receivables	12	4,903,865	4,890,258
Cash and cash equivalent	13	14,505,323	16,719,757
Total current assets		284,690,342	297,571,998
Total assets		599,423,234	612,054,176
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	110,000,000	110,000,000
Statutory reserve	14	27,261,210	24,412,567
Retained earnings		29,585,444	37,552,440
Ownership rights attributable to the shareholders of the parent company		166,846,654	171,965,007
Non - controlling interests		4,162,766	3,968,192
Total shareholders' equity		171,009,420	175,933,199
Non- current liabilities			
Loans and murabaha – long-term	15	23,151,676	17,476,454
Lease obligations – long-term	7	17,956,917	17,614,281
Total non – current liabilities		41,108,593	35,090,735
Current liabilities			
Bank overdrafts	16	23,789,412	70,025,882
Loans and murabaha – short term	15	54,986,216	109,143,537
Due to related parties	10	621,896	894,559
Deferred checks	21	42,538,403	15,629,606
Income tax provision	18	4,742,616	5,642,321
Governmental deposits	20	181,071,661	78,366,798
Accounts payable		75,601,832	117,227,502
Accrued expenses and other payables	19	1,994,504	2,745,581
Lease obligations	7	1,958,681	1,354,456
Total current liabilities		387,305,221	401,030,242
Total shareholders' equity and liabilities		599,423,234	612,054,176

The accompanying notes are an integral part of these consolidated financial statements

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

	Note	2023	2022
Revenues	22	1,106,703,996	1,075,246,348
Cost of Revenues		(1,048,574,565)	(1,006,724,386)
Gross profit		58,129,431	68,521,962
General and administrative expenses	23	(12,069,114)	(10,534,948)
Financial charges		(19,061,634)	(17,101,216)
Expected credit loss provision		-	(2,000,000)
Gain from selling property & equipment		60,728	58,273
Other revenues and expenses		1,427,016	1,583,708
Income before tax		28,486,427	40,527,779
Income tax and national contribution	18	(5,910,206)	(8,923,306)
Income for the year		22,576,221	31,604,473
Other Comprehensive Income:			
Total Comprehensive Income for the year		22,576,221	31,604,473
Total comprehensive income transferred to retained earnings returns to :			
Equity holders of the parent company		22,381,647	31,506,972
Non-controlling interests		194,574	97,501
		22,576,221	31,604,473
Earning Per Share:			
Earning Per Share – JD / Share		0,203	0,286
Weighted Average Shares Outstanding		110,000,000	110,000,000

The accompanying notes are an integral part of these consolidated financial statements

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

	Share Capital	Statutory Reserve	Retained earnings	Net Shareholders' Equity	Non – Controlling interest	Total
Balance as of January 1, 2022	110,000,000	20,359,789	18,898,246	149,258,035	3,870,691	153,128,726
Comprehensive income for the year	-	-	31,506,972	31,506,972	97,501	31,604,473
Transfer to statutory reserve	-	4,052,778	(4,052,778)	-	-	-
Dividends	-	-	(8,800,000)	(8,800,000)	-	(8,800,000)
Balance as of December 31, 2022	110,000,000	24,412,567	37,552,440	171,965,007	3,968,192	175,933,199
Comprehensive Income for the year	-	-	22,381,647	22,381,647	194,574	22,576,221
Trasnferred to Statutory Reserve	-	2,848,643	(2,848,643)	-	-	-
Dividends	-	-	(27,500,000)	(27,500,000)	-	(27,500,000)
Balance as of December 31, 2023	110,000,000	27,261,210	29,585,444	166,846,654	4,162,766	171,009,420

The accompanying notes are an integral part of these consolidated financial statements

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

	2023	2022
Operating activities		
Income before tax	28,486,427	40,527,779
Adjustments on the income before tax:		
Depreciation and amortization	13,122,518	14,822,664
Expected credit loss provision	-	2,000,000
Financial charges	17,692,811	17,101,216
Lease Contracts Interest	1,368,823	1,286,775
Gain from selling property and equipment	(60,728)	(58,273)
Changes in operating assets and liabilities:		
Accounts Receivables and checks under collection	11,219,878	(32,615,702)
Inventory	(494,392)	(583,401)
Prepaid expenses and other receivables	(13,607)	(1,754,492)
Due from related parties	(44,657)	3,315,233
Due to related parties	(272,663)	(919,618)
Government Deposits	102,704,863	30,075,193
Accrued expenses and other payables	(751,077)	931,193
Accounts payable	(41,625,670)	18,909,656
Deferred Checks	26,908,797	(41,299,874)
Cash available from operating activities	158,241,323	51,738,349
Income tax paid	(6,809,911)	(7,719,345)
Net cash available from operating activities	151,431,412	44,019,004
Investing activities		
Purchase of property and equipments and construction under process	(10,861,506)	(9,066,179)
Proceeds from selling of property and equipment	66,472	71,937
Net cash used in investing activities	(10,795,034)	(8,994,242)
Financing activities		
Dividends paid	(27,500,000)	(8,800,000)
Loan financing & revolving loans	457,391,377	644,236,467
Loan Repayments	(505,873,476)	(632,164,331)
Accrual from related parties	-	(45,040,617)
Paid from lease obligations	(2,939,432)	(2,799,161)
Financial charges	(17,692,811)	(17,101,216)
Net cash used in financing activities	(96,614,342)	(61,668,858)
Net change in cash and cash equivalents	44,022,036	(26,644,096)
Cash and cash equivalents, Januaray 1	(53,306,125)	(26,662,029)
Cash and cash equivalents, December 31	(9,284,089)	(53,306,125)

The accompanying notes are an integral part of these consolidated financial statements

AFAQ ENERGY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

1. Organization and Activities

Afaq energy company is a jordanian public shareholding company ("the company"), registered on august 5, 2008 under commercial registration number (456). The company has obtained the right to operate on november 18, 2008. The company's share capital is jd 110,000,000 divided into 110,000,000 shares, the par value is one jd per share.

On may 8, 2023, the general assembly of the company decided, in its ordinary meeting, to distribute 25% of the company's capital as cash dividends.

The main activity of the company is investing and/or acquiring and/or controlling and/or sharing in share capital of other companies which is operating in energy fields.

2. New And Amended International Financial Reporting Standards

The following new and amended standards and interpretations have not yet become effective.

It is valid for annual periods beginning on or after

Lease Obligations in Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how the seller (lessee) subsequently measures sale and leaseback transactions that meet the requirements in IFRS 15 to be accounted for as a sale.

January 1, 2024

Non-Current Liabilities with Covenants (Amendments to IAS 1)

The amendment sets out how the conditions that an entity must comply with within twelve months after the reporting period affect the compliance classification.

January 1, 2024

International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12)

International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12)
The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to the second pillar of income taxes.

January 1, 2023, but it is not required in any interim financial statements for the year 2023.

Supplier financing arrangements (amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements and "indicative references" to existing disclosure requirements, which require entities to provide qualitative and quantitative information about supplier financing contracts.

January 1, 2024

Non-Fungibility of Exchange Rates (Amendments to IAS 21)

The amendments include guidelines for determining when a currency is exchangeable and how to determine the exchange rate when it is not.

January 1, 2025

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpolations and amendments, may have no material impact on the financial statement of the Company in the period of initial application.

AFAQ ENEGRY COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

3. Summary of Significant Accounting Policies

The preparation standards of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation the consolidated financial statements

The consolidated financial statements are presented in Jordanian Dinar because the majority of the Company's transactions are recorded in Dinar.

The consolidated financial statements have been prepared on historical cost basis, except for financial instruments and real-estate investments which are stated at their fair value.

The accounting policies adopted by the Company are set out below.

Basis of financial statements consolidation

The consolidated financial statements incorporate the financial statements of Afaq Energy Company P.L.C (Holding Company) and the subsidiaries controlled by the Company

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it consider all the relevant facts and circumstances which is includes:

- Size of the holding relative to the size and dispersion of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not has, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholders meetings.

The consolidation process begins when the company's achieve control on the investee enterprise (subsidiary), while that process stops when the company's loses control of the investee (subsidiary). In particular, Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary company.

AFAQ ENERGY COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
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The profit or loss and each component of other comprehensive income elements distributed on the company's owners and owners of non-controlling interests, total comprehensive income for the subsidiary distributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balances.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the parent Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements as of December 31, 2023 includes the financial statements of the following subsidiaries:-

Name of subsidiary	Place of registration	Equity ratio	The main activity
Jordan Modern Fuel and Oil Services Company (L.T.D)	Jordan	100%	Fuel marketing
Jordan Modern Company for Import and Export (Free zones) (L.T.D)	Jordan	100%	Marketing of mineral oils
Jordan Modern For Food Trading Company (L.T.D)	Jordan	100%	General Trading
Aqaba Chemical Storage Company (L.T.D)	Jordan	55%	storage services

Financial assets designated at fair value through statement of comprehensive income

Financial assets are classified as at fair value through statement of income when the financial asset is either held for trading or it is designated as at fair value through statement of income .A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through statement of income upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through statement of income.

Financial assets at fair value through statement of income are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement.

Construction under process

Construction under process are shown at cost, which includes the cost of construction materials, salaries, direct wages on these projects, and financing costs, in addition to other direct expenses. Projects in progress are not consumed until they are ready for use.

Right to use assets

The Company recognizes right-of-use assets on the lease commencement date (i.e. the date on which the asset is usable). The right-of-use asset is recognized at cost, less accumulated depreciation and impairment losses, and the value is adjusted when the lease obligations are reassessed.

The cost of a right-of-use asset includes the value of lease liabilities recognized, plus initial direct costs incurred and lease payments made on or before the lease commencement date, less any incentives received related to the lease. If the company is not certain of obtaining ownership of the leased asset at the end of the contract term, the value of the recognized right to use the asset is depreciated on a straight-line basis over the useful life of the asset or the lease term, whichever is less.

Right-of-use asset assets are subject to impairment testing.

Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve: The cumulative changes or loss will not be reclassified investments. But reclassified to retained earnings. The Company has designated all instruments that are not held for trading as at FVTOCI

Dividends on these investments in equity instruments are recognized in profit or loss when the Company right to receive the dividends is established, unless the dividends clearly represent a recovery of a part of the cost of the investments. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(EXPRESSED IN JORDANIAN DINAR)

The Decline in value of the financial assets

In date of each consolidated statement of financial position, values of the financial assets have been reviewed , to determine if there indication to decline in its value.

As for the financial assets such as trade accounts receivable and assets was evaluated as individual low-value , were evaluated for the decline in the value on a collective basis. The substantive evidence for decline in portfolio of the accounts receivable includes the past experience about the collection of payments. And the increase in the number of the late payments portfolio (which it's beyond the rate of borrowing) also it includes the significant changes in the international and local economic conditions that are related with non-collection of accounts payable.

The Reduce in the listed value of the financial assets is the amount of loss decline of value directly. And this is for all the financial assets except the trade accounts receivable as the listed value had been reduced by provisions accounts . when is one of the accounts receivables are non-collected then write off the amount of this debt and the equal amount from account of provisions.

The changes in the listed value for the provisions account recognized in consolidated statement of comprehensive income.

As for the ownership equity tools which are available for sale , decline losses are not closed in the recognized value in the consolidated statement of comprehensive income. However any increase in the fair value become after decline loss has recognized directly in consolidated statement of owner's equity.

The decline in value of the non-current assets

The decline in value of the non-current assets, In the date of each consolidated statement of financial position the company review the listed values for it's assets to specify if there is an indication to be decline losses of the value.if there indication to that, the recovery value of the asset will be appreciated to determine the loss of decline in the value if it be. In case , In ability to appreciate the recovery value of specific asset.The company estimate the recovery value for unit producing of cash that related in the same asset .when there is ability to determine baies of distribution that is fixed and reasonable , the joint assets distribute to units producing of cash that related in the same asset . the joint assets distribute to specific units producing of cash or it distribute to specific units producing of cash or it distribute to smallest group from units producing cash that it able to determine basic of distribution fixed and resonable for it.

The Recovery value is the fair value of asset minus the cost of sale or used value whichever is higher.

In case, the recovery value (or the unit producing of cash) distribute lower than the listed value ,reduce the listed value for asset (or unit producing of cash) to the recovery value. Losses of the decline recognize directly in the consolidated statement of comprehensive income.except the asset that is re-evaluation then record losses of the decline as reduction from re-evaluation provision.

Inventories

Inventory is stated at cost or net realizable value, whichever is lower, and cost is determined on a first-in, first-out basis.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less.

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Accounts Receivable

Accounts receivable are shown at the original invoice amount, less amounts estimated not to be collected. Estimation of expected credit losses is made and the group uses the simplified method in calculating expected credit losses, as it is based on historical experience of credit loss, taking into account future factors related to debtors and the economic environment in accordance with the requirements of International Financial Reporting Standard No. (9).

Creditors and accruals

Payables are recognized at the value of the obligation in exchange for services or goods received, whether invoices have been issued or not, and whether or not they have been claimed by the supplier.

Loans

Loans are recognized at fair value, less direct costs related to the loans and subsequently recorded at amortized cost using the effective interest method.

Interest on long-term loans is recorded during the year in which they are due, while interest on long-term loans to finance projects under implementation is capitalized as part of the expenses of these projects.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and reliable estimate can be made regarding the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Lease obligations

On the lease commencement date, the Company recognizes its lease liabilities at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (which include payments that are fixed rental payments in substance) less accrued rental incentives, variable rental payments that depend on indicators or rates agreed upon in accordance with the terms of the contract, and amounts expected to be collected under residual value guarantees. Lease payments also include the value due upon exercise of the purchase option, which the Company is certain to exercise, and the value of penalties for terminating the lease, if the Group intends to exercise the termination option in accordance with the terms of the contract.

Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and Interpretation within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Other revenue is recognized on the accrual basis.

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Income tax

It represents that the tax expenses due are calculated on the basis of taxable profits. Taxable profits differ from the profits declared in the consolidated financial statements because the declared profits include non-taxable revenues or expenses that are not deductible in the fiscal year but rather in subsequent years or accumulated losses that are taxable or items that are not Subject to or acceptable downloading for tax purposes.

Foreign currency transfers

Foreign currency transactions are translated into Jordanian Dinars at the rates of exchange prevailing at the time of the transactions. Monetary assests and liabilities denominated in foreign currencies at the consolidated statement of financial position are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Sector information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors, which are measured according to reports used by the executive director and the main decision maker of the company.

The geographical sector is related to providing products or services in a specific economic environment that is subject to risks and returns that differ from those related to business sectors in different economic environments.

Derecognition

The Company derecognizes the financial assets only if the contractual rights relating to the receipt of cash flows from the financial assets had ended or when the Company transefer the financial assets and substantially all the risks and benefits of the ownership to another firm . In the case that the company doesn't transfer or retain substantially risks and benefits of the ownership and continue controlling the transefered assets, the company in this case should recognize it's share retained in the transefered assets and the related liabilities in the limits of the amounts excepted to be paid . In the other case, when the company retained substantially all risks and benefits of ownership of the transefered assets , the company shall continue the recognition of the financial assets.

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Property and equipment

Property and equipments are stated at cost less accumulated depreciation. Expenditures on maintenance and repairs are expensed, while expenditures that increase the useful life and/or the assets productivity are capitalized. Depreciation is computed over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation are as follows:

	<u>Annual depreciation rate</u>
Buildings	2%
Vehicles & Cisterns	15%
Machinery and equipment	10 – 15%
Appliances and control systems	10 – 33%
Furniture & decoration	10%
Billboards	10 – 15%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property and equipment.

Impairment test is performed to the value of the property and equipment that appears in the interim consolidated Statement of Financial Position. When any events or changes in circumstances shows that this value is non-recoverable.

In case of any indication to the low value, Impairment losses are calculated according to the policy of the low value of the assets.

At the exclusion of any subsequent property and equipment, recognize the value of gains or losses resulting. Which represents the difference between the net proceeds of exclusion and the value of the property and equipment that appears in the interim consolidated Statement of Financial Position, Gross Profit and loss.

Intangible assets

Externally generated intangible assets are recorded at cost, and intangible assets are classified on the basis of estimating their chronological life for a specific period or for an indefinite period. Intangible assets that have a specific life are amortized during this life, and the amortization is recorded in the consolidated statement of comprehensive income. As for intangible assets whose useful life is indefinite, the decline in their value is reviewed at the date of the consolidated financial statements, and any decline in their value is recorded in the consolidated statement of comprehensive income.

Intangible assets generated internally in the company are not capitalized and are recorded in the consolidated statement of comprehensive income in the same period.

Any indicators of impairment of intangible assets are reviewed at the date of the consolidated financial statements. The estimate of the chronological life of these assets is also reviewed and any adjustments are made for subsequent periods.

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4. PROPERTY AND EQUIPMENTS

2023; Cost:	Lands*	Building *	Vehicles and Cisterns	Machinery and Equipments	Appliances and control systems	Furniture and decoration	Billboards	Total
Balance as of January 1	134,935,744	154,161,541	30,872,443	40,240,777	10,550,542	2,009,053	1,714,238	374,484,338
Additions	38,642	396,023	2,312,461	2,031,786	664,791	111,715	84,390	5,639,808
Transfer from construction under process (Note 5)	-	5,268,762	-	52,390	-	-	-	5,321,152
Disposal	-	-	(164,449)	-	-	-	-	(164,449)
Balance as of December 31	134,974,386	159,826,326	33,020,455	42,324,953	11,215,333	2,120,768	1,798,628	385,280,849
Accumulated depreciation:								
Balance as of January 1	-	27,932,911	24,439,373	21,250,206	8,349,516	1,820,272	1,356,649	85,148,927
Depreciation	-	3,799,627	2,721,386	3,009,628	646,418	131,897	75,991	10,384,947
Disposal	-	-	(158,705)	-	-	-	-	(158,705)
Balance as of December 31	-	31,732,538	27,002,054	24,259,834	8,995,934	1,952,169	1,432,640	95,375,169
Book value as of December 31	134,974,386	128,093,788	6,018,401	18,065,119	2,219,399	168,599	365,988	289,905,680

* The book value of the company's subsidiaries-owned lands and buildings as of December 31, 2023, was JD259,469,669. secured by bank loans that the business was given (Note 15, 16)

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2022:	Lands*	Building *	Vehicles and Cisterns	Machinery and Equipments	Appliances and control systems	Furniture and decoration	Billboards	Total
Cost:								
Balance as of January 1	133,987,893	150,707,350	30,167,484	39,033,066	10,064,705	1,895,311	1,633,822	367,489,631
Additions	947,851	1,073,489	861,883	1,207,711	485,962	113,742	80,416	4,771,054
Transfer from construction under process (Note 5)	-	2,380,702	-	-	-	-	-	2,380,702
Disposal	-	-	(156,924)	-	(125)	-	-	(157,049)
Balance as of December 31	134,935,744	154,161,541	30,872,443	40,240,777	10,550,542	2,009,053	1,714,238	374,484,338
Accumulated depreciation:								
Balance as of January 1	-	24,312,634	21,893,492	18,103,799	7,730,954	1,633,956	1,274,188	74,949,023
Depreciation	-	3,620,277	2,689,255	3,146,407	618,573	186,316	82,461	10,343,289
Disposal	-	-	(143,374)	-	(11)	-	-	(143,385)
Balance as of December 31	-	27,932,911	24,439,373	21,250,206	8,349,516	1,820,272	1,356,649	85,148,927
Book value as of December 31	134,935,744	126,228,630	6,433,070	18,990,571	2,201,026	188,781	357,589	289,335,411

* The book value of the company's subsidiaries-owned lands and buildings as of December 31, 2022, was JD 237,894,708. secured by bank loans that the business was given (Note 15, 16)

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Depreciation for the year was included in the cost of revenues and in administrative and general expenses as follows:

	2023	2022
Cost of Revenues	9,217,182	9,059,547
General Administrative expenses (Note 23)	1,167,765	1,283,742
	10,384,947	10,343,289

5. CONSTRUCTION UNDER PROCESS

			2023	2022
APCO tanks expansion project	110,000	2024/10/31	29,500	29,500
Al-Husseiniya Station Project - Ibrahim Al-Jazi	650,000	2024/10/31	400,204	-
Sahab Station Project - Industrial	600,000	2024/8/31	137,592	-
Irbid station project, Petra Street - Rajoub	600,000	2024/10/31	80,871	-
Solar energy generation project	298,615	2023/4/30	-	179,850
Madouna gas station project	1,400,000	2023/10/31	-	1,588,996
Karak Al-Mazar station project	600,000	2024/10/31	62,976	-
Ramtha station project 2	1,050,000	2024/10/31	707,350	679,089
Al Sharif Gas Station Project	200,000	2024/11/30	25,205	31,191
King Hussein Complex Station Project	600,000	2024/11/30	15,611	-
Abdoun 2 gas station project	600,000	2024/11/30	10,000	-
Khalda gas station project	1,500,000	2023/4/30	-	1,340,269
CNG gas project	2,000,000	2024/10/31	1,838,344	-
Lomé solar power generation project	300,000	2024/4/30	4,866	-
Liquefied gas project	500,000	2024/4/30	81,171	76,243
Zarqa Station Project - Al Karama	600,000	2024/10/31	252,542	-
Fuhais station project	1,000,000	2023/5/31	-	643,586
Other gas station projects	1,800,000	2025/4/30	21,472	448,434
			3,667,704	5,017,158

The movement on construction under process was as follows:

	2023	2022
Beginning Balance	5,017,158	3,102,735
Additions	3,971,698	4,295,125
Transferred to property and equipment	(5,321,152)	(2,380,702)
Ending Balance	3,667,704	5,017,158

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6. INTANGIBLE ASSETS

Intangible assets represent the value of the fuel distribution tender license. On November 30, 2012, the Modern Jordanian Company for Oil and Gas Services Limited Liability (the subsidiary) signed a petroleum derivatives distribution license agreement with the Ministry of Energy and Mineral Resources for a period of 10 years, with a market share of 33% and an amount of 30,000,000 JD. The value of these intangible assets was amortized over the tender period of 10 years, starting from the beginning of the actual operation of this tender in May 2013, and during the year 2023, the Modern Jordanian Oil and Gas Services Company Limited (the subsidiary) renewed this agreement at a value of 1,250,000 JD. Starting from May 1, 2023, for a period of ten years.

	Fuel Distribution License	
	2023	2022
Cost :		
Beginning balance	30,000,000	30,000,000
Additions	1,250,000	-
Ending balance	31,250,000	30,000,000
Amortization :		
Beginning balance	29,012,596	26,012,596
Additions	1,070,737	3,000,000
Ending balance	30,083,333	29,012,596
Net book value	1,166,667	987,404

7. LEASE CONTRACTS

	Right of Use (Lands and equipments) 2023	Lease obligations 2023	Right of Use (Lands and equipments) 2022	Lease obligations 2022
Beginning Balance	18,932,205	18,968,737	18,070,099	18,139,642
Additions	2,517,470	2,517,470	2,341,481	2,341,481
Depreciation	(1,666,834)	-	(1,479,375)	-
Funding Cost	-	1,368,823	-	1,286,775
Paid during the year	-	(2,939,432)	-	(2,799,161)
Ending Balance	19,782,841	19,915,598	18,932,205	18,968,737

	2023	2022
Lease obligations – Short term	1,958,681	1,354,456
Lease obligations – Long term	17,956,917	17,614,281
	19,915,598	18,968,737

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8. INVENTORY

	2023	2022
Fuel	46,441,282	46,847,726
Oil	2,355,625	2,517,710
Spare parts and supplies	4,543,729	3,834,913
Grocery Materials	1,691,474	1,337,369
	<u>55,032,110</u>	<u>54,537,718</u>

9. ACCOUNTS RECEIVABLES AND CHECKS UNDER COLLECTION

	2023	2022
Account Receivables	78,928,989	80,728,348
Checks under Collection	10,348,192	19,762,064
Rentals	1,039,047	1,045,694
	<u>90,316,228</u>	<u>101,536,106</u>
Deduct: Expected Credit Losses *	<u>(7,674,737)</u>	<u>(7,674,737)</u>
	<u>82,641,491</u>	<u>93,861,369</u>

* The details of the movement in the allowance for expected credit losses account are as follows:

	2023	2022
Beginning Balance	7,674,737	6,674,737
Additions	-	1,000,000
Ending Balance	<u>7,674,737</u>	<u>7,674,737</u>

The aging of accounts receivable at the end of the year is as follows:

	2023	2022
Neither past due nor impaired	36,627,259	38,506,159
1-30 days	29,323,876	30,548,748
31-90 days	10,947,690	14,665,207
90-120 days	6,302,349	10,659,375
Above 121 days	7,115,054	7,156,617
	<u>90,316,228</u>	<u>101,536,106</u>

In the company's estimation, the receivables are expected to be collected in full.

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10. RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders and senior management personnel of the Group and the companies in which they are major shareholders. The prices and conditions related to these operations are approved by the group's management.

Due from related parties as of December 31, as follows :-

	2023	2022
Manaseer industrial complex (sister company)	51,740,042	53,147,394
Al-Manaseer Group For Industrial and Commercial Investments company (parent company)	25,846,915	33,580,491
Advance company for shipping services (sister company)	21,438,502	19,262,899
Developed Crushers Company (sister company)	11,338,143	10,504,509
Al-Adyat Al Sareeah for Equipment Trade (sister company)	15,645,870	9,712,644
Magnisia jordan limited shareholding company (sister company)	1,841,143	1,841,143
Jordan Modern Ready Mix Concerete Company (sister company)	1,320,202	1,157,873
Jordan Modern High Technology Company (sister company)	745,510	804,978
Vision for Maintenance Spare Parts (sister company)	583,666	583,666
Al Bunyan for cement and concret products manufacturing company (sister company)	428,507	410,059
Al-Adiyat argiculture company (sister company)	225,038	225,038
Leading mining company (sister company)	213,712	213,712
Modern company for mining (sister company)	116,796	116,796
Al Manaseer For Trading Services (sister company)	221,676	102,052
Modern Majal for Steel Scrap (sister company)	91,211	91,211
Jana for mining company (sister company)	75,655	79,793
Jordan modern International trade company (sister company)	-	6,638
Al- Manaseer charity (sister company)	2,083	5,000
Jordan Modern Food and Industries company (associate company)	765	4,685
Jordan Modern Advanced Chemical Industries Company (sister company)	22,802	3,000
Jordan Modern For Chemical Industries Company (sister company)	2,000	2,000
Ziad Khalaf Al-Manaseer	16,831	16,831
Total	131,917,069	131,872,412
Deducted: Expected credit loss	(4,335,766)	(4,335,766)
	127,581,303	127,536,646

The details of the movement on the account of the allowance for expected credit losses to related parties are as follows:

	2023	2022
Beginnnig Balance	4,335,766	3,335,766
Additions	-	1,000,000
Ending Balance	4,335,766	4,335,766

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Due to related parties as of December 31, as follows :-

	2023	2022
Mr. Khaled Ahmed Al-Juffali (partner - subsidiary)	207,308	312,294
Suhail Ghaleb Shukri Al-Farouqi (partner - subsidiary)	207,294	311,556
Afaq Company for importing and Storage (Partner - Subsidiary)	207,294	270,709
	621,896	894,559

All balances with related parties do not bear interest and do not have a specific payment date.

Transactions with related parties shown in the consolidated statement of comprehensive income are as follows:

	2023	2022
Expenses charged by the management of the group	1,584,084	1,203,025
Sales of fuels and oils	13,785,567	13,982,072

During the year, the company recorded remuneration for members of the Board of Directors, which are as follows:

	2023	2022
Salaries and benefits	-	15,000

A summary of the benefits (salaries, bonuses and other benefits) of the senior executive management of the group:

	2023	2022
Salaries and benefits	127,953	162,500

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11. FINANCIAL ASSETS AT FAIR VALUE

	2023	2022
Financial Assets at Fair Value through Other Comprehensive Income		
Shares not listed in the Financial Market	210,000	210,000
Total financial assets at fair value through other comprehensive income	210,000	210,000
Financial Assets at Fair Value through net income		
Shares listed but not traded in the Financial Market	26,250	26,250
Total financial assets at fair value through net income	26,250	26,250

12. PREPAID EXPENSES AND OTHER RECEIVABLES

	2023	2022
Advanced Payments	1,355,642	843,879
Prepaid Expenses	833,292	802,974
Income tax deposits	38,426	60,677
Guarantees and other refundable deposits	2,535,701	2,914,597
Employee receivables	58,725	42,541
Others	82,079	225,590
	4,903,865	4,890,258

13. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	1,132,896	3,265,178
Notes Receivables due within a month	8,850,169	8,395,731
Cash at banks	4,522,258	5,058,848
	14,505,323	16,719,757

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents represent the following:

	2023	2022
Cash on hand and at bank	14,505,323	16,719,757
Bank Overdraft (Note – 16)	(23,789,412)	(70,025,882)
	(9,284,089)	(53,306,125)

14. STATUTORY RESERVE

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the Company may, with the approval of the General Assembly continue deducting this annual ratio until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividends distribution.

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15. LOANS AND MURABAHA

	December 31, 2023		December 31, 2022	
	Installments due within a year	long-term loans and financing	Installments due within a year	long-term loans and financing
Jordan Capital Bank decreasing loan-JD	4,757,836	-	6,384,954	2,928,623
Arab Jordan Investment Bank decreasing loan -JD	16,300,202	-	1,790,908	-
Standard Chartered Bank revolving loan -USD	-	-	45,148,625	-
Standard Chartered Bank revolving loan -JD	-	-	7,000,000	-
Housing Bank revolving loan -JD	-	-	3,258,677	-
Arab Bank -JD	1,664,000	10,000,000	5,632,540	-
Bank Of Jordan decreasing loan -JD	10,546,466	13,151,676	6,002,579	14,547,831
Housing Bank decreasing loan -JD	4,005,591	-	1,244,900	-
Bank Of al Etihad decreasing loan -JD	17,712,121	-	1,618,610	-
Bank Of al Etihad revolving loan -JD	-	-	31,061,744	-
	54,986,216	23,151,676	109,143,537	17,476,454

These loans are secured by a first-class mortgage on the lands of the Modern Jordanian Company for Oil and Fuel Services (a subsidiary) in addition to the guarantee of the Chairman of the Board of Directors. The interest rates for loans in dinars range from 7.5% to 12%.

The amount of annual payments and their due dates for long-term loans and Murabaha are as follows:

Year	JD
2024	54,986,216
2025	11,068,366
2026	12,083,310
	78,137,892

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16. BANK OVERDRAFT

Bank overdraft represents bank facilities obtained by the company, the details of which are as follows:

	Facilities ceiling	2023	2022
Capital Bank of Jordan	1,250,000	1,223,187	1,004,315
Capital Bank of Jordan - (formerly Societe Generale Bank)	-	-	33,022,692
Arab Jordan Investment Bank	14,750,000	14,458,360	18,964,946
Arab Bank	2,500,000	2,351,710	12,159,166
Etihad Bank	1,000,000	998,936	30,923
Housing Bank	5,000,000	4,757,219	4,843,840
		23,789,412	70,025,882

These facilities were granted with a first-degree mortgage on the lands of the Modern Jordanian Oil and Gas Services Company (a subsidiary) in addition to a personal guarantee from Mr. Ziad Khalaf Al-Manaseer (major shareholder). Creditor banks' interest rates range from 7.75% to 11.75% 2023.

17. CHANGES IN OBLIGATIONS RESULTING FROM FINANCING ACTIVITIES

The movement on loans and bank facilities during the period is as follows:

Statement	December 1, 2023	Utilized amounts	Repayments	January 1, 2023
Bank loans	126,619,991	457,391,377	505,873,476	78,137,892
Credit facilities	70,025,882	5,243,520	51,479,990	23,789,412

Statement	December 1, 2022	Utilized amounts	Repayments	January 1, 2022
Bank loans	114,547,855	644,236,467	632,164,331	126,619,991
Credit facilities	40,260,362	60,980,744	31,215,224	70,025,882

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18. INCOME TAX

The movement on the provision for income tax and the national contribution is as follows:

	2023	2022
Balance at the beginning of the year	5,642,321	4,438,360
Income tax paid year	(6,809,911)	(7,719,345)
Income tax for the year	5,910,206	8,923,306
Balance at the end of the year	4,742,616	5,642,321

The income tax shown in the income statement represents the following:

	2023	2022
Income tax due on profits from previous years	138,953	154,900
Income tax due on the year's profits	5,771,253	8,768,406
Deferred tax assets	-	-
Income tax expense and national contribution for the year	5,910,206	8,923,306

	2023	2022
Accounting profit	28,486,427	40,527,779
Expenses that are not tax acceptable	-	2,000,000
Tax-exempt income	(237,813)	-
Tax profit	28,248,614	42,527,779
Income tax rate and national contribution	%21 -%6	%21 -%6
Actual tax rate	%21	%21

Afaq Energy Company:

The company obtained final clearance from the Income Tax Department until the end of 2022.

Modern Jordanian Oil and Gas Services Company (subsidiary):

The company obtained final clearance from the Income Tax Department until the end of 2022.

As for the company's branch in the Aqaba Special Economic Zone, a final settlement was obtained from the Income Tax Department until the end of 2020, and the self-assessment statement was submitted for the years 2021 and 2022. The Income Tax Department did not review it until the date of preparing these consolidated financial statements.

Modern Jordanian Supplies Company / Lumi (subsidiary):

The company obtained a final clearance from the Income Tax Department until the end of 2021, and the company submitted its self-assessment statement for the year 2022, and the Income Tax Department did not review it until the date of preparing these consolidated financial statements.

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Modern Jordanian Company for Import and Export (Free Zones) (subsidiary):

The company obtained final clearance from the Income Tax Department until the end of 2022.

Aqaba Chemical Storage Company (subsidiary company)

The company obtained a final clearance from the Income Tax Department until the year 2020. The self-assessment statement for the year 2021 has been submitted and has not yet been reviewed as of the date of preparing these consolidated financial statements.

19. ACCRUED EXPENSES AND OTHER PAYABLES

	2023	2022
Payments received in advance	25,816	7,157
Sales tax deposits	312,016	170,114
Accrued expenses	1,403,699	2,302,282
Social security deposits	252,973	266,028
	1,994,504	2,745,581

20. GOVERNMENT DEPOSITS

The details of government deposits are as follows:

	2023	2022
Ministry of Finance deposits	-	4,589,071
Income and sales tax department deposits	181,071,661	73,777,727
	181,071,661	78,366,798

21. DEFERRED CHECKS

The deferred checks' specifics are listed below:

	2023	2022
Deferred checks – Income and Sales tax department	39,405,176	-
Deferred checks – Trading	3,133,227	15,629,606
	42,538,403	15,629,606

22. REVENUES

	2023	2022
Sales of fuel and oils	1,052,357,077	1,025,077,904
Fuel transfer	30,447,260	24,570,978
Rentals	4,197,283	3,915,589
Sales of food supplies	19,702,376	21,681,877
	1,106,703,996	1,075,246,348

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23. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and Wages	3,153,242	2,798,355
Depreciation	1,167,765	1,283,742
Fees, Licenses, and Stamps	1,637,360	1,620,712
Advertising	1,318,699	1,188,867
Expenses incurred by the group's management	1,584,084	1,203,025
Rentals	71,044	70,831
Professional fees	509,101	89,594
Car maintenance	89,705	58,197
Water, electricity and telephone	476,391	503,512
Training, travel, and accomodation of staff	30,852	26,308
Voluntary contributions	12,462	29,857
Stationary and prints	20,239	23,714
Hospitality	38,127	25,690
Maintenance and fuel	377,827	275,720
Consumables	52,288	60,294
Remuneration of Board members	-	15,000
Insurance	235,742	179,731
Other	1,294,186	1,081,799
	12,069,114	10,534,948

24. BUSINESS SECTORS INFORMATION

The group is organized for administrative purposes, so that the sectors are measured according to the reports that are used by the CEO and the main decision-maker of the group, through the following main business sectors:

- Fuels and oils
- Import and Export
- Food supplies
- Fuel storage

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The revenues, profits, assets and liabilities by business sectors are as follows:

	Afaq (parent)	Fuels and oils	Fuel Storage	Import and Export	Food supplies	Total
December 31, 2023						
Sales	-	1,076,103,278	2,162,589	8,735,753	19,702,376	1,106,703,996
Cost of sales	-	(1,021,179,239)	(933,685)	(7,772,884)	(18,688,757)	(1,048,574,565)
Gross profit	-	54,924,039	1,228,904	962,869	1,013,619	58,129,431
Other sectors information :						
General and administrative expenses	(336,102)	(9,521,444)	(773,761)	(138,480)	(1,299,327)	(12,069,114)
Financial charges	-	(19,057,067)	-	(1,113)	(3,454)	(19,061,634)
Gain from the sale of Property and equipment	-	56,850	-	-	3,878	60,728
Other revenues and expenses	-	403,802	-	800	1,022,414	1,427,016
Profit for the year before tax	(336,102)	26,806,180	455,143	824,076	737,130	28,486,427
Year's tax	-	(5,612,244)	(22,758)	(120,407)	(154,797)	(5,910,206)
Gross profit	(336,102)	21,193,936	432,385	703,669	582,333	22,576,221

	Afaq (parent)	Fuels and oils	Fuel Storage	Import and Export	Food supplies	Total
December 31, 2022						
Sales	-	1,040,523,678	1,902,700	11,138,093	21,681,877	1,075,246,348
Cost of sales	-	(975,201,374)	(963,033)	(10,009,211)	(20,550,768)	(1,006,724,386)
Gross profit	-	65,322,304	939,667	1,128,882	1,131,109	68,521,962
Other sectors information:						
General and administrative expenses	(348,061)	(7,939,909)	(711,612)	(135,735)	(1,399,631)	(10,534,948)
Financial charges	-	(17,096,070)	-	(1,390)	(3,756)	(17,101,216)
Expected credit losses	-	(2,000,000)	-	-	-	(2,000,000)
Gain from the sale of Property and equipment	-	53,091	-	-	5,182	58,273
Other revenues and expenses	-	649,522	17	-	934,169	1,583,708
Profit for the year before tax	(348,061)	38,988,938	228,072	991,757	667,073	40,527,779
Year's tax	-	(8,478,868)	(11,404)	(292,948)	(140,086)	(8,923,306)
Gross profit	(348,061)	30,510,070	216,668	698,809	526,987	31,604,473

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	Afaq (parent)	Fuels and oils	Aqaba for chemical storage	Import and Export	Food supplies	Disposals	Total
Assets and liabilities							
December 31, 2023							
Segment assets	169,473,677	529,939,923	7,471,745	14,874,895	5,219,948	(127,556,954)	599,423,234
Segment liabilities	2,622,731	419,754,628	1,347,619	5,095,732	2,118,215	(2,525,111)	428,413,814
 December 31, 2022							
Segment assets	183,167,561	551,701,257	7,786,004	15,033,166	5,344,345	(150,978,157)	612,054,176
Segment liabilities	11,202,554	426,629,490	2,446,203	5,930,447	2,824,945	(12,912,662)	436,120,977

25. POTENTIAL LIABILITIES

Bank guarantees and guarantees for the benefit of others

The company has potential obligations represented by bank guarantees in the amount of 6,600,667 as of December 31, 2023 (2022: 4,132,386 JD).

Cases filed against the company

There are cases filed against the Modern Jordanian Company for Oil and Fuel Services within the normal activity in the amount of 224,867 JD as of December 31, 2023 (2022: 496,422 JD), and the company's management and the legal advisor believe that it will not have any substantive obligations in return for these cases.

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26. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and financial liabilities, financial assets includes Cash and cash equivalents, cheques under collection, accounts receivables and securities, and financial liabilities include accounts payables, credit facilities, loans and other payables.

Level 1: Market prices announced in the active markets of the same financial instruments.

Level 2: Input-based assessment methods that affect fair value and can be observed directly or indirectly in the market.

Level 3: Input-based assessment methods that affect fair value and cannot be observed directly or indirectly in the market.

<u>As of December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through comprehensive income statements	-	-	26,250	26,250
Financial assets at fair value through other comprehensive income statements	-	-	210,000	210,000
	-	-	236,250	236,250

<u>As of December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through comprehensive income statements	-	-	26,250	26,250
Financial assets at fair value through other other comprehensive income statements	-	-	210,000	210,000
	-	-	236,250	236,250

The value shown in the third level reflects the cost of purchasing these assets and not their fair value due to the lack of an active market for them, and the company's management considers that the cost of purchase is the most appropriate way to measure the fair value of these assets and that there is no decrease in their value.

Capital Risk Management

The Company's objectives when managing capital are safeguarding the company's ability to continue as a going concern in order to provide returns for shareholders (partners/owners) and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's strategy hasn't changed from 2022.

The Company's capital structure comprise the owner's equity of the Company which include share capital, Statutory reserve, retained earnings as it mentioned in the consolidated statements of owner's equity.

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The debt ratio

The board of directors is reviewing the share capital structure periodically. As a part of this reviewing, the board of directors consider the cost of share capital and the risks that is related in each faction from capital and debt factions. The Companys capital structure includes debts from the borrowing. The Company doesn't determine the highest limit of the debt ratio and it doesn't expect increase in the debt ratio.

The debt ratio at the end of the year as follows :-

	2023	2022
Debts	428,413,814	436,120,977
Owners equity	171,009,420	175,933,199
Debt/ owners equity rate	250%	248%

The management of the financial risks

The Company's activities might be expose mainly to the followed financial risks:

Foreign currency risks

The Company are not exposed to significant risks related to the foreign currencies.

Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at varying interest rates and short term deposits at fixed interest rates.

Sensitivity of the consolidated statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

Currency	Interest rate increase	The impact on profit for the year	
JD	Percentage points	2023	2022
	100	- 1,218,429	- 2,156,146
Currency	Interest rate decrease	The impact on profit for the year	
JD	Percentage points	2023	2022
	100	+ 1,218,429	+ 2,156,146

Other price risks

The Company is exposed to price risk resulting from investments in the owner's equity of other companies, The Company reserves the investments in owner's equity of other companies for strategic purposes and not to be traded and The Company is not trading actively in these investments.

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Credit risk management

Credit risk is the failure of one of the parties to financial instrument contracts to fulfill his contractual obligations, which leads to the company incurring financial losses. Given the absence of any contracts with any other parties, there is no exposure to credit risks of various types for the company. Significant credit exposure to any entity or group of entities that has similar characteristics is disclosed in Note 17. The company classifies entities that have similar characteristics if they are related. Except for amounts related to cash. The credit risk resulting from cash is specific, as the entities dealt with are local banks that have good reputations and are monitored by regulatory authorities.

The amounts included in these consolidated financial statements represent the Company's highest exposure to credit risk for trade and other receivables, cash and cash equivalents.

Management of liquidity risks

General assembly is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of assets and liabilities.

<u>2023 :</u>	<u>Year or less</u>	<u>More than year</u>	<u>Total</u>
Non – interest rate instrument	306,570,912	-	306,570,912
interest rate instrument	80,734,309	41,108,593	121,842,902
Total	387,305,221	41,108,593	428,413,814

<u>2022 :</u>			
Non – interest rate instrument	220,506,367	-	220,506,367
interest rate instrument	180,523,875	35,090,735	215,614,610
Total	401,030,242	35,090,735	436,120,977

27. CONTINUITY OF THE COMOPANY

Current liabilities exceeded current assets by 102,6 million dinars as of December 31, 2023 (December 31, 2022: 103.5 million dinars).

The management has also prepared a future plan for cash flows to monitor financing requirements and fulfill the group's obligations during the next twelve months.

The summary of the plan prepared by the group is as follows:

	<u>2023</u>
	Million Dinars
Cash flows expected to be received	1,112
Cash flows expected to be paid	(1,123)
Investment cash flows expected to be paid	(7,2)
Financing cash flows expected to be paid	(13,2)
Expected	(21,5)
Loan ceilings are available for use	50

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28. SUBSEQUENT EVENTS

The Modern Jordanian Oil and Gas Services Company (a subsidiary) signed a loan agreement with the German Landes Bank Baden-Württemberg on October 31, 2023, with a total value of 21,000,000 million euros, with an interest of 1.15% + Libor, with the personal guarantee of Mr. Ziad Al-Manasir, as the procedures have not been completed. Implementation of the agreement until the date of issuance of the consolidated financial statements.

29. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors and authorized for issuance on March 30, 2024.

30. COMPARATIVE YEAR NUMBERS

Certain figures for 2022 have been reclassified to confirm presentation in the current year .