AFAQ Energy PLC

Ref: MG/F/19-1966
April 02, 2019

**Amman Stock Exchange,**

Dear Sirs,

**<u>Subject: Afaq for Energy Preliminary Financial Resullts 2018</u>**

As per ASE regulations regarding preliminary disclosure, please find enclosed Financial Results for AFAQ Energy for the year ended December 31, 2018.

Kind regard,

**AFAQ Energy**

شركة آفاق للطاقة ش.م.ع
AFAQ Energy
Amman - Jordan
AFAQ ENERGY PLC

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الدائرة الإدارية والمالية
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**AFAQ FOR ENERGY**

**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

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# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Afaq For Energy Public Shareholding Company**
**Amman- Jordan**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Afaq For Energy Public Shareholding Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Material Uncertainty Related to Going Concern

As stated in Note (27) of the accompanying consolidated financial statements, Group's current liabilities exceeded its current assets by JD 138,315,157 as of 31 December 2018, this indicates a material uncertainty of the Group's ability to continue as a going concern. As indicated in Note (27), the Group has taken various corrective actions to overcome the negative impact on the Group's financial position. In addition to that, the management put a future cashflow plan to monitor the financing requirements in order to meet the short-term liabilities that due in 12-months.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| **1. Revenue recognition** | |
|---|---|
| **Key Audit matter** | **How the key audit matter was addressed in the audit:** |
| The Group's revenues amounted to JD 997,330,960 for the year ended 31 December 2018 (2017: JD 920,297,369), out of this total gas stations sales from petroleum products equaled to JD 967,742,705 (2017: JD 894,028,139) representing 97% of total revenues. The fuel sale prices are determined by the government of Jordan on monthly basis according to the distribution agreement signed between the Group and the Ministry of Energy and Mining Resources. There is a risk that, if revenue not recognized in the appropriate period and according to the prices determined by government, this could misstate earnings of the Group. | Our audit procedures included the following:<br>- We assessed the appropriateness of the Group's revenue recognition accounting policies in accordance with International Financial Reporting Standards and distribution agreement;<br>- We obtained understanding, tested and evaluated the Group's controls over revenue recognition.<br>- We performed year-end cut-off audit procedures to assess whether revenue had been recorded in the correct period. |

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<tr><td></td><td>
- Having built expectations about the expected revenues for the year we performed substantive analytical procedures using financial and non-financial information.<br>
- We have compared the monthly sales prices per accounting records to the retail prices of petroleum products published by the Ministry of Energy and Mining Resources.<br><br>
Refer to revenues disclosure note (20) in the consolidated financial statements.
</td></tr>
<tr><td colspan="2">2. Assessment of the appropriateness expected credit loss provision</td></tr>
<tr><td>Key Audit matter<br><br>
The Group's portfolio of trade and notes receivables amounted to JD 52,779,954 as of 31 December 2018. The customer base consists of many small clients and the trade receivables are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The trade receivables do not have a significant financing component. The loss allowance for such trade receivables is always measured at an amount equal to lifetime time expected credit losses. To determine the expected credit losses for the portfolio, The Group uses a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.
</td><td>How the key audit matter was addressed in the audit<br><br>
Our audit procedures included the following:<br><br>
- We obtained the expected credit loss provision calculation as of yearend.<br><br>
- We evaluated management's assessment of the appropriateness of assumptions used in the historical loss rate calculation. These considerations include whether there are regular receipts from the customers, past collection history as well as an assessment of the customers' credit ability to make repayments.<br><br>
- We checked and reasonableness of customers categorizations by common risk characteristics.<br><br>
- We checked the reasonableness and the data used in the forward-looking estimates to determine the expected loss rate.
</td></tr>
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| | |
|---|---|
| Due to the significance of trade receivables and the related provision estimation uncertainty this is considered a key audit matter. | - We recalculated Lifetime expected credit loss allowance.<br><br>Refer to Accounts receivable and cheques under collection disclosure note (10) in the consolidated financial statements. |
| **3. Recognition of related party transactions** | |
| **Key Audit matter**<br><br>The Group's balances of due from related parties amounted to JD 25,620,414 as of 31 December 2018 (2017: JD 20,334,341) and due to related parties amounting to JD 3,344,875 as of 31 December 2018 (2017: JD 4,928,939).The Group has significant transactions with related parties in the form of revenues, expenses and capital expenditures for the year ended. There is a risk that, Such transactions could be used to manipulate earnings or to distribute profits. Related parties, which are the most risky from the audit perspective, are those with material outstanding balances and having higher number transactions. | **How the key audit matter was addressed in the audit**<br><br>Our audit procedures included the following:<br>- We have evaluated the appropriateness of management's procedures to identify and record related party transactions.<br>- We have vouched material agreements with related parties to understand the nature of the transactions.<br>- We preformed confirmation procedures by obtaining confirmations and statement of accounts from all related parties and tested these documents on a sample basis these transaction with the supporting documents and management approvals.<br><br>Refer to related parties disclosure note (11) in the consolidated financial statements. |

**Other information included in the Group's 2018 annual report.**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.
Our opinion on the consolidated] financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated] financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for theConsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of theConsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, 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 the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidatedfinancial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which agree with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Mohammad Ibrahim Al-Karaki license number 882.

Amman-Jordan
20 March 2019

Ernst + Young

**AFAQ FOR ENERGY**
**PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2018**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | JD | JD |
| **Assets-** | | | |
| **Non-current Assets-** | | | |
| Lands, property and equipment | 4 | 297,860,098 | 285,017,364 |
| Projects in progress | 5 | 3,447,088 | 7,849,547 |
| Intangible assets | 6 | 12,987,404 | 15,987,404 |
| Strategic fuel inventory | 7 | 3,238,686 | 5,205,900 |
| Financial assets at fair value through other comprehensive income | 12 | 210,000 | - |
| Goodwill | 8 | - | 2,879,234 |
| | | 317,743,276 | 316,939,449 |
| **Current Assets-** | | | |
| Inventories | 9 | 49,372,747 | 44,493,201 |
| Accounts receivable and cheques under collection | 10 | 48,560,111 | 39,154,683 |
| Due from related parties | 11 | 25,620,414 | 20,334,431 |
| Financial assets at fair value through profit or loss | 12 | 26,250 | 994,936 |
| Other current assets | 13 | 2,842,682 | 4,174,032 |
| Cash on hand and at banks | 14 | 23,915,022 | 20,030,670 |
| | | 150,337,226 | 129,181,953 |
| **Total Assets** | | 468,080,502 | 446,121,402 |
| **Equity and Liabilities** | | | |
| **Equity-** | | | |
| Paid in capital | 1 | 110,000,000 | 110,000,000 |
| Statutory reserve | 15 | 15,561,453 | 14,302,827 |
| Retained earnings | | 17,989,119 | 27,722,672 |
| **Total shareholders' equity** | | 143,550,572 | 152,025,499 |
| **Non- controlling interest** | | 3,549,564 | 999,172 |
| **Total equity** | | 147,100,136 | 153,024,671 |
| **Non-current Liability-** | | | |
| Loans and Murabaha | 16 | 32,327,983 | 33,801,890 |
| | | 32,327,983 | 33,801,890 |
| **Current Liabilities-** | | | |
| Due to banks | 14,17 | 70,383,772 | 68,454,086 |
| Loans and Murabaha- short term | 16 | 100,517,525 | 91,550,194 |
| Due to related parties | 11 | 3,344,874 | 4,928,939 |
| Post-dated cheques – short term | | 998,786 | 509,763 |
| Income tax provision | 18 | 1,368,150 | 4,576,898 |
| Governmental deposits | | 52,295,902 | 41,397,637 |
| Due to Jordan Petroleum Refinery Company Ltd. | | 14,343,408 | 14,948,527 |
| Accounts payable and other current liabilities | 19 | 45,399,965 | 32,928,797 |
| | | 288,652,383 | 259,294,841 |
| **Total Liabilities** | | 320,980,366 | 293,096,731 |
| **Total Equity and Liabilities** | | 468,080,502 | 446,121,402 |

**The attached notes from 1 to 29 form part of these consolidated financial statements**

**AFAQ FOR ENERGY**
**PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | JD | JD |
| Revenues | 20 | 997,330,960 | 920,297,369 |
| Cost of revenues | | (965,122,373) | (875,172,205) |
| **Gross profit** | | 32,208,587 | 45,125,164 |
| General and administrative expenses | 21 | (8,057,478) | (7,584,599) |
| Finance costs | | (14,553,970) | (7,742,341) |
| Provision for doubtful debts | 10 | - | (1,300,000) |
| Change in fair value of financial assets through profit or loss | | - | (144,157) |
| Gain from sale of financial assets through profit or loss | | 311,984 | - |
| Gains from disposal of property, plant and equipment | | 1,005,893 | 324,664 |
| Other income | | 1,671,246 | 1,085,184 |
| **Profit for the year before tax** | | 12,586,262 | 29,763,915 |
| Income tax expense | 18 | (1,946,692) | (5,903,063) |
| **Profit for the year** | | 10,639,570 | 23,860,852 |
| Add: other comprehensive income items | | - | - |
| **Total comprehensive income for the year** | | 10,639,570 | 23,860,852 |
| **Attributed to:** | | | |
| Shareholders | | 10,444,916 | 23,778,669 |
| Non-controlling interest | | 194,654 | 82,183 |
| | | 10,639,570 | 23,860,852 |
| | | (JD/ Fills) | (JD/ Fills) |
| Basic and diluted earnings per share | | 0/095 | 0/216 |

**The attached notes from 1 to 29 form part of these consolidated financial statements**

**Afaq for Energy**
**Public Shareholding Company**
**Consolidated Statement of Changes in Equity**
**For the Year Ended 31 December 2018**

| | Paid in capital | Statutory reserve | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **2018-** | | | | | | |
| Balance as of 1 January 2018 | 110,000,000 | 14,302,827 | 27,722,672 | 152,025,499 | 999,172 | 153,024,671 |
| Effect of adopting IFRS 9 | - | - | (2,419,843) | (2,419,843) | - | (2,419,843) |
| **Balance as of 1 January 2018 (restated)** | 110,000,000 | 14,302,827 | 25,302,829 | 149,605,656 | 999,172 | 150,604,828 |
| Total comprehensive income for the year | - | - | 10,444,916 | 10,444,916 | 194,654 | 10,639,570 |
| Transfer to statutory reserve | - | 1,258,626 | (1,258,626) | - | - | - |
| Dividends (note 15) | - | - | (16,500,000) | (16,500,000) | - | (16,500,000) |
| Non-Controlling interest (note 8) | - | - | - | - | 2,355,738 | 2,355,738 |
| **Balance as of 31 December 2018** | 110,000,000 | 15,561,453 | 17,989,119 | 143,550,572 | 3,549,564 | 147,100,136 |
| **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 year | - | - | 23,778,669 | 23,778,669 | 82,183 | 23,860,852 |
| Transfer to statutory reserve | - | 2,976,392 | (2,976,392) | - | - | - |
| Dividends (note 15) | - | - | (16,500,000) | (16,500,000) | - | (16,500,000) |
| Non-Controlling interest (note 8) | - | - | - | - | 916,989 | 916,989 |
| **Balance as of 31 December 2017** | 110,000,000 | 14,302,827 | 27,722,672 | 152,025,499 | 999,172 | 153,024,671 |

**The attached notes from 1 to 29 form part of these consolidated financial statements**

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| | | JD | JD |
| **Operating activities** | | | |
| Profit for the year before tax | | 12,586,262 | 29,763,915 |
| **Adjustments for:** | | | |
| Depreciation and amortization | 4,6 | 12,159,648 | 10,804,910 |
| Provision for doubtful debts | 10 | - | 1,300,000 |
| Change in fair value of financial assets at fair value through profit or loss | | - | 144,157 |
| Gain on sale of financial assets at fair value through profit or loss | | (311,984) | - |
| Finance costs | | 14,553,970 | 7,724,341 |
| Gain from disposal of lands, property plant and equipment | | (1,005,893) | (324,664) |
| Reversal from strategic fuel inventory impairment loss | 7 | (321,460) | (976,533) |
| **Working capital adjustments** | | | |
| Accounts receivable and cheques under collection | | (11,825,271) | 2,206,855 |
| Inventories | | (4,879,546) | (27,792,500) |
| Strategic fuel inventory | | 2,288,674 | 245,723 |
| Other current assets | | 1,331,350 | 5,392,820 |
| Due from related parties | | (5,285,983) | (16,602,363) |
| Post-dated cheques | | 489,023 | (2,609,557) |
| Due to related parties | | (1,584,064) | (8,619,276) |
| Due to governmental entities | | - | (4,280,000) |
| Governmental deposits | | 10,898,265 | 10,687,389 |
| Accounts payable and other current liabilities | | 11,866,049 | 8,773,892 |
| **Net cash flows from operating activities before paid tax** | | 40,959,040 | 15,857,109 |
| Income tax paid | 18 | (5,155,440) | (4,840,839) |
| **Net cash flows from operating activities** | | 35,803,600 | 11,016,270 |
| **Investing activities** | | | |
| Purchase of lands, property plant and equipment and projects in progress | 4, 5 | (12,586,882) | (62,548,398) |
| Proceeds from sale of lands, property, plant and equipment | | 1,227,824 | 847,091 |
| Purchase of financial assets at fair value through profit or loss | | - | (895,092) |
| Proceeds from sale of financial assets at fair value through profit or loss | | 1,070,670 | - |
| Net cash paid from acquisition of subsidiary | 8 | - | (3,742,740) |
| **Net cash flows used in investing activities** | | (10,288,388) | (66,339,139) |
| **Financing activities** | | | |
| Dividends paid | 15 | (16,500,000) | (16,500,000) |
| Loans and Murabaha | | 7,493,424 | 65,323,317 |
| Finance costs | | (14,553,970) | (7,742,341) |
| **Net cash flows (used in) from financing activities** | | (23,560,546) | 41,080,976 |
| Increase (decrease) in cash and cash equivalents | | 1,954,666 | (14,241,893) |
| Cash and cash equivalents at 1 January | | (48,423,416) | (34,181,523) |
| **Cash and cash equivalents at 31 December** | 14 | (46,468,750) | (48,423,416) |

**The attached notes from 1 to 29 form part of these consolidated financial statements**

## (1) GENERAL INFORMATION

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

The main objectives of the Company is to invest or to participate 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 granted the right of distributing and marketing the oil products in addition to any other oil services authorized in Jordan for a period of ten years from the commercial Operations start date. In May 2013, the operational trading activities have been started.

The head office of the Company is located in Amman - Hashemite Kingdom of Jordan.

The consolidated financial statements were approved by management on 17 March 2019.

## (2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (2.1) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

The consolidated financial statements have been presented in Jordanian Dinar, which is the functional currency of the Group.

The consolidated financial statements have been prepared under the historical cost convention.

### (2.2) Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new amendment effective as of 1 January 2018:

**IFRS 9 Financial Instruments**
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortization cost.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognized in retained earnings. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

**Impairment**

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The impact of this change in accounting policies on the consolidation financial statements as a result of reclassification and expected credit loss calculation is as follows:

| | Before adjustment | Reclassification | ECL calculation | After adjustment |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Retained earnings | 27,722,672 | - | (2,419,843) | 25,302,829 |
| Financial assets at fair value through profit or loss | 994,936 | (210,000) | - | 784,936 |
| Financial assets at fair value through other comprehensive income | - | 210,000 | - | 210,000 |

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

**(a) Sale of goods**

The Group's contracts with customers for the sale of equipment/goods generally include performance obligation(s). The Group has concluded that revenue from sale of equipment/goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment/goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

***Variable consideration***

Some contracts for the sale of equipment/goods provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Company/Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

***Rights of return***

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

**(b) Advances received from customers**

Generally, the Company receives short-term advances from its customers. However, from time to time, the Company also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Company presented these advances as deferred revenue in the statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer is more than one year, the Company shall adjust the promised amount of consideration for the effects of the time value of money.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

**Amendments to IAS 40 Transfers of Investment Property**
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group's consolidated financial statements.

**Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions**
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Group's consolidated financial statements.

**Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's consolidated financial statements.

## (2.3) Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries were 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 which are included in the consolidated financial statatment are as the following:

| Name of the company | Main activity | Country of incorporation | Ownership percentage |
|---|---|---|---|
| Jordan Modern Oil and Fuel Services Company | Fuel marketing | Jordan | 100% |
| Jordan Modern Importing and Exporting Company (Free Zone) | Mineral oils marketing | Jordan | 100% |
| Jordan Modern Food Trading Company (Lumi) | Trading | Jordan | 100% |
| Aqaba Bulk Chemical Co. | Warehousing Services | Jordan | 55% |

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) SIGNIFICANT ACCOUNTING POLICIES

The following represent the major accounting policies adopted:

**Lands, property plant and equipment**

Property, plant and equipment (except land) are stated at cost, less accumulated depreciation and any impairment in value. The cost of property, equipment and accumulated depreciation is eliminated from the sale or disposal of property and equipment. Any gain or loss is recognized in the consolidated statement of comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using annual percentages as follows:

| | Annual rate of depreciation |
|---|---|
| Buildings | 2% |
| Equipment and tools | 10-20% |
| Vehicles and tanks | 15% |
| Computers and systems | 10-33% |
| Furniture and fixtures | 10% |
| Billboards | 10-15% |

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and impairment loss is recognized in the consolidated statement of comprehensive income.

**Projects in progress**

Projects in progress are stated at cost. This includes the cost of materials, direct salaries and wages on the projects and other direct costs. Project in progress are not subject for depreciation, until they are completed.

**Intangible assets**

Intangible assets are carried at cost less any accumulated amortization. Intangible assets represents the license of oil distribution based on agreement signed with Ministry of Energy and Natural Resources.

Intangible assets are being amortized over the agreement period of ten years from the commercial operation date in May 2013.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less any allowance for any uncollectible amounts, the Group applies the standard's simplified approach and calculates ECL based on lifetime expected credit losses. The Group established study is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in accordance with IFRS 9.

**Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand, cheques under collection due in one month and cash at banks, less due to bank.

**Loans and borrowings**

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Interest is recognized on long term loans during the year in which the income statement is accrued. Interest on long- term loans to finance project under construction is capitalized as part of the cost of these projects.

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Revenue and expense recognition**

In accordance with IFRS (15), revenue recognized is measured based on the five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled from the sale of properties and rendering of services at a point of time when the property is delivered and the invoice is issued to the customer and the receipt and use of the properties and services provided by the company.

Other income is recognized on an accrual basis.

Expenses are recognized on an accrual basis.

**Income tax**

The Group calculates income tax provision in accordance with the Income Tax Law No. 34 of 2014 and IAS 12 which requires the recognition for deferred tax arising from the difference between the accounting and tax value of assets and liabilities.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the consolidated statement of comprehensive income.

**Offsetting**

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

**Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Group.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

## Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions. We believe that our estimates of the consolidated financial statement are reasonable and detailed as the following:

### (1) Useful life of property and equipment

The Group's management estimates the useful life for property, plant and equipment for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually. Future depreciation expense is adjusted if management believes that the remaining useful life of the assets differs from previous estimations.

### (2) Provision for slow moving inventory

The Group's management performs an annual study on the ageing and value of inventory and based on the results of the study, a provision is taken against inventory proportional to its ageing and value.

### (3) Provision for expected credit loss

The provision for expected credit loss is reviewed by the Group's management based on their principles and assumptions according to International Financial Reporting Standards.

## (4) LANDS, PROPERTY, AND EQUIPMENT

| 2018 | Land* | Buildings | Vehicles and tanks | Equipment and tools | Computers and systems | Furniture and fixtures | Billboards | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost** | | | | | | | | |
| Balance at 1 January 2018 | 134,197,460 | 118,308,277 | 36,222,546 | 26,000,400 | 8,383,785 | 1,584,203 | 1,250,839 | 325,947,510 |
| Additions | 1,746,415 | 1,999,147 | 659,152 | 1,192,036 | 624,522 | 98,379 | 169,448 | 6,489,099 |
| Change in fair value resulted from Acquisition of a subsidiary (note 8) | - | - | - | 5,234,972 | - | - | - | 5,234,972 |
| Transfers from projects in progress (note 5) | 53,829 | 9,298,777 | - | 1,147,636 | - | - | - | 10,500,242 |
| Disposals | - | - | (4,605,827) | (166,224) | - | (1,522) | - | (4,773,573) |
| Balance at 31 December 2018 | 135,997,704 | 129,606,201 | 32,275,871 | 33,408,820 | 9,008,307 | 1,681,060 | 1,420,287 | 343,398,250 |
| **Accumulated Depreciation** | | | | | | | | |
| Balance at 1 January 2018 | - | 11,744,301 | 15,155,143 | 7,211,190 | 5,203,290 | 790,616 | 825,606 | 40,930,146 |
| Charge for the year | - | 2,683,327 | 3,451,121 | 2,057,234 | 600,455 | 203,307 | 164,204 | 9,159,648 |
| Disposals | - | - | (4,504,097) | (47,040) | - | (505) | - | (4,551,642) |
| Balance at 31 December 2018 | - | 14,427,628 | 14,102,167 | 9,221,384 | 5,803,745 | 993,418 | 989,810 | 45,538,152 |
| **Net book value at 31 December 2018** | 135,997,704 | 115,178,573 | 18,173,704 | 24,187,436 | 3,204,562 | 687,642 | 430,477 | 297,860,098 |

* Land lots owned by Jordan Modern Oil and Fuel Services Company (subsidiary) with a carrying value of JD 186,110,373 are pledged as collateral against the bank loans granted to the Group (note 16).

| 2017 | Land* | Buildings | Vehicles and tanks | Equipment and tools | Computers and systems | Furniture and fixtures | Billboards | Total |
|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost** | | | | | | | | |
| Balance at 1 January 2017 | 104,261,448 | 94,595,126 | 23,925,411 | 9,050,785 | 5,210,016 | 1,286,069 | 1,069,929 | 239,398,784 |
| Additions | 30,402,218 | 640,371 | 12,573,258 | 1,901,308 | 451,379 | 251,947 | 180,910 | 46,401,391 |
| Resulted from acquisition of a subsidiary (note 8) | - | 2,340,065 | 62,515 | 9,829,262 | 2,735,478 | 46,187 | - | 15,013,507 |
| Transfers from projects in progress (note 5) | - | 20,732,715 | - | 5,241,805 | - | - | - | 25,974,520 |
| Disposals | (466,206) | - | (338,638) | (22,760) | (13,088) | - | - | (840,692) |
| Balance at 31 December 2017 | 134,197,460 | 118,308,277 | 36,222,546 | 26,000,400 | 8,383,785 | 1,584,203 | 1,250,839 | 325,947,510 |
| **Accumulated Depreciation** | | | | | | | | |
| Balance at 1 January 2017 | - | 9,029,449 | 12,398,447 | 2,836,580 | 2,966,757 | 558,964 | 675,148 | 28,465,345 |
| Resulted from acquisition of a subsidiary (note 8) | - | 351,172 | 41,312 | 2,965,185 | 1,586,625 | 33,864 | - | 4,978,158 |
| Charge for the year | - | 2,363,680 | 3,028,286 | 1,414,522 | 650,176 | 197,788 | 150,458 | 7,804,910 |
| Disposals | - | - | (312,902) | (5,097) | (268) | - | - | (318,267) |
| Balance at 31 December 2017 | - | 11,744,301 | 15,155,143 | 7,211,190 | 5,203,290 | 790,616 | 825,606 | 40,930,146 |
| **Net book value at 31 December 2017** | 134,197,460 | 106,563,976 | 21,067,403 | 18,789,210 | 3,180,495 | 793,587 | 425,233 | 285,017,364 |

Depreciation charged for the year is included in cost of revenue and general and administrative expense as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Cost of revenue | 8,277,667 | 6,942,429 |
| General and administrative expense (note 21) | 881,981 | 862,481 |
| | 9,159,648 | 7,804,910 |

## (5) PROJECTS IN PROGRESS

| | Expected total cost of project | Expected completion date | 2018 | 2017 |
|---|---|---|---|---|
| | JD | | JD | JD |
| Idoon station | 1,200,000 | May 2019 | 564,212 | 42,595 |
| Al Ramtha station | 1,700,000 | May 2019 | 1,251,835 | 21,836 |
| Koridor Abdoun Station | 2,000,000 | June 2019 | 783,696 | 33,732 |
| Al Ruseifeh Station | 1,700,000 | June 2019 | 181,368 | 8,105 |
| Jerash (2) station | 1,700,000 | August 2019 | 60,709 | - |
| Solar system | 1,812,055 | April 2019 | 68,992 | 285,321 |
| Al Karak station - Mo'tah Station | 2,000,000 | - | - | 1,892,484 |
| Al Karak station - Al Wasbah Station | 1,709,747 | - | - | 1,492,816 |
| Al Karak station - Al Qatranah 2 Station | 1,500,000 | - | - | 1,380,389 |
| Central market fuel station | 1,300,000 | - | - | 988,229 |
| Al Jowaidah 2 Station | 1,000,000 | - | - | 845,987 |
| The Royal Court Station | 1,200,000 | - | - | 529,067 |
| Al Madouneh station | 1,700,000 | - | - | 57,016 |
| Other fuel stations projects | - | - | 536,276 | 272,060 |
| | | | 3,447,088 | 7,849,547 |

Movement on projects in progress was as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 7,849,547 | 17,677,063 |
| Additions* | 6,097,783 | 16,147,004 |
| Transfers to property and equipment | (10,500,242) | (25,974,520) |
| Balance at end of the year | 3,447,088 | 7,849,547 |

* The interest capitalized on projects for Jordan Modern Oil and Fuel Services Company (a subsidiary) amounting to JD 196,368 during 2018 (2017: JD 1,208,620)

## (6) INTANGIBLE ASSETS

Intangible assets represents the value of the license of oil distribution. Jordan Modern Oil and Fuel Services Company (subsidiary) signed an agreement with Ministry of Energy and Natural Resources on 20 November 2012 by which, the company was granted the right of distributing oil products and services for a period of ten years with a market share of 33% for JD 30,000,000. The value of the intangible asset is being amortized over the agreement period of ten years from the commercial operation start date in May 2013.

Movement on intangible asset is as follows:

| | Fuel distribution license | |
|---|---|---|
| | 2018 | 2017 |
| | JD | JD |
| **31 December 2018-** | | |
| **Cost:** | | |
| Balance at the beginning of the year | 30,000,000 | 30,000,000 |
| Balance at the end of the year | 30,000,000 | 30,000,000 |
| **Accumulated amortization:** | | |
| Balance at the beginning of the year | 14,012,596 | 11,012,596 |
| Amortization for the year | 3,000,000 | 3,000,000 |
| Balance at the end of the year | 17,012,596 | 14,012,596 |
| **Net Book Value** | 12,987,404 | 15,987,404 |

## (7) STRATEGIC FUEL INVENTORY

Movement on fair value of strategic fuel inventory resulting from the revaluation based on fuel prices as on 31 December was as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 5,205,900 | 4,475,090 |
| Reversal of impairment losses during the year | 321,460 | 976,533 |
| Issuances during the year | (2,288,674) | (245,723) |
| Balance at the end of the year | 3,238,686 | 5,205,900 |

## (8) 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 completed the process to determine the fair value of assets and liabilities acquired through the subsidiary in the first half of the year 2018. The acquision resulted in an increase in the property, plants and equipment by JD 5,234,972 to become JD 15,270,321, and a decrease in goodwill by JD 2,879,234 and an increase in non-controlling interest by JD 2,355,738.

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

| | Fair value | Book value |
|---|---|---|
| **Assets** | JD | JD |
| Property, plant and equipment | 15,270,321 | 10,035,349 |
| Financial investments | 110,000 | 110,000 |
| Inventories | 97,736 | 97,736 |
| Account receivables | 329,415 | 329,415 |
| Other debit balances | 74,193 | 74,193 |
| Cash on hand and at banks | 257,260 | 257,260 |
| | 16,138,925 | 10,903,953 |
| **Liabilities** | | |
| Loans | 3,433,515 | 3,433,515 |
| Partners' account | 4,082,778 | 4,082,778 |
| Account payables | 637,142 | 637,142 |
| Other credit balances | 712,763 | 712,763 |
| | 8,866,198 | 8,866,198 |
| **Net Assets acquired** | 7,272,727 | 2,037,755 |
| Non-controlling interests | 3,272,727 | |
| The Group's share in net assets | 4,000,000 | |
| The price paid for the Group's share of 55% | 4,000,000 | |

The movement on the initial goodwill is as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance as of 1 January | 2,879,234 | - |
| Intangible additions resulted from acquisition | - | 2,879,234 |
| Transferred to property, plants and equipment | (2,879,234) | - |
| Balance as of 31 December | - | 2,879,234 |

The movement on the non-controlling interests is as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance as of 1 January | 999,172 | - |
| Total comprehensive income for the year | 194,654 | 82,183 |
| Non-controlling interests share resulted from acquisition | 2,355,738 | 916,989 |
| Balance as of 31 December | 3,549,564 | 999,172 |

## (9) INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Fuel | 42,110,810 | 37,042,564 |
| Oil and lubricants | 2,868,278 | 3,325,063 |
| Spare parts and stations supplies | 3,712,963 | 3,371,537 |
| Grocery items | 680,696 | 754,037 |
| | 49,372,747 | 44,493,201 |

## (10) ACCOUNTS RECEIVABLE AND CHEQUES UNDER COLLECTION

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Customers receivables | 50,173,761 | 39,361,031 |
| Cheques under collection | 2,083,494 | 776,602 |
| Rent receivables | 522,699 | 817,050 |
| Less: allowance for expected credit loss | (4,219,843) | (1,800,000) |
| | 48,560,111 | 39,154,683 |

Doubtful debts for which lawsuits raised against amounted to JD 3,028,446 as of 31 December 2018 (2017: JD 2,481,373). The movement on the allowance for doubtful debts are as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance as of 1 January | 1,800,000 | 500,000 |
| Effect of adopting IFRS (9) | 2,419,843 | - |
| Balance as of 1 January (Restated) | 4,219,843 | 500,000 |
| Additions | - | 1,300,000 |
| Balance as of 31 December | 4,219,843 | 1,800,000 |

As at 31 December, the aging of trade receivables is as follows:

| | | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired | 1 - 30 days | 31 – 90 days | 91-120 days | > 120 days | Total |
| | JD | JD | JD | JD | JD | JD |
| 2018 | 21,429,736 | 8,388,589 | 5,821,620 | 3,294,536 | 10,817,027 | 49,751,508 |
| 2017 | 11,793,694 | 8,806,783 | 5,362,573 | 2,254,627 | 10,255,633 | 38,473,310 |

Unimpaired trade receivables are expected to be fully recovered based on management judgment.

In the normal course of business, the Group obtains bank guarantees from some customers' on their receivables. The value of the customers' receivables covered by guarantees is JD 10,774,324 as of 31 December 2018 (2017: JD 9,672,517).

## (11) RELATED PARTIES TRANSACTIONS

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

**Consolidated statement of financial position:**

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| **Due from related parties*** | | |
| Developed Crushers Company LTD (sister company) | 5,600,748 | 8,163,865 |
| United Iron and Steel Manufacturing Company PLC (sister company) | 217,109 | 366,382 |
| Advanced Transport and Land Shipping Services Company LTD (sister company) | 10,444,346 | 6,962,789 |
| Stone Castle Restaurant– Bayt Omar | 1,870,130 | 1,410,452 |
| Jordan Modern International Trade Company LTD (sister company) | 14,844 | 4,637 |
| Modern Cement and Mining Company LTD (sister company) | 2,434,279 | 486,652 |
| Mr. Muin Qadada (Vice Chairman) | 24,715 | 18,973 |
| Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company) | 148,878 | 104,989 |
| Jordan Modern Ready Mix Concrete Company LTD (sister company) | 329,704 | 198,846 |
| Al Adiyat Agricultural company (sister company) | 261,394 | - |
| Jena for Mining Company (sister company) | 25,070 | - |
| Jordan Modern Advanced Chemical Industries Company LTD (sister company) | 1,359 | 487 |
| Arab Towers Contracting Company (sister company) | 2,666,225 | 2,467,705 |
| Magnisia Jordan limited shareholding company (sister company) | 1,317,491 | 91,108 |
| Jordan Modern Company for high Information Technology (sister company) | 264,122 | 57,046 |
| Al Manseer charity | - | 500 |
| | 25,620,414 | 20,334,431 |

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| **Due to related parties*** | | |
| Jordan Modern Shipping and Clearance Company LTD (sister company) | 85,909 | 85,498 |
| Manaseer for Commercial Services (sister company) | 21,700 | 4,521 |
| Al Adiyat Al Sereea Machinery Trading Company sister company) | 237,602 | 109,909 |
| Jordan Modern Food and Industries Company LTD (sister company) | 9,732 | 29,041 |
| Manaseer Group for Industrial and Commercial Investments Company LTD (Parent company) | 758,220 | 2,472,124 |
| Engineer Ziad Al Manaseer (Chairman) | 131,713 | 127,847 |
| Khalid Ahmad Al Jafali (partner in a subsidiary) | 717,226 | 717,226 |
| Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary) | 717,226 | 717,226 |
| Afaq company for importing and storage (partner in a subsidiary) | 665,547 | 665,547 |
| | 3,344,875 | 4,928,939 |

* Related party balances are interest- free and do not have a due date.

**Property and equipment**

The Group purchased property and equipment and have projects in progress with relate parties by JD 7,525,271 as on 31 December 2018 (2017: JD 24,919,780).

**Consolidated statement of comprehensive income:**

Transactions with related parties are as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Expenses charged by head office | 428,260 | 285,839 |
| Oil and fuel sales | 19,215,415 | 22,124,102 |

The Group recognized transportation and other benefits for Board of Director during 2018.

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Board of directors transportation and other benefits | 25,000 | 55,704 |

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

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Salaries and benefits | 152,143 | 146,480 |

## (12) FINANCIAL ASSETS AT FAIR VALUE

The details are as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| **Financial assets at fair value through profit or loss** | | |
| Listed shares | 26,250 | 994,936 |
| **Total Financial assets at fair value through profit or loss** | 26,250 | 994,936 |
| **Financial assets at fair value through other comprehensive income** | | |
| Unlisted shares | 210,000 | - |
| **Total financial assets at fair value through other comprehensive income** | 210,000 | - |

## (13) OTHER CURRENT ASSETS

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Advances to suppliers | 543,033 | 1,807,853 |
| Prepaid expenses | 1,592,887 | 1,610,512 |
| Income tax deposits | 18,469 | 13,235 |
| Refundable deposits | 493,979 | 477,592 |
| Employees receivable | 155,939 | 147,193 |
| Others | 38,375 | 117,647 |
| | 2,842,682 | 4,174,032 |

## (14) CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Cash on hand | 4,105,767 | 1,250,277 |
| Cheques with maturities less than one month | 14,321,709 | 14,054,785 |
| Cash at banks | 5,487,546 | 4,725,608 |
| | 23,915,022 | 20,030,670 |
| Due to Banks (note 17) | (70,383,772) | (68,454,086) |
| Cash and cash equivalents | (46,468,750) | (48,423,416) |

## (15) EQUITY

### STATUTORY RESERVE

This amount represents appropriations at 10% of net income before income tax during this year and prior years. This reserve is not available for distribution to shareholders.

### DIVIDENDS

The general assembly approved in its ordinary meeting held on 29 April 2018, the distribution of cash dividends amounted to JD 16,500,000 representing 15% of the paid in capital against 2017 profit (2017: JD 16,500,000 representing 15% against 2016 profit).

## (16) LOANS AND MURABAHA

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Short term | Long term | Short term | Long term |
| | JD | JD | JD | JD |
| Capital Bank of Jordan – loans JD | 1,439,600 | 1,526,094 | 1,439,600 | 2,965,692 |
| Societe Generale Bank Jordan – loans JD | 1,587,614 | 1,699,300 | 1,474,762 | 3,252,441 |
| Arab Jordan Investment Bank loans- JD | 3,325,179 | 2,616,709 | 3,683,399 | 5,770,618 |
| Jordan Kuwait Bank loans- JD | 3,178,656 | 6,622,200 | 3,704,865 | 7,935,960 |
| Standard Chartered Bank loan- JD | 40,365,806 | - | 32,508,320 | - |
| Islamic International Arab Bank credit facilities – JD | 4,528,579 | - | 1,432,374 | 1,029,167 |
| Jordan Ahli Bank loans – JD | 2,166,840 | 3,426,780 | 2,145,520 | 5,381,343 |
| Bank of Jordan loans – JD | 2,000,000 | 6,483,333 | 12,489,838 | 7,466,669 |
| Housing Bank for Trade and Finance - JD | 1,770,833 | 1,243,567 | - | - |
| Bank Al Etihad loans – JD | 40,154,418 | 8,710,000 | 32,671,516 | - |
| | 100,517,525 | 32,327,983 | 91,550,194 | 33,801,890 |

Summary of the details and terms of the loans granted above is as follows:

| | Credit limit ceiling | Monthly instalment | Loan currency | First instalment date | Last instalment date |
|---|---|---|---|---|---|
| | JD | JD | JD | | |
| **Capital Bank loans:** | | | | | |
| Declining loan (1) | 539,000 | 21,000 | JD | 20 February 2018 | 20 February 2020 |
| Declining loan (2) | 110,000 | 2,750 | JD | 18 July 2018 | 18 October 2020 |
| Declining loan (3) | 500,000 | 12,500 | JD | 30 July 2018 | 30 October 2020 |
| Declining loan (4) | 3,300,000 | 269,800 | JD | 1 March 2018 | 30 April 2019 |
| **Standard Chartered Bank Loan** | | | | | |
| Revolving loan | 42,600,000 | One month from withdrawal date | USD | - | - |
| **Jordan Ahli Bank:** | | | | | |
| Declining loan (1) | 5,500,000 | 114,583 | JD | 31 August 2018 | 31 July 2021 |
| Declining loan (2) | 2,500,000 | 52,083 | JD | 31 October 2018 | 31 October 2021 |
| **Societe Generale Bank loan** | | | | | |
| Declining loan (1) | 2,768,628 | 70,313 | JD | 28 January 2018 | 28 December 2020 |
| Declining loan (2) | 1,940,575 | 48,965 | JD | 28 January 2018 | 28 December 2020 |
| **Arab Jordan Investment Bank loans:** | | | | | |
| Declining loan (1) | 1,250,000 | 26,041 | JD | 13 May 2017 | 13 April 2020 |
| Declining loan (2) | 2,850,000 | 79,166 | JD | 28 July 2017 | 28 June 2019 |
| Declining loan (3) | 2,167,966 | 45,165 | JD | 31 October 2017 | 10 September 2018 |
| Declining loan (4) | 2,750,000 | 57,291 | JD | 30 November 2017 | 31 October 2020 |
| Declining loan (5) | 1,673,144 | 34,857 | JD | 28 February 2018 | 31 January 2021 |
| Declining loan (6) | 693,900 | 14,456 | JD | 28 February 2018 | 31 January 2021 |
| Declining loan (7) | 392,850 | 8,184 | JD | 28 February 2018 | 31 January 2021 |
| Declining loan (8) | 250,000 | 4,966 | JD | 30 July 2018 | 30 November 2021 |
| Declining loan (9) | 1,007,309 | 4,482 | JD | 20 August 2018 | 20 July 2021 |
| Declining loan (10) | 650,000 | 13,542 | JD | 31 October 2018 | 30 September 2021 |

| | Credit limit ceiling | Monthly instalment | Loan currency | First instalment date | Last instalment date |
|---|---|---|---|---|---|
| | JD | JD | JD | | |
| **Jordan Kuwait Bank loan:** | | | | | |
| Declining loan | 17,411,400 | 264,888 | JD | 28 February 2018 | 31 January 2021 |
| **Islamic International Arab Bank Murabaha:** | | | | | |
| Facilities Murabaha (1) | 1,300,000 | 35,750 | JD | 27 March 2018 | 22 February 2022 |
| Facilities Murabaha (2) | 777,812 | 21,390 | JD | 27 March 2018 | 22 February 2022 |
| **Bank of Jordan loans:** | | | | | |
| Declining loan (1) | 2,000,000 | 33,333 | JD | 28 December 2018 | 28 December 2021 |
| Declining loan (2) | 1,000,000 | 166,666 | JD | 28 January 2018 | 28 December 2020 |
| Declining loan (3) | 4,000,000 | 66,666 | JD | 28 January 2018 | 28 January 2022 |
| Declining loan (4) | 3,000,000 | 50,000 | JD | 28 January 2018 | 28 January 2022 |
| Revolving loan | 9,999,999 | One month from withdrawal date | JD | - | - |
| **Housing Bank for Trade and Finance** | | | | | |
| Declining loan | 10,000,000 | 833,333 | JD | 10 January 2020 | 7 January 2023 |
| **Bank Al Etihad loans:** | | | | | |
| Declining loan | 11,000,000 | 229,000 | JD | 31 Mach 2019 | 28 February 2023 |
| Trade finance loan | 22,839,116 | One month from withdrawal date | USD | - | - |
| Revolving loan | 15,000,000 | 45 days from withdrawal date | JD | - | - |

These loans are secured by a first degree mortgage on properties owned by Jordan Modern Oil and Fuel Services Company (subsidiary) as well as the personal guarantee of the Chairman of the Board.

The interest rates on loans in JD ranges (7.25-9.25%) and the interest rate on loans in USD 5%. (2017: 7.25% - 8.5% for JD loans and 5% for USD loans)

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

| Year | JD |
|---|---|
| 2020 | 16,023,684 |
| 2021 | 10,077,189 |
| 2022 and after | 6,227,110 |
| | 32,327,983 |

## (17) DUE TO BANKS

This item represents the utilized balances of the overdraft credit facilities granted to the Jordan Modern Company for Oil and Gas Services (subsidiary) by banks, the details are as follows:

| | Ceiling | 2018 | 2017 |
|---|---|---|---|
| | JD | JD | JD |
| Capital Bank of Jordan | 20,000,000 | 18,118,282 | 19,832,606 |
| Societe Generale Bank | 5,100,000 | 5,134,595 | 4,926,346 |
| Arab Jordan Investment Bank | 20,000,000 | 20,687,333 | 8,080,485 |
| Jordan Kuwait Bank | 13,000,000 | 12,653,852 | 12,903,842 |
| Arab Bank | 6,700,000 | 6,719,869 | 4,942,953 |
| Bank Al-Etihad | 1,000,000 | 721,205 | 10,279,699 |
| Housing Bank for Trade and Finance | 7,500,000 | 6,348,636 | 7,488,155 |
| | | 70,383,772 | 68,454,086 |

These facilities are secured by a first degree mortgage on the properties of Jordan Modern Company for Oil and Gas Services (subsidiary) in addition to the guarantee of the Chairman of the Board.

The interest rates on due to bank in JD ranges from 8% to 9.5% (2017: 7.5% to 8.5%).

## (18) INCOME TAX

Movement on income tax provision is as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 4,576,898 | 3,514,674 |
| Income tax paid | (5,155,440) | (4,840,839) |
| Income tax charge for the year* | 1,946,692 | 5,903,063 |
| Balance at the ending of the year | 1,368,150 | 4,576,898 |

* Income tax appearing in the consolidated statement of comprehensive income represents the following:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Income tax expense for the year | 1,946,692 | 5,903,063 |

Reconciliation between taxable profit and accounting profit is as follows:

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Accounting Profit | 12,586,262 | 29,763,915 |
| Non- taxable income | - | 1,444,157 |
| Tax-exempt income | (1,162,783) | (1,388,810) |
| Taxable profit | 11,423,479 | 29,819,262 |
| Statutory income tax rate | 5%-20% | 5%-20% |

The income tax is calculated for the year ended 31 December 2018 and 2017 in accordance with the Income Tax Law No. (34) of 2014.

**Afaq For Energy:**
The Company reached a final settlement with the Income and Sales Tax Department for the year 2009. The Company has submitted its income tax declaration for the years from 2010 to 2017 but the Income and Sales Tax Department did not review them up to the date of these consolidated financial statements.

**Jordan Modern Oil and Fuel Services Company (subsidiary):**
The Company reached a final settlement with the Income and Sales Tax Department up to the year 2014. The company submitted its income tax declaration for the years from 2015 to 2017 but the Income and sales tax department did not review them to the date of these consolidated financial statements.

The branch in Aqaba Special Economic Zone reached a final settlement with Income and Sales Tax Department up to 2014, and submitted the income tax declaration for the years from 2015 to 2017, 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 (subsidiary):**
The company reached a final settlement with the Income Tax Department for the years from 2013 to 2016 and the company submitted its income tax declaration for the year 2017 but the Income and Sales Tax Department up to the date of these consolidated financial statements.

**Jordan Modern Importing and Exporting Company (Free Zone) (subsidiary):**
The company submitted its income tax declaration for the years 2012 to 2017 but the Income and Sales Tax Department did not review them up to the date of these consolidated financial statements.

**Aqaba Bank Chemical Company (subsidiary):**
The Company reached a final settlement with the Income and Sales Tax Department up to the year 2016. The Company submitted its income tax declaration for the year 2017 but the Income and Sales Tax Department did not review them yet.

## (19) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Trade payables | 42,926,610 | 30,109,471 |
| Advances from customers | 1,060,108 | 1,473,177 |
| Sales tax withholding | 494,762 | 854,601 |
| Accrued expenses | 515,627 | 139,647 |
| Jordan universities fee provision | 69,762 | 69,762 |
| Dividends payable | 134,648 | 105,271 |
| Social security withholding | 198,448 | 176,868 |
| | 45,399,965 | 32,928,797 |

## (20) REVENUES

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Fuel and oil sales | 967,742,705 | 894,028,139 |
| Fuel transportation | 17,650,413 | 15,965,157 |
| Rent | 1,745,225 | 1,644,325 |
| Food trading | 10,192,617 | 8,659,748 |
| | 997,330,960 | 920,297,369 |

## (21) GENERAL AND ADMINISTRATIVE EXPENSES

| | 2018 | 2017 |
|---|---|---|
| | JD | JD |
| Salaries and wages | 3,697,068 | 3,223,187 |
| Advertisements | 441,167 | 447,225 |
| Head office charges | 428,260 | 285,839 |
| Rent | 79,969 | 206,143 |
| Professional fees | 84,154 | 302,659 |
| Vehicles expenses | 190,014 | 238,948 |
| Water, electricity and telephone | 783,764 | 630,776 |
| Registration, licenses and stamps fees | 660,107 | 730,984 |
| Training travel and accommodation | 23,294 | 91,825 |
| Donations | 79,188 | 123,139 |
| Stationary and printing | 24,409 | 14,903 |
| Hospitality | 34,148 | 37,414 |
| Maintenance and fuel | 133,752 | 89,591 |
| Consumable tools | 11,627 | 13,206 |
| Board members transportation and other benefits | 25,000 | 55,704 |
| Depreciation | 881,981 | 862,481 |
| Others | 479,576 | 230,575 |
| | 8,057,478 | 7,584,599 |

## (22) 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

These segments in formation are detailed below:

| | Oil and Fuel | Import and Export | Food Trading | Afaq for Energy | Others | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **For the year ended 31 December 2018** | | | | | | |
| **Revenue-** | | | | | | |
| Revenue | 975,066,282 | 10,326,836 | 10,192,617 | - | 1,745,225 | 997,330,960 |
| Cost of Revenue | (947,294,866) | (9,048,463) | (8,779,044) | - | - | (965,122,373) |
| Gross profit | 27,771,416 | 1,278,373 | 1,413,573 | - | 1,745,225 | 32,208,587 |
| **Segments results-** | | | | | | |
| Profit (loss) before tax | 11,337,174 | 1,162,783 | 136,344 | (50,039) | - | 12,586,262 |
| **Other segments information-** | | | | | | |
| General and administrative expenses | (5,705,218) | (133,086) | (2,159,526) | (59,648) | - | (8,057,478) |
| Finance costs | (14,550,292) | (2,299) | (1,449) | - | - | (14,553,970) |
| Provision for doubtful accounts | - | - | - | - | - | - |
| Gain from sale of financial assets through profit or loss | - | - | - | 311,984 | - | 311,984 |
| Gain from disposal of land, property and equipment | 1,005,287 | - | 606 | - | - | 1,005,893 |
| Change of fair value of financial assets | - | - | - | - | - | - |
| Other income | 769,381 | 19,725 | 882,140 | - | - | 1,671,246 |
| Capital expenditures | 6,033,179 | 208 | 455,712 | - | - | 6,489,099 |
| **For the year ended 31 December 2017** | | | | | | |
| **Revenue-** | | | | | | |
| Revenue | 899,905,449 | 10,087,847 | 8,659,748 | - | 1,644,325 | 920,297,369 |
| Cost of revenue | (859,336,048) | (8,593,801) | (7,242,356) | - | - | (875,172,205) |
| Gross profit | 40,569,401 | 1,494,046 | 1,417,392 | - | 1,644,325 | 45,125,164 |
| **Segments results-** | | | | | | |
| Profit (loss) before tax | 28,485,867 | 1,388,810 | 80,131 | (190,893) | - | 29,763,915 |
| **Other segments information-** | | | | | | |
| General and administrative expenses | (5,577,261) | (112,291) | (1,836,148) | (58,899) | - | (7,584,599) |
| Finance costs | (7,738,353) | (3,462) | (526) | - | - | (7,742,341) |
| Provision for doubtful accounts | (1,300,000) | - | - | - | - | (1,300,000) |
| Gain from disposal of land, property and equipment | 324,664 | - | - | - | - | 324,664 |
| Change of fair value of financial assets | - | - | - | (144,157) | - | (144,157) |
| Other income | 563,091 | 10,517 | 499,413 | 12,163 | - | 1,085,184 |
| Capital expenditures | 45,729,155 | 61,243 | 610,993 | - | - | 46,401,391 |

| | Oil and Fuel | Import and Export | Food Trading | Afaq for Energy | Eliminations | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| **As of 31 December 2018** | | | | | | |
| **Assets and liabilities-** | | | | | | |
| Segment assets | 435,983,332 | 9,026,512 | 2,866,667 | 164,697,460 | (144,493,469) | 468,080,502 |
| Segment liabilities | 321,433,566 | 2,836,406 | 2,507,221 | 19,053,027 | (24,849,854) | 320,980,366 |
| **As of 31 December 2017** | | | | | | |
| **Assets and liabilities** | | | | | | |
| Segment assets | 416,056,915 | 9,018,215 | 2,726,300 | 181,155,103 | (162,835,131) | 446,121,402 |
| Segment liabilities | 287,173,072 | 3,990,891 | 2,475,726 | 29,455,585 | (29,998,543) | 293,096,731 |

## (23) CONTINGENT LIABILITIES

### Bank Guarantees

As of the date of financial statements, the Group has contingent liabilities in the form of bank guarantees amounting to JD 4,474,186 (2017: JD 8,946,056).

### Legal cases

There is a number of legal cases raised against Jordan Modern Oil and Fuel Services Company (subsidiary) in the normal course of business amounting to JD 406,910 (2017: JD 480,635). According to the Group's management and legal advisor, no material liability will arise as a result of these lawsuits. On the other hand, the group raised legal cases against others for a total amount of JD 3,086,062 as of 31 December 2018 (2017: JD 2,333,129).

### Capital expenditures

The Group contracted to construct gas station projects and to purchase equipment. The expected remaining cost to complete these projects is JD 6,664,967 as of 31 December 2018 (2017: JD 5,572,255).

## (24) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade receivable, cheques under collection, due from related parties and financial assets at fair value through profit or loss and other comprehensive income and other current assets. Financial liabilities consist of due to banks, loans and murabaha, trade payables, postdated cheques, government deposits, amounts due to government, amounts due to related parties and other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

## (25) RISK MANAGEMENT

**Interest rate risk**

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (due to banks and loans).

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December:

| **2018** | Increase in basis points | Effect on profit for the year |
|---|---|---|
| JD | 100 | (2,032,293) |
| | Decrease in basis points | Effect on profit for the year |
| JD | 100 | 2,032,293 |

| **2017** | Increase in basis points | Effect on profit for the year |
|---|---|---|
| JD | 100 | (1,938,062) |
| | Decrease in basis points | Effect on profit for the year |
| JD | 100 | 1,938,062 |

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group provides its services to a large number of customers. Top 10 customer accounts for 34% of outstanding trade receivables at 31 December 2018 (2017: Top 10 customers for 27%).

**Liquidity risk**

The Group limits its liquidity risk by ensuring adequate financing is available from Banks facilities.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December.

| 2018- | Less than 3 months JD | 3 to 12 months JD | From 1 to 5 years JD | Total JD |
|---|---|---|---|---|
| Trade payables and other current liabilities | 45,726,955 | - | - | 45,726,955 |
| Due to related parties | 3,344,875 | - | - | 3,344,875 |
| Due to banks | 70,383,772 | - | - | 70,383,772 |
| Loans and Murabaha | 97,075,406 | 10,068,959 | 34,995,042 | 142,139,407 |
| Due to Jordan Petroleum Refinery Company Ltd. | 14,343,408 | - | - | 14,343,408 |
| Governmental deposits | 52,295,902 | - | - | 52,295,902 |
| Post dated cheques | 998,786 | - | - | 998,786 |
| **Total** | 284,169,104 | 10,068,959 | 34,995,042 | 329,233,105 |

| 2017- | Less than 3 months JD | 3 to 12 months JD | From 1 to 5 years JD | Total JD |
|---|---|---|---|---|
| Trade payables and other current liabilities | 32,928,797 | - | - | 32,928,797 |
| Due to related parties | 4,928,939 | - | - | 4,928,939 |
| Due to banks | 68,454,086 | - | - | 68,454,086 |
| Loans and Murabaha | 78,064,606 | 20,695,167 | 36,463,787 | 135,223,560 |
| Due to Jordan Petroleum Refinery Company Ltd. | 14,948,527 | - | - | 14,948,527 |
| Governmental deposits | 41,397,637 | - | - | 41,397,637 |
| Post dated cheques | 509,763 | - | - | 509,763 |
| **Total** | 241,232,355 | 20,695,167 | 36,463,787 | 298,391,309 |

### Currency risk

Most of the Group's transactions are in Jordanian Dinars, US Dollars. The Jordanian Dinar is pegged to the US Dollar (USD 1.41 for 1 JD). Accordingly, the Group is not exposed to significant currency risk.

## (26) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

Capital comprises paid-in capital, statutory reserve and retained earnings and is measured at JD 143,550,572 as at 31 December 2018 (2017: JD 152,025,499).

## (27) GOING CONCERN

The Group's current liabilities exceeded its current assets by JD 138.3 million as of 31 December 2018 (2017: JD 130 million), the Group has taken various actions to overcome this issue by restructuring the major overdraft facilities amounting to JD 44 million into long term loans during the years 2018 and 2019 and increase the credit period for the major suppliers of petroleum products to 60 days from delivery date instead of paying the full amount upon delivery as used to be in 2017.

The forecasted cash flow for the upcoming 12 months has indicated sufficient availability of cash resources to meet the Company's obligation as follows:

| | 2019 |
|---|---|
| | Million JD |
| Total forecasted cash in- flow | 1,024 |
| Total forecasted cash out- flow | 1,076 |
| Forecasted cash deficit | (52) |
| Available revolving loans limits | 57 |

## (28) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

*Transition to IFRS 16*

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16. The Group expect the effect of adopting IFRS 16 to be JD 9,927,756 on the total assets and total liabilities.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

**Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

**Amendments to IFRS 10 and IAS 28:Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

## (29) COMPARATIVE FIGURES

Some of 2017 comparative figures were reclassified to correspond with 31 December 2018 presentation. The reclassification has no effect on the profit and equity of the year 2017.