



Ref : MG/F/17-5509
OCT 31, 2017

To :
Jordan Security Commission,
Amman – Jordan

Dear Sirs,

Subject: Afaq for Energy English Financial Statements Q3. 2017

As per JSC regulations, you are pleased to find enclosed english financial statements quarter one as of 30/09/2017 for AFAQ Energy.

Sincerely,

AFAQ Energy



| |
|---------------------------|
| بورصة عمان |
| الداشرة الإدارية والمالية |
| الديوان |
| ٠١ تشرين الثاني ٢٠١٧ |
| الرقم المتسلسل: 5273 |
| رقم الملف: 31286 |
| الجهة المختصة: 9/10/611 |

AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

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

30 SEPTEMBER 2017



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 2017, comprising the interim consolidated statement of financial position as at 30 September 2017 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.

Amman – Jordan
30 October 2017

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2017

| | Notes | 30 September 2017 JD (Unaudited) | 31 December 2016 JD (Audited) |
|---|-------|---|--|
| ASSETS- | | | |
| Non-current assets- | | | |
| Property and equipment | 3 | 271,399,588 | 210,933,439 |
| Projects in progress | | 7,942,630 | 17,677,063 |
| Intangible assets | | 16,743,565 | 18,987,404 |
| Strategic fuel inventory | | 7,674,032 | 4,475,090 |
| Goodwill | 5 | 2,879,234 | - |
| | | <u>306,639,049</u> | <u>252,072,996</u> |
| Current assets- | | | |
| Inventories | | 19,487,722 | 16,602,965 |
| Accounts receivable and cheques under collection | | 38,598,434 | 42,628,648 |
| Due from related parties | 6 | 20,291,234 | 7,518,321 |
| Financial assets at fair value through profit or loss | | 1,103,676 | 134,000 |
| Other current assets | | 4,077,709 | 3,821,707 |
| Cash on hand and at banks | | 24,613,264 | 33,810,349 |
| | | <u>108,172,039</u> | <u>104,515,990</u> |
| TOTAL ASSETS | | <u><u>414,811,088</u></u> | <u><u>356,588,986</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity- | | | |
| Shareholders' Equity | | | |
| Paid in capital | 1 | 110,000,000 | 110,000,000 |
| Statutory reserve | | 11,326,435 | 11,326,435 |
| Retained earnings | | 21,718,126 | 23,420,395 |
| Total Shareholders' Equity | | <u>143,044,561</u> | <u>144,746,830</u> |
| Non-Controlling Interest | | 936,097 | - |
| Total Equity | | <u>143,980,658</u> | <u>144,746,830</u> |
| Non-current liabilities- | | | |
| Loans and Murabaha | 8 | 29,945,317 | 19,079,833 |
| Current liabilities- | | | |
| Due to banks | 7 | 52,894,573 | 67,991,872 |
| Loans and Murabaha- short term | 8 | 59,696,459 | 37,515,419 |
| Due to related parties | 6 | 10,851,242 | 13,548,215 |
| Due to governmental entities | | 4,280,000 | 4,280,000 |
| Post-dated cheques | | 547,729 | 3,119,320 |
| Income tax provision | 10 | 2,332,285 | 3,514,674 |
| Governmental deposits | | 45,816,405 | 30,710,248 |
| Due to Jordan Petroleum Refinery Company | | 17,199,221 | 19,260,551 |
| Accounts payable and other current liabilities | | 47,267,199 | 12,822,024 |
| | | <u>240,885,113</u> | <u>192,762,323</u> |
| TOTAL LIABILITIES | | <u>270,830,430</u> | <u>211,842,156</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>414,811,088</u></u> | <u><u>356,588,986</u></u> |

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

| | <i>Notes</i> | For the three months ended | | For the nine months ended | |
|---|--------------|----------------------------|--------------------|---------------------------|--------------------|
| | | 30 September | | 30 September | |
| | | 2017 | 2016 | 2017 | 2016 |
| | | JD | JD | JD | JD |
| Sales | | 234,657,296 | 194,494,060 | 675,950,035 | 553,720,940 |
| Cost of sales | | (224,796,182) | (186,248,434) | (645,893,330) | (528,705,364) |
| Gross profit | | 9,861,114 | 8,245,626 | 30,056,705 | 25,015,576 |
| General and administrative expenses | | (1,792,384) | (1,834,568) | (5,359,530) | (4,237,220) |
| Financing costs | | (2,529,147) | (1,267,485) | (6,105,114) | (3,932,718) |
| Provision for doubtful debts | | (150,000) | (100,000) | (300,000) | (300,000) |
| Gain (Loss) from sale of property and equipment | | 29,944 | - | 294,578 | (60,304) |
| Change in fair value of financial assets at fair value through profit or loss | | (46,065) | - | (148,274) | (1,000) |
| Other income | | 51,614 | 88,278 | 265,348 | 349,052 |
| Profit for the period before tax | | 5,425,076 | 5,131,851 | 18,703,713 | 16,833,386 |
| Income tax expense for the period | 10 | (880,418) | (1,009,378) | (3,886,874) | (3,311,236) |
| Profit for the period | | 4,544,658 | 4,122,473 | 14,816,839 | 13,522,150 |
| Add: other comprehensive income items | | - | - | - | - |
| Total comprehensive income for the period | | 4,544,658 | 4,122,473 | 14,816,839 | 13,522,150 |
| Attributable to: | | | | | |
| Shareholders | | 4,525,550 | 4,122,473 | 14,797,731 | 13,522,150 |
| Non-controlling interest | | 19,108 | - | 19,108 | - |
| | | 4,544,658 | 4,122,473 | 14,816,839 | 13,522,150 |
| | | <u>(JD/ Fills)</u> | <u>(JD/ Fills)</u> | <u>(JD/ Fills)</u> | <u>(JD/ Fills)</u> |
| Basic and diluted earnings per share for the period | 9 | 0/040 | 0/037 | 0/134 | 0/123 |

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

| | 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 2017- | | | | | | |
| Balance as of 1 January 2017 | 110,000,000 | 11,326,435 | 23,420,395 | 144,746,830 | - | 144,746,830 |
| Total comprehensive income for the period | - | - | 14,797,731 | 14,797,731 | 19,108 | 14,816,839 |
| Dividends (Note 14) | - | - | (16,500,000) | (16,500,000) | - | (16,500,000) |
| Non-controlling interest (Note 5) | - | - | - | - | 916,989 | 916,989 |
| Balance as of 30 September 2017 | 110,000,000 | 11,326,435 | 21,718,126 | 143,044,561 | 936,097 | 143,980,658 |
| For the period ended at 30 September 2016- | | | | | | |
| Balance as of 1 January 2016 | 110,000,000 | 8,775,731 | 20,543,363 | 139,319,094 | - | 139,319,094 |
| Total comprehensive income for the period | - | - | 13,522,150 | 13,522,150 | - | 13,522,150 |
| Dividends (Note 14) | - | - | (15,400,000) | (15,400,000) | - | (15,400,000) |
| Balance as of 30 September 2016 | 110,000,000 | 8,775,731 | 18,665,513 | 137,441,244 | - | 137,441,244 |

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

| | Notes | 30 September 2017 JD | 30 September 2016 JD |
|--|-------|----------------------------|----------------------------|
| <u>Operating activities</u> | | | |
| Profit for the period before tax | | 18,703,713 | 16,833,386 |
| Adjustments for: | | | |
| Depreciation and amortization | | 7,877,344 | 6,640,481 |
| Provision for doubtful debts | | 300,000 | 300,000 |
| Change in fair value of financial assets at fair value through profit or loss | | 148,274 | 1,000 |
| Financing costs | | 6,105,114 | 3,932,718 |
| (Gain) loss from disposal of property and equipment | | (294,578) | 60,304 |
| (Gain) loss from valuation of strategic fuel inventory to the realizable value | | (533,538) | 203,932 |
| Working capital adjustments | | | |
| Accounts receivable and cheques under collection | | 4,127,027 | (2,463,314) |
| Inventories | | 2,787,021 | (2,289,243) |
| Strategic fuel inventory | | (1,598,328) | - |
| Other current assets | | 210,487 | (3,991,267) |
| Due from / to related parties | | (20,313,227) | (3,554,046) |
| Accounts payable and other current liabilities | | 31,936,085 | 2,929,576 |
| Governmental deposits | | 15,106,157 | 3,398,208 |
| Post-dated cheques | | (2,571,591) | (2,497,461) |
| Net cash flows from operating activities before tax | | 61,989,960 | 19,504,274 |
| Income tax paid | | (5,069,263) | (4,207,485) |
| Net cash flows from operating activities | | 56,920,697 | 15,296,789 |
| <u>Investing activities</u> | | | |
| Purchase of property and equipment and projects in progress | | (53,670,365) | (18,124,098) |
| Proceeds from sale of property and equipment | | 294,578 | 63,597 |
| Net cash paid on subsidiary acquisition | 5 | (3,742,740) | - |
| Purchase of assets at fair value through profit or loss | | (915,820) | - |
| Net cash flows used in investing activities | | (58,034,347) | (18,060,501) |
| <u>Financing activities</u> | | | |
| Loans and Murabaha | | 29,618,978 | 24,854,785 |
| Paid interest | | (6,105,114) | (3,932,718) |
| Cash Dividends | | (16,500,000) | (15,400,000) |
| Due from / to related parties | | - | (22,486,655) |
| Net cash flows from (used in) financing activities | | 7,013,864 | (16,964,588) |
| Net increase (decrease) in cash and cash equivalents | | 5,900,214 | (19,728,300) |
| Cash and cash equivalents at the beginning of the period | | (34,181,523) | (35,397,950) |
| Cash and cash equivalents at the ending of the period | 4 | (28,281,309) | (55,126,250) |

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

(1) GENERAL INFORMATION

Afaq for Energy was established as a public shareholding company on 5 August 2008 with an authorized and paid in capital of JD 5,000,000, divided into 5,000,000 shares with a par value of JD 1 per share. The company has increased its capital several times over the years to become JD 110,000,000 divided into 110,000,000 shares with a par value of JD 1 per share.

The main objective of the Company is to invest in the capital of the companies that operate in the energy sector.

Jordan Modern Oil and Fuel Services Company (subsidiary) signed an agreement with the Ministry of Energy and Natural Resources on 20 November 2012 in which the company got the rights of distributing and marketing the oil products in addition to any other oil services authorized in Jordan for a period of ten years from the commercial operations starting date. The commercial operations has started in May 2013.

The headquarter of the group is located in 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 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The consolidated financial statements are presented in Jordanian Dinars "JD" which is the functional currency of the Group.

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 2016. In addition, results of the nine months period ended 30 September 2017 is not necessarily indicative of the expected results for the financial year ending 31 December 2017.

(2.2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

(2.3) Basis of consolidation of financial statements

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries where the Company holds control over the subsidiaries. The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions, income, and expenses between the Company and subsidiaries are eliminated. The subsidiaries included in the interim condensed consolidated financial statements are as follows:

| Name of the company | Country of incorporation | Ownership percentage | Main activity |
|---|--------------------------|----------------------|---------------------------------------|
| Jordan Modern Oil and fuel Services Company | Jordan | 100% | Fuel distribution |
| Jordan Modern Importing and Exporting Company (Free Zone) | Jordan | 100% | Motor oil and lubricants distribution |
| Jordan Modern Food Trading Company | Jordan | 100% | Trading |
| Aqaba Bulk Chemicals Co. | Jordan | 55% | Warehousing services |

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to conform with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

(3) PROPERTY AND EQUIPMENT

The Group has purchased property and equipment amounting to JD 23,997,792 during the nine months period ended 30 September 2017 (30 September 2016: JD 18,124,098).

There are lands amounting to JD 130,592,600 owned by Jordan Modern Oil and Fuel Services (a subsidiary), that are mortgaged against the Group's credit facilities (31 December 2016: JD 124,898,600).

(4) CASH AND CASH EQUIVALENT

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

| | 30 September 2017 | 30 September 2016 |
|---|----------------------|----------------------|
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Cash on hand | 3,654,250 | 1,887,512 |
| Cheques with maturities less than one month | 15,907,044 | 9,679,258 |
| Cash at banks | 5,051,970 | 967,688 |
| | <u>24,613,264</u> | <u>12,534,458</u> |
| Less: due to banks (Note 7) | (52,894,573) | (67,660,708) |
| | <u>(28,281,309)</u> | <u>(55,126,250)</u> |

(5) ACQUISITION OF A SUBSIDIARY

On 30 June 2017, Jordan Modern Oil & Gas Services (a subsidiary) acquired 55% of the share capital of Aqaba Bulk Chemicals, a limited liability company, which specializes in providing logistics and warehousing services.

The Group has not yet completed the process to determine the fair value of assets and liabilities acquired through the subsidiary, thus, provisional value amounts have been used. In accordance with IFRS, the measurement period can not exceed one year from the acquisition date. The acquisition resulted in recognition of intangible asset amounting to JD 2,879,234, representing the difference between the amount paid and the Group's share in the net assets of the acquire, whereas difference was recognized temporarily as goodwill.

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

The provisional amount of the fair values of the assets and liabilities of the acquiree, and their carrying amounts as of the date of acquisition (30 June 2017) are as follows:

| | <u>JD</u> |
|---|--------------------|
| Assets | |
| Property, plant & equipment | 10,035,349 |
| Financial assets at fair value through other comprehensive income | 110,000 |
| Inventories | 97,736 |
| Account receivables | 329,415 |
| Other debit balances | 74,193 |
| Cash on hand and at banks | 257,260 |
| | <u>10,903,953</u> |
| Liabilities | |
| Loans | 3,433,515 |
| Partners' account | 4,082,778 |
| Account payables | 637,142 |
| Other credit balances | 712,763 |
| | <u>8,866,198</u> |
| Net Assets acquired | <u>2,037,755</u> |
| Non-controlling interests | <u>916,989</u> |
| The Group's share in net assets | 1,120,766 |
| Goodwill resulted from the acquisition | <u>2,879,234</u> |
| The price paid for the Group's share of 55% | <u>4,000,000</u> |
| Cash flows at acquisition : | |
| Net cash acquired with the subsidiary | 257,260 |
| Cash paid | (4,000,000) |
| Net cash paid | <u>(3,742,740)</u> |

(6) 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 transactions with related parties are as follows:

| | 30 September 2017 | 31 December 2016 |
|--|----------------------|---------------------|
| | JD (Unaudited) | JD (Audited) |
| Due from related parties | | |
| Developed Crushers Company LTD (sister company) | 8,113,971 | 2,356,335 |
| United Iron and Steel Manufacturing Company PLC (sister company) | 194,139 | 3,112,992 |
| Advanced Transport and land shipping Services Company LTD (sister company) | 4,961,885 | 320,408 |
| Jordan Modern International Trade Company LTD (sister company) | 6,538 | 4,826 |
| Modern Cement and Mining Company LTD (sister company) | 304,130 | 136,881 |
| Muin Qadada (Vice Chairman) | 11,430 | 46,762 |
| Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company) | 85,664 | 18,229 |
| Jordan Modern for Ready Concrete Company LTD (sister company) | 171,379 | 2,352 |
| Al Manaseer Group for Commercial and Industrial Investments (parent company) | - | 1,468,786 |
| Stone castle restaurant management – Bayt Omar (sister company) | 1,274,758 | - |
| Al Manseer charity | 180,200 | - |
| Jordan Modern for high Information Technology Company (sister company) | 119,952 | - |
| Jordan Modern Food and Industries Company (sister company) | 4,475 | - |
| Magnisia Jordan limited shareholding company (sister company) | 41,535 | - |
| Jordan Modern Advanced Chemical Industries Company (sister company) | 1,701 | 549 |
| Distinguished Mining Company (sister company) | - | 31,208 |
| Eng. Ziad Al Manaseer (Chairman) | - | 6,191 |
| Al Adiyat Agricultural Co. (sister company) | - | 4,187 |
| Jena Mining Company (sister company) | - | 8,615 |
| Arab Towers Contracting Company (sister company) | 4,819,477 | - |
| | <u>20,291,234</u> | <u>7,518,321</u> |

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

| | 30 September 2017 | 31 December 2016 |
|--|----------------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Due to related parties | | |
| Arab Towers Contracting Company (sister company) | - | 9,649,693 |
| Jordan Modern Shipping and Clearance Company (sister company) | - | 109,042 |
| Manaseer for Commercial Services (sister company) | 1,834 | 16,608 |
| Eng. Ziad Al Manaseer (Chairman) | 127,857 | - |
| Al Adiyat Al Sereea Machinery Trading Company (sister company) | 117,699 | 3,751,863 |
| Jordan Modern for High Technology Company (sister company) | - | 19,033 |
| Jordan Modern for Food and Industries Company (sister company) | - | 1,000 |
| Jordan Modern Telecom Company (sister company) | - | 976 |
| Khalid Ahmad Al jafali (partner in a subsidiary) | 4,974,684 | - |
| Al Manaseer Group for Commercial and Industrial Investments (parent company) | 5,629,168 | - |
| | <u>10,851,242</u> | <u>13,548,215</u> |

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

| | 30 September 2017 | 30 September 2016 |
|---------------------------------|----------------------|----------------------|
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Expenses charged by head office | 175,026 | 179,555 |
| Oil and fuel sales | 12,474,650 | 11,218,698 |

Property and equipment

The Group purchased property and equipment and have construction projects with related parties amounting to JD 17,297,287 during the period ended 30 September 2017 (30 September 2016: JD 12,276,659).

AFAQ FOR ENERGY
(PUBLIC SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

(7) DUE TO BANKS

| | Limited facilities | 30 September 2017 | 31 December 2016 |
|-----------------------------|--------------------|-------------------|-------------------|
| | JD | JD | JD |
| | | (Unaudited) | (Audited) |
| Capital Bank | 20,000,000 | 19,890,427 | 21,304,444 |
| Societe Generale Bank | 2,100,000 | 1,449,892 | 2,114,395 |
| Arab Jordan Investment Bank | 20,000,000 | 12,707,806 | 19,259,213 |
| Jordan Kuwait Bank | 12,000,000 | 6,310,988 | 11,310,364 |
| Arab Bank | 10,000,000 | 1,001,169 | 2,932,179 |
| Etihad Bank | 12,000,000 | 11,534,291 | 11,071,277 |
| | | <u>52,894,573</u> | <u>67,991,872</u> |

These facilities are guaranteed by a first class mortgage on lands of Jordan Modern Company for Oil and Gas Services (a Subsidiary), in addition to the personal guarantee of the Chairman of the board of directors, the interest rates on overdrafts ranges from 7.25% to 8.5%.

(8) LOANS AND MURABAHA

| | 30 September 2017 | | 31 December 2016 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Short term | Long term | Short term | Long term |
| | JD | JD | JD | JD |
| | (Unaudited) | (Unaudited) | (Audited) | (Audited) |
| Capital Bank (JD) - 1 | 361,920 | 622,650 | 255,510 | 894,090 |
| Capital bank (JD) - 2 | 614,635 | 2,808,039 | - | - |
| Societe General Bank (JD) | 1,097,061 | 3,630,142 | 4,727,203 | - |
| Arab Jordan Investment Bank (JD) | 5,155,488 | 5,211,801 | 2,491,992 | 5,592,559 |
| Jordan Kuwait Bank (JD) | 4,253,454 | 8,470,236 | 13,000,000 | - |
| Standard Chartered Bank (USD) | 32,464,057 | 2,904,543 | 10,634,998 | 12,593,184 |
| Islamic International Arab Bank Murabaha (JD) | 947,516 | - | 6,405,716 | - |
| Bank of Jordan (JD) | 13,204,303 | 2,516,667 | - | - |
| Jordan Ahli Bank (JD) | 1,598,025 | 3,781,239 | - | - |
| | <u>59,696,459</u> | <u>29,945,317</u> | <u>37,515,419</u> | <u>19,079,833</u> |

These loans are guaranteed by a first class mortgage on lands owned by Jordan Modern Oil and Fuel Services Company (a Subsidiary), in addition to the personal guarantee of the Chairman of the board of directors. Interest rates for Jordanian Dinar loans ranges from (7.25% – 8.5%) and for USD Dollar loans (LIBOR 3 months + 1.02%).

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

| Year | JD |
|----------------|-------------------|
| 2018 | 9,251,365 |
| 2019 | 8,456,363 |
| 2020 and after | 12,237,589 |
| | <u>29,945,317</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 | |
|--|--|-------------|---|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit for the period attributable to the shareholders | 4,525,550 | 4,122,473 | 14,797,731 | 13,522,150 |
| 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 | 0/040 | 0/037 | 0/134 | 0/123 |

The diluted earnings per share for the profit for the period is equal to the basic earnings per share.

(10) INCOME TAX

Movement on income tax is as follows:

| | 30 September 2017 | 31 December 2016 |
|--|----------------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Balance at the beginning of the period/ year | 3,514,674 | 2,863,657 |
| Income tax paid | (5,069,263) | (4,028,290) |
| Income tax charge for the period/ year | 3,886,874 | 4,679,307 |
| Balance at the ending of the period/ year | 2,332,285 | 3,514,674 |

The income tax recognized in the interim consolidated income statement represents the following:

| | 30 September 2017 | 30 September 2016 |
|-----------------------------------|----------------------|----------------------|
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Income tax expense for the period | 3,447,089 | 3,132,041 |
| Prior years income tax | 439,785 | 179,195 |
| | 3,886,874 | 3,311,236 |

Afaq for Energy:

The Company reached to a final settlement with the Income and Sales Tax Department until the year 2009. The Company has submitted its income tax declaration for the years from 2010 to 2016 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 to a final settlement with the Income and Sales Tax Department until the year 2014. The Company submitted its income tax declaration for the years 2015 and 2016 but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

The company's branch in Aqaba Special Economic Zone reached to a final settlement with Income and Sales Tax Department up to 2014, and submitted the income tax declaration for the years 2015 and 2016, but the Income and Sales Tax Department did not review them up to the date of these consolidated financial statements.

Jordan Modern Food Trading Company/ Lumi Market (a subsidiary)

The Company reached to a final settlement with the Income and Sales Tax Department for the years 2012 and 2014. The Company submitted its income tax declaration for the years 2013, 2015 and 2016 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 declaration for the years from 2012 to 2016, but the Income and Sales Tax Department did not review them up to the date of these interim condensed consolidated financial statements.

(11) LEGAL RESERVES

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

(12) CONTINGENT LIABILITIES

Bank Guarantees

The Group contingent liabilities in the form of bank letter of guarantees amounting to JD 8,085,953 as of 30 September 2017 (31 December 2016: JD 8,085,953) which include a guarantee issued in favor of the Ministry of Energy and Mineral Resources amounting to JD 4,601,000.

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 372,286 as of 30 September 2017 (31 December 2016: JD 404,300) 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 9,068,566 as of 30 September 2017 (31 December 2016: JD 4,191,723).

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(13) SEGMENT INFORMATION

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

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

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

| | <u>Afaq</u> | <u>Oil and Fuel</u> | <u>Import and Export</u> | <u>Food Trading</u> | <u>Other</u> | <u>Total</u> |
|--|-------------|---------------------|--------------------------|---------------------|--------------|---------------|
| | JD | JD | JD | JD | | JD |
| | | | | | | (Unaudited) |
| For the nine months ended 30 September 2017 | | | | | | |
| <u>Revenue-</u> | | | | | | |
| Sales | - | 660,632,387 | 7,858,041 | 7,054,877 | 404,730 | 675,950,035 |
| Cost of sales | - | (632,835,669) | (6,733,371) | (6,198,388) | (125,902) | (645,893,330) |
| Gross profit | - | 27,796,718 | 1,124,670 | 856,489 | 278,828 | 30,056,705 |
| Segments results- | | | | | | |
| Profit (loss) before tax | (289,527) | 17,922,825 | 959,184 | 64,769 | 46,462 | 18,703,713 |
| Other segments information- | | | | | | |
| General and administrative expenses | (35,632) | (4,852,130) | (153,647) | (281,427) | (36,694) | (5,359,530) |
| Provision for doubtful debt | - | (300,000) | - | - | - | (300,000) |
| Financing costs | - | (6,056,028) | (3,214) | (3,686) | (42,186) | (6,105,114) |
| Depreciation and amortization expenses | (226,032) | (7,270,335) | (19,142) | (208,349) | (153,486) | (7,877,344) |
| Other income | 10,431 | 202,179 | 10,518 | 42,220 | - | 265,348 |

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| | Afaq | Oil and Fuel | Import and Export | Food Trading | Other | Total |
|--|------|-----------------|----------------------|-----------------|-------|---------------|
| | JD | JD | JD | JD | | JD |
| | | | | | | (Unaudited) |
| For the nine months ended 30 September 2016 | | | | | | |
| Revenue- | | | | | | |
| Sales | - | 542,158,284 | 6,763,101 | 4,799,555 | - | 553,720,940 |
| Cost of sales | - | (518,344,232) | (6,016,524) | (4,344,608) | - | (528,705,364) |
| Gross profit | - | 23,814,052 | 746,577 | 454,947 | - | 25,015,576 |

| | | | | | | |
|--|-----------|-------------|-----------|-----------|---|-------------|
| Segments results- | | | | | | |
| Profit (loss) before tax | (261,731) | 16,403,084 | 581,286 | 110,747 | - | 16,833,386 |
| Other segments information- | | | | | | |
| General and administrative expenses | (35,699) | (3,772,781) | (157,102) | (271,638) | - | (4,237,220) |
| Provision for doubtful debt | - | (300,000) | - | - | - | (300,000) |
| Financing costs | - | (3,932,718) | - | - | - | (3,932,718) |
| Depreciation and amortization expenses | (226,032) | (6,234,529) | (18,756) | (161,164) | - | (6,640,481) |
| Other income | - | 249,883 | 10,567 | 88,602 | - | 349,052 |

| | Afaq | Oil and Fuel | Import and Export | Food Trading | Other | Eliminations | Total |
|--------------------------------|-------------|-----------------|----------------------|-----------------|------------|---------------|-------------|
| | JD | JD | JD | JD | | JD | JD |
| | | | | | | | (Unaudited) |
| As of 30 September 2017 | | | | | | | |
| Assets and liabilities- | | | | | | | |
| Segment assets | 171,211,493 | 370,280,045 | 10,088,051 | 2,986,246 | 10,002,360 | (149,757,107) | 414,811,088 |
| Segment liabilities | 28,828,583 | 251,723,393 | 5,490,353 | 2,734,236 | 8,495,213 | (26,441,348) | 270,830,430 |

| | | | | | | | |
|-------------------------------|-------------|-------------|-----------|-----------|---|---------------|-------------|
| As of 31 December 2016 | | | | | | | Total |
| | | | | | | | (Audited) |
| Assets and liabilities | | | | | | | |
| Segment assets | 156,048,198 | 310,300,065 | 7,811,795 | 2,559,604 | - | (120,130,676) | 356,588,986 |
| Segment liabilities | 11,301,008 | 205,260,336 | 4,173,279 | 2,372,438 | - | (11,264,905) | 211,842,156 |

(14) DIVIDENDS

The general assembly approved in its meeting held on 9 April 2017, the distribution of cash dividends to shareholders amounting to JD 16,500,000 representing to 15% of the paid in capital for 2016 (2015: JD 15,400,000 representing to 14% of the paid in capital).