



Ref: MG/F/20-3545
JUNE 28, 2020

Jordan Security Commission,

Dear Sirs,

Subject: Financial Results 2019

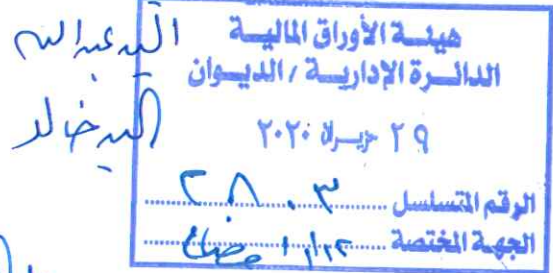
As per JSC regulations, please find enclosed Financial Results for AFAQ Energy for the year ended December 31, 2019.

Kind regard,

AFAQ Energy



للموافقة
م. ب. مهدي عمار
م. المدني



7/29

AFAQ FOR ENERGY

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019, 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 2019, 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.

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. 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:
<p>The Group's revenues amounted to JD 890,149,692 for the year ended 31 December 2019 (2018: JD 997,330,960), out of this total gas stations sales from petroleum products equaled to JD 854,413,654 (2018: JD 967,742,705) representing 96% 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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We assessed the appropriateness of the Group's revenue recognition accounting policies in accordance with International Financial Reporting Standards and distribution agreement; - We obtained understanding, tested and evaluated the Group's controls over revenue recognition. - We performed year-end cut-off audit procedures to assess whether revenue had been recorded in the correct period. - Having built expectations about the expected revenues for the year we performed substantive analytical procedures using financial and non-financial information. - We have compared the monthly sales prices per accounting records to the retail prices of petroleum products

	<p>published by the Ministry of Energy and Mining Resources.</p> <p>Refer to revenues disclosure note (21) in the consolidated financial statements.</p>
2. Assessment of the appropriateness expected credit loss provision	
<p>Key Audit matter</p> <p>The Group's portfolio of trade and notes receivables and due from related parties amounted to JD 117,280,808 as of 31 December 2019. 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.</p> <p>Due to the significance of trade receivables and the related provision estimation uncertainty this is considered a key audit matter.</p>	<p>How the key audit matter was addressed in the audit</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We obtained the expected credit loss provision calculation as of yearend. - 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. - We checked and reasonableness of customers categorizations by common risk characteristics. - We checked the reasonableness and the data used in the forward-looking estimates to determine the expected loss rate. - We recalculated Lifetime expected credit loss allowance. <p>Refer to Accounts receivable and cheques under collection disclosure note (11,10) in the consolidated financial statements.</p>

3. Recognition of related party transactions

Key Audit matter

The Group's balances of due from related parties amounted to JD 50,563,224 as of 31 December 2019 (2018: JD 25,620,414) and due to related parties amounting to JD 3,941,240 as of 31 December 2019 (2018: JD 3,344,875). 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

Our audit procedures included the following:

- We have evaluated the appropriateness of management's procedures to identify and record related party transactions.
- We have vouched material agreements with related parties to understand the nature of the transactions.
- 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.

Refer to related parties disclosure note (11) in the consolidated financial statements.

Other information included in the Group's 2019 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 the Consolidated 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 the Consolidated 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 exists. 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 exists, 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Bishr Baker license number 592.

Amman-Jordan
30 April 2020



AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 DECEMBER 2019

	Notes	2019 JD	2018 JD
Assets-			
Non-current Assets-			
Lands, property and equipment	4	299,854,073	297,860,098
Projects in progress	5	489,917	3,447,088
Intangible assets	6	9,987,404	12,987,404
Strategic fuel inventory	7	140,094	3,238,686
Financial assets at fair value through other comprehensive income	12	210,000	210,000
Right of use assets	2	12,599,888	-
		<u>323,281,376</u>	<u>317,743,276</u>
Current Assets-			
Inventories	9	34,997,976	49,372,747
Accounts receivable and cheques under collection	10	66,717,584	48,560,111
Due from related parties	11	50,563,224	25,620,414
Financial assets at fair value through profit or loss	12	26,250	26,250
Other current assets	13	1,699,295	2,842,682
Cash on hand and at banks	14	29,559,380	23,915,022
		<u>183,563,709</u>	<u>150,337,226</u>
Total Assets		<u><u>506,845,085</u></u>	<u><u>468,080,502</u></u>
Equity and Liabilities			
Equity-			
Paid in capital	1	110,000,000	110,000,000
Statutory reserve	15	17,371,306	15,561,453
Retained earnings		22,855,166	17,989,119
Total shareholders' equity		<u>150,226,472</u>	<u>143,550,572</u>
Non- controlling interest		<u>3,731,622</u>	<u>3,549,564</u>
Total equity		<u><u>153,958,094</u></u>	<u><u>147,100,136</u></u>
Non-current Liability-			
Loans and Murabaha	16	49,998,259	32,327,983
Lease liability – long term	2	11,287,979	-
		<u>61,286,238</u>	<u>32,327,983</u>
Current Liabilities-			
Due to banks	14,17	29,099,044	70,383,772
Loans and Murabaha- short term	16	99,908,953	100,517,525
Due to related parties	11	3,941,240	3,344,875
Post-dated cheques – short term		800,173	998,786
Income tax provision	19	2,149,051	1,368,150
Governmental deposits		76,446,198	52,295,902
Due to Jordan Petroleum Refinery Company Ltd.		6,435,887	14,343,408
Accounts payable and other current liabilities	20	71,743,793	45,399,965
Lease liability – short term	2	1,076,414	-
		<u>291,600,753</u>	<u>288,652,383</u>
Total Liabilities		<u><u>352,886,991</u></u>	<u><u>320,980,366</u></u>
Total Equity and Liabilities		<u><u>506,845,085</u></u>	<u><u>468,080,502</u></u>

The attached notes from 1 to 31 form part of these consolidated financial statements

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>Notes</u>	<u>2019</u> JD	<u>2018</u> JD
Revenues	21	890,149,692	997,330,960
Cost of revenues		<u>(847,802,544)</u>	<u>(965,122,373)</u>
Gross profit		42,347,148	32,208,587
General and administrative expenses	22	(9,207,174)	(8,057,478)
Finance costs		(15,623,913)	(14,553,970)
Expected credit loss	10	(1,012,063)	-
Gain from sale of financial assets through profit or loss		-	311,984
Gains from disposal of property, plant and equipment		126,954	1,005,893
Other income		<u>1,467,575</u>	<u>1,671,246</u>
Profit for the year before tax		18,098,527	12,586,262
Income tax expense	19	<u>(2,990,569)</u>	<u>(1,946,692)</u>
Profit for the year		15,107,958	10,639,570
Add: other comprehensive income items		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>15,107,958</u>	<u>10,639,570</u>
Attributed to:			
Shareholders		14,925,900	10,444,916
Non-controlling interest		<u>182,058</u>	<u>194,654</u>
		<u>15,107,958</u>	<u>10,639,570</u>
		<u>(JD/ Fills)</u>	<u>(JD/ Fills)</u>
Basic and diluted earnings per share		<u>0/136</u>	<u>0/095</u>

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Paid in capital	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	JD	JD	JD	JD	JD	JD
2019-						
Balance as of 1 January 2019	110,000,000	15,561,453	17,989,119	143,550,572	3,549,564	147,100,136
Total comprehensive income for the year	-	-	14,925,900	14,925,900	182,058	15,107,958
Transfer to statutory reserve	-	1,809,853	(1,809,853)	-	-	-
Dividends (note 15)	-	-	(8,250,000)	(8,250,000)	-	(8,250,000)
Balance as of 31 December 2019	110,000,000	17,371,306	22,855,166	150,226,472	3,731,622	153,958,094
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

The attached notes from 1 to 31 form part of these consolidated financial statements

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>Notes</u>	<u>2019</u> JD	<u>2018</u> JD
<u>Operating activities</u>			
Profit for the year before tax		18,098,527	12,586,262
Adjustments for:			
Depreciation and amortization	4,6,2	13,942,822	12,159,648
Expected credit loss	10	1,012,063	-
Gain on sale of financial assets at fair value through profit or loss		-	(311,984)
Finance costs		15,623,913	14,553,970
Gain from disposal of lands, property plant and equipment		(126,954)	(1,005,893)
Impairment (Reversal of) losses for strategic fuel inventory	7	396,002	(321,460)
<u>Working capital adjustments</u>			
Accounts receivable and cheques under collection		(19,169,536)	(11,825,271)
Inventories		14,374,771	(4,879,546)
Strategic fuel inventory		2,702,590	2,288,674
Other current assets		1,143,387	1,331,350
Due from related parties		(24,942,810)	(5,285,983)
Post-dated cheques		(198,613)	489,023
Due to related parties		596,366	(1,584,064)
Governmental deposits		24,150,296	10,898,265
Accounts payable and other current liabilities		18,436,307	11,866,049
Net cash flows from operating activities before paid tax		66,039,131	40,959,040
Income tax paid	19	(2,209,668)	(5,155,440)
Net cash flows from operating activities		63,829,463	35,803,600
<u>Investing activities</u>			
Purchase of lands, property plant and equipment and projects in progress	4, 5	(9,470,859)	(12,586,882)
Proceeds from sale of lands, property, plant and equipment		369,577	1,227,824
Proceeds from sale of financial assets at fair value through profit or loss		-	1,070,670
Net cash flows used in investing activities		(9,101,282)	(10,288,388)
<u>Financing activities</u>			
Dividends paid	15	(8,250,000)	(16,500,000)
Loans and Murabaha		17,061,704	7,493,424
Paid from finance lease	2	(1,459,423)	
Finance costs		(15,151,376)	(14,553,970)
Net cash flows used in financing activities		(7,799,095)	(23,560,546)
Increase in cash and cash equivalents		46,929,086	1,954,666
Cash and cash equivalents at 1 January		(46,468,750)	(48,423,416)
Cash and cash equivalents at 31 December	14	460,336	(46,468,750)

The attached notes from 1 to 31 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 2020.

(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 used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

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

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of lands. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

• **Leases previously classified as finance leases**

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

• **Leases previously accounted for as operating leases**

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- * Used a single discount rate to a portfolio of leases with reasonably similar characteristics, they used a discount rate ranging from 7% to 9%.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2010 as follows:

	Right of use assets	Lease liability
	JD	JD
As of 1st January 2019		
Depreciation for the year	9,927,756	9,927,756
	(751,387)	-
Finance cost for the year	-	472,541
Paid during the year	-	(1,459,423)
Additions during the year	3,423,519	3,423,519
As of 31 December 2019	12,599,888	12,364,393

	31 December 2019
	JD
Short term lease obligations	1,076,414
Long term lease obligations	11,287,979
	12,364,393

b) Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), and variable lease payments that depend on an index or a rate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

This means that the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in

business strategy).

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Interpretation did not have an impact on the Group's financial statements.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

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

(2.3) Basis of consolidation of financial statements

The 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 which are included in the consolidated financial statements 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:

	<u>Annual rate of depreciation</u>
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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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. 38 of 2018 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:

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.

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.

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.

Determining the length of rent contract:

The group specifies the term of the lease contract if it is a non-cancelable contract, taking into account the periods covered and by the option to extend the lease if this option is certain to be exercised, or any periods related to the option to terminate the lease, if it is from Certainly, the group will not exercise this option

Under some leases, the group has the right to lease the assets for additional periods. The Group makes estimates in assessing whether the renewal option is certain to be exercised.

This means, the group considers all relevant factors that constitute an economic incentive to exercise the option of renewal. Subsequently, the Group reassesses the term of the lease in the event of a significant event or a change in the conditions under its control, which may affect its ability to exercise (or not exercise) the renewal option (for example, a change in the business strategy).

This means, the group considers all relevant factors that constitute an economic incentive to exercise the option of renewal. Subsequently, the Group reassesses the term of the lease in the event of a significant event or a change in the conditions under its control, which may affect its ability to exercise (or not exercise) the renewal option (for example, a change in the business strategy).

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

(4) LANDS, PROPERTY, AND EQUIPMENT									
2019	Land*	Buildings*	Vehicles and tanks	Equipment and tools*	Computers and systems	Furniture and fixtures	Billboards	Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost									
Balance at 1 January 2019	135,997,704	129,606,201	32,275,871	33,408,820	9,008,307	1,681,060	1,420,287	343,398,250	
Additions	149,910	1,286,526	670,569	1,535,507	504,358	83,801	88,492	4,319,163	
Transfers from projects in progress (note 5)	-	7,703,346	-	129,044	276,477	-	-	8,108,867	
Disposals	-	-	(595,233)	(91,196)	-	(1,883)	-	(688,312)	
Balance at 31 December 2019	136,147,614	138,596,073	32,351,207	34,982,175	9,789,142	1,762,978	1,508,779	355,137,968	
Accumulated Depreciation									
Balance at 1 January 2019	-	14,427,628	14,102,167	9,221,384	5,803,745	993,418	989,810	45,538,152	
Charge for the year	-	2,842,487	3,298,957	3,028,909	693,837	211,984	115,261	10,191,435	
Disposals	-	(50,497)	(391,225)	(2,620)	-	(1,350)	-	(445,692)	
Balance at 31 December 2019	-	17,219,618	17,009,899	12,247,673	6,497,582	1,204,052	1,105,071	55,283,895	
Net book value at 31 December 2019	136,147,614	121,376,455	15,341,308	22,734,502	3,291,560	558,926	403,708	299,854,073	

* Stations 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).

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

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	297,650,098

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

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

	2019 JD	2018 JD
Cost of revenue	8,703,077	8,277,667
General and administrative expense (note 22)	1,488,358	881,981
	<u>10,191,435</u>	<u>9,159,648</u>

(5) PROJECTS IN PROGRESS

	Expected total cost of project JD	Expected completion date	2019 JD	2018 JD
Idoon station	Completed	Completed	-	564,212
Al ramtha station	Completed	Completed	-	1,251,835
Al ruseifeh Station	Completed	Completed	-	181,368
Koridor Abdoun Station	Completed	Completed	-	783,696
Jerash (2) station	1,100,000	31/10/2020	88,816	60,709
Solar system	298,615	30/4/2020	3,950	68,992
Al madona station	1,400,000	31/10/2020	72,370	-
Al ramtha 3 station	1,100,000	31/10/2020	29,575	-
Al ramtha 2 station	1,050,000	31/10/2020	25,511	-
AL shareef station	1,100,000	31/8/2020	31,191	-
Ma'som Station	1,200,000	31/10/2020	45,475	-
Ma'daba 2 Station	1,200,000	30/11/2020	26,715	-
Khalda station	1,500,000	30/11/2020	10,967	-
Yarmouk station	1,100,000	30/4/2020	16,550	-
Solar system lumi	300,000	30/4/2020	25,664	-
Liquid gas project	500,000	30/4/2020	86,835	-
Yajouz station	1,200,000	31/10/2020	19,132	-
Other fuel stations projects	3,500,000	30/4/2020	7,166	536,276
			<u>489,917</u>	<u>3,447,088</u>

Movement on projects in progress was as follows:

	2019 JD	2018 JD
Balance at the beginning of the year	3,447,088	7,849,547
Additions*	5,151,696	6,097,783
Transfers to property and equipment	(8,108,867)	(10,500,242)
Balance at end of the year	<u>489,917</u>	<u>3,447,088</u>

* No interest was capitalized on projects for Jordan Modern Oil and Fuel Services Company (a subsidiary) during 2019 (2018: JD 196,368)

(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	
	2019	2018
	JD	JD
31 December 2019-		
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	17,012,596	14,012,596
Amortization for the year	3,000,000	3,000,000
Balance at the end of the year	20,012,596	17,012,596
Net Book Value	9,987,404	12,987,404

(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:

	2019	2018
	JD	JD
Balance at the beginning of the year	3,238,686	5,205,900
Reversal of (impairment) losses during the year	(396,002)	321,460
Issued during the year	(2,702,590)	(2,288,674)
Balance at the end of the year	140,094	3,238,686

(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 2019. The acquisition 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 JD	Book value JD
Assets		
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
	<u>16,138,925</u>	<u>10,903,953</u>
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
	<u>8,866,198</u>	<u>8,866,198</u>
Net Assets acquired	<u>7,272,727</u>	<u>2,037,755</u>
Non-controlling interests	<u>3,272,727</u>	
The Group's share in net assets	<u>4,000,000</u>	
The price paid for the Group's share of 55%	<u>4,000,000</u>	

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

The movement on the initial goodwill is as follows:

	2019 JD	2018 JD
Balance as of 1 January	-	2,879,234
Transferred to property, plants and equipment	-	(2,879,234)
Balance as of 31 December	-	-

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

	2019 JD	2018 JD
Balance as of 1 January	3,549,564	999,172
Total comprehensive income for the year	182,058	194,654
Non-controlling interests share resulted from acquisition	-	2,355,738
Balance as of 31 December	3,731,622	3,549,564

(9) INVENTORIES

	2019 JD	2018 JD
Fuel	28,440,232	42,110,810
Oil and lubricants	2,440,609	2,868,278
Spare parts and stations supplies	3,357,803	3,712,963
Grocery items	759,332	680,696
	34,997,976	49,372,747

(10) ACCOUNTS RECEIVABLE AND CHEQUES UNDER COLLECTION

	2019 JD	2018 JD
Customers receivables	66,905,572	50,173,761
Cheques under collection	4,272,463	2,083,494
Rent receivables	771,455	522,699
Less: allowance for expected credit loss	(5,231,906)	(4,219,843)
	66,717,584	48,560,111

The movement on the allowance for doubtful debts are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Balance as of 1 January	4,219,843	1,800,000
IFRS 9 Adoption	-	2,418,843
Balance after adoption	4,219,843	4,219,843
Additions	1,012,063	-
Balance as of 31 December	5,231,906	4,219,843

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

	Neither past due nor impaired JD	Past due but not impaired				Total JD
		1 - 30 days JD	31 – 90 days JD	91-120 days JD	> 120 days JD	
2019	4,869,904	21,484,795	17,482,483	5,242,620	17,637,782	66,717,584
2018	21,429,736	8,388,589	5,821,620	3,294,536	9,625,630	48,560,111

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 6,843,500 as of 31 December 2019 (2018: JD 10,774,324).

(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:

	2019	2018
Due from related parties*		
Modern Cement and Mining Company LTD (sister company)	21,313,026	2,434,279
Mr. Muin Qadada (Vice Chairman)	-	24,715
Al Bunyan for Cement and Concrete Products Manufacturing Company LTD (sister company)	247,894	148,878
Advanced Transport and Land Shipping Services Company LTD (sister company)	15,235,919	10,444,346
Stone Castle Restaurant– Bayt Omar	-	1,870,130
Developed Crushers Company LTD (sister company)	8,505,900	5,600,748
Magnesia Jordan limited shareholding company (sister company)	1,839,701	1,317,491
United Iron and Steel Manufacturing Company PLC (sister company)	1,535,722	217,109
Jordan Modern Company for high Information Technology (sister company)	453,002	264,122
Roaa spare parts and maintenance (sister company)	415,469	-
Jordan Modern Ready Mix Concrete Company LTD (sister company)	328,421	329,704
Al Adiyat Agricultural company (sister company)	251,275	261,394
Excellence for mining (sister company)	213,712	-
Jordan modern for mining company (sister company)	116,796	-
Jordan first modern logistics (sister company)	1,662	-
Trust company for cement industries (sister company)	345	-
Jena for Mining Company (sister company)	51,720	25,070
Jordan Modern Advanced Chemical Industries Company LTD (sister company)	2,143	1,359
Arab Towers Contracting Company (previous sister company)	-	2,666,225
Al Bunyan for marble and granite (sister company)	8,523	-
Jordan modern chemical technology company (sister company)	3,000	-
Modern field of iron scrap company (sister company)	6,965	-
Leading mining company (sister company)	6,290	-
Al Manaseer charity (sister company)	6,408	-
Jordan Modern for International Trading (sister company)	19,331	14,844
	<u>50,563,224</u>	<u>25,620,414</u>

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

	2019 JD	2018 JD
Due to related parties*		
Jordan Modern Shipping and Clearance Company LTD (sister company)	-	85,909
Manaseer for Commercial Services (sister company)	-	21,700
Manaseer Group for Industrial and Commercial Investments Company LTD (Parent company)	2,040,237	758,220
Engineer Ziad Al Manaseer (Chairman)	-	131,713
Khalid Ahmad Al Jafali (partner in a subsidiary)	612,294	717,226
Suhail Ghaleb Shukri Al Farouqi (partner in a subsidiary)	612,226	717,226
Afaq company for importing and storage (partner in a subsidiary)	570,709	665,547
Al Adiyat Al Sereea Machinery Trading Company (sister company)	97,861	237,602
Jordan Modern Food and Industries Company LTD (sister company)	7,913	9,732
	<u>3,941,240</u>	<u>3,344,875</u>

* 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 57,186 as on 31 December 2019 (2018: JD 7,525,271).

Consolidated statement of comprehensive income:

Transactions with related parties are as follows:

	2019 JD	2018 JD
Expenses charged by head office	<u>363,115</u>	<u>428,260</u>
Oil and fuel sales	<u>13,504,896</u>	<u>19,215,415</u>

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

The Group recognized transportation and other benefits for Board of Director during 2019.

	<u>2019</u> JD	<u>2018</u> JD
Board of directors transportation and other benefits	<u>25,000</u>	<u>25,000</u>

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

	<u>2019</u> JD	<u>2018</u> JD
Salaries and benefits	<u>139,779</u>	<u>152,143</u>

(12) FINANCIAL ASSETS AT FAIR VALUE

The details are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Financial assets at fair value through profit or loss		
Listed shares	<u>26,250</u>	<u>26,250</u>
Total Financial assets at fair value through profit or loss	<u>26,250</u>	<u>26,250</u>
Financial assets at fair value through other comprehensive income		
Unlisted shares	<u>210,000</u>	<u>210,000</u>
Total financial assets at fair value through other comprehensive income	<u>210,000</u>	<u>210,000</u>

(13) OTHER CURRENT ASSETS

	<u>2019</u> JD	<u>2018</u> JD
Advances to suppliers	-	543,033
Prepaid expenses	755,108	1,592,887
Income tax deposits	26,662	18,469
Refundable deposits	556,598	493,979
Employees receivable	37,831	155,939
Others	<u>323,096</u>	<u>38,375</u>
	<u>1,699,295</u>	<u>2,842,682</u>

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

(14) CASH AND CASH EQUIVALENTS

	2019 JD	2018 JD
Cash on hand	1,093,706	4,105,767
Cheques with maturities less than one month	25,508,877	14,321,709
Cash at banks	2,956,797	5,487,546
	29,559,380	23,915,022
Due to Banks (note 17)	(29,099,044)	(70,383,772)
Cash and cash equivalents	460,336	(46,468,750)

(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 2019, the distribution of cash dividends amounted to JD 8,250,000 representing 7.5% of the paid in capital during 2019 (2018: JD 16,500,000 representing 15% of paid in capital).

(16) LOANS AND MURABAHA

	2019		2018	
	Short term JD	Long term JD	Short term JD	Long term JD
Capital Bank of Jordan – loans JD	4,643,929	12,184,163	1,439,600	1,526,094
Society General Bank Jordan – loans JD	2,481,159	2,160,000	1,587,614	1,699,300
Arab Jordan Investment Bank loans- JD	5,201,315	7,772,944	3,325,179	2,616,709
Jordan Kuwait Bank loans- JD	5,578,656	13,043,544	3,178,656	6,622,200
Standard Chartered Bank loan- Revolving USD*	37,675,220	-	40,365,806	-
Standard Chartered Bank loan- Revolving JD*	7,000,000	-	-	-
Islamic International Arab Bank credit facilities	621,064	622,088	4,528,579	-
Jordan Ahli Bank loans – JD	2,000,160	1,426,620	2,166,840	3,426,780
Bank of Jordan loans – JD	2,000,000	4,483,333	2,000,000	6,483,333
Housing Bank for Trade and Finance - JD	2,083,333	2,343,567	1,770,833	1,243,567
Bank Al Etihad loans – JD	2,748,000	5,962,000	2,290,000	8,710,000
Bank Al Etihad loans – JD Revolving	27,876,117	-	37,864,418	-
	99,908,953	49,998,259	100,517,525	32,327,983

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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		
<u>Capital Bank loans:</u>					
Declining loan (1)	539,000	21,000	JD	20/2/2017	20/1/2020
Declining loan (2)	110,000	2,750	JD	18/7/2017	18/10/2020
Declining loan (3)	500,000	12,500	JD	30/7/2017	30/10/2020
Declining loan (4)	17,000,000	283,000	JD	1/7/2019	1/6/2024
<u>Standard Chartered Bank Loan</u>					
Revolving loan	42,600,000	45 days from withdrawal date	USD	-	-
Revolving loan	7,000,000	45 days from withdrawal date	JD	-	-
<u>Jordan Ahli Bank:</u>					
Declining loan (1)	5,500,000	114,583	JD	31/8/2017	31/7/2021
Declining loan (2)	2,500,000	52,083	JD	31/1/2018	31/12/2021
<u>Societe Generale Bank loan</u>					
Declining loan (1)	2,768,628	70,313	JD	28/1/2018	28/12/2020
Declining loan (2)	1,940,575	48,965	JD	28/1/2018	28/12/2020
Declining loan (3)	360,000	60,000	JD	30/1/2019	31/12/2023
<u>Arab Jordan Investment Bank loans:</u>					
Declining loan (1)	1,250,000	26,041	JD	13/5/2016	13/4/2020
Declining loan (2)	2,167,966	45,165	JD	31/10/2016	30/9/2020
Declining loan (3)	2,750,000	57,291	JD	31/11/2016	31/1/2020
Declining loan (4)	1,673,144	34,857	JD	31/1/2018	31/1/2021
Declining loan (5)	693,900	14,456	JD	28/2/2017	31/1/2021
Declining loan (6)	392,850	8,184	JD	31/8/2017	31/1/2021
Declining loan (7)	250,000	4,966	JD	30/7/2017	29/7/2021
Declining loan (8)	1,007,309	20,985	JD	30/8/2017	20/7/2021
Declining loan (9)	650,000	13,542	JD	31/10/2017	30/9/2021
Declining loan (10)	12,000,000	234,287	JD	30/1/2020	30/3/2023

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

	Credit limit ceiling	Monthly instalment	Loan currency	First instalment date	Last instalment date
	JD	JD	JD		
<u>Jordan Kuwait Bank loan:</u>					
Declining loan (1)	3,202,902	66,272	JD	28/2/2017	6/2/2021
Declining loan (2)	1,300,000	27,081	JD	2/3/2017	2/3/2021
Declining loan (3)	3,760,190	78,337	JD	5/3/2017	5/3/2021
Declining loan (4)	1,130,000	23,541	JD	7/3/2017	7/3/2021
Declining loan (5)	300,000	6,250	JD	27/3/2017	27/3/2021
Declining loan (6)	875,000	18,229	JD	11/4/2017	11/4/2021
Declining loan (7)	625,000	13,020	JD	11/4/2017	11/4/2021
Declining loan (8)	305,000	6,354	JD	17/4/2017	17/4/2021
Declining loan (9)	657,600	13,700	JD	31/5/2017	31/5/2021
Declining loan (10)	1,409,518	29,364	JD	20/6/2017	20/6/2021
Declining loan (11)	501,676	10,451	JD	20/7/2017	20/7/2021
Declining loan (12)	344,514	7,177	JD	5/1/2018	15/1/2022
Declining loan (13)	1,000,000	20,833	JD	31/1/2018	31/1/2022
Declining loan (14)	12,000,000	600,000	JD	30/1/2020	31/1/2024
<u>Islamic International Arab Bank Murabaha:</u>					
Facilities Murabaha (1)	1,300,000	32,381	JD	27/3/2018	24/3/2022
Facilities Murabaha (2)	777,812	19,374	JD	27/3/2018	24/3/2022
<u>Bank of Jordan loans:</u>					
Declining loan (1)	2,000,000	33,333	JD	26/12/2017	26/11/2022
Declining loan (2)	1,000,000	166,666	JD	28/1/2018	28/12/2022
Declining loan (3)	4,000,000	66,666	JD	19/5/2018	19/4/2023
Declining loan (4)	3,000,000	50,000	JD	14/6/2018	14/5/2023
<u>Housing Bank for Trade and Finance</u>					
Declining loan	10,000,000	833,333	JD	20/1/2020	7/1/2023
<u>Bank Al Etihad loans:</u>					
Declining loan	11,000,000	229,000	JD	31/3/2019	28/2/2023
		45 days from			
Trade finance loan	33,000,000	withdrawal date	USD	-	-

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 (8.25%-9.5%) and the interest rate on loans in (USD 3 months Libor + 1.02%).

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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

Year	JD
2021	20,743,234
2022	16,306,855
2023 and after	12,948,170
	<u>49,998,259</u>

(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 JD	2019 JD	2018 JD
Capital Bank of Jordan*	1,000,000	985,157	18,118,282
Society General Bank**	1,500,000	1,511,685	5,134,595
Arab Jordan Investment Bank***	13,270,000	12,032,395	20,687,333
Jordan Kuwait Bank****	1,000,000	976,577	12,653,852
Arab Bank	7,700,000	7,646,844	6,719,869
Bank Al-Etihad	1,000,000	962,478	721,205
Housing Bank for Trade and Finance	5,000,000	4,983,908	6,348,636
		<u>29,099,044</u>	<u>70,383,772</u>

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% (2018: 7.5% to 8.5%).

* The overdraft account was rescheduled during the year with a value of 17,000,000 to become a long-term loan with 9% interest.

** The overdraft account was rescheduled during the year with a value of 3,600,000 to become a long-term loan with 8.5% interest.

*** The overdraft account was rescheduled during the year with a value of 12,000,000 to become a long-term loan with 8.75% interest.

*** The overdraft account was rescheduled during the year with a value of 12,000,000 to become a long-term loan with 9% interest.

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

(18) CHANGE IN LIABILITIES RESULTING FROM FINANCIAL ACTIVITIES

	<u>1 January 2019</u>	<u>Utilized</u>	<u>Repayments</u>	<u>31 December 2019</u>
	JD	JD	JD	JD
Long term loans	132,845,508	44,600,000	27,538,296	149,907,212
Overdraft	70,383,772	499,295,161	540,579,889	29,099,044

(19) INCOME TAX

Movement on income tax provision is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance at the beginning of the year	1,368,150	4,576,898
Income tax paid	(2,209,668)	(5,155,440)
Income tax charge for the year*	<u>2,990,569</u>	<u>1,946,692</u>
Balance at the ending of the year	<u>2,149,051</u>	<u>1,368,150</u>

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

	<u>2019</u>	<u>2018</u>
	JD	JD
Income tax expense for the year	<u>2,990,569</u>	<u>1,946,692</u>

Reconciliation between taxable profit and accounting profit is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Accounting Profit	18,098,527	12,586,262
Non- taxable income	1,012,063	-
Tax-exempt income	(182,058)	(1,162,783)
Taxable profit	<u>18,928,532</u>	<u>11,423,479</u>
Statutory income tax rate	5%-21%	5%-20%

The income tax is calculated for the year ended 31 December 2019 in accordance with the Income Tax Law No. (38) of 2018 and for 31 December 2018 in accordance with the Income Tax Law No. (34) of 2014.

Afaq For Energy:

The Company reached a final settlement with the Income and Sales Tax Department for the year 2009. The Company has submitted its income tax declaration for the years from 2010 to 2018 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 2018 and after reviewing it from the tax department they placed a JD 411,302 extra tax Payable. The Company complained to the department with no reply up to the date of the consolidated financial statement.

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 2018, 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 2017 and the company submitted its income tax declaration for the year 2018 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 2018 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 2017. The Company submitted its income tax declaration for the year 2018 but the Income and Sales Tax Department did not review them yet.

(20) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2019 JD	2018 JD
Trade payables	58,482,131	42,926,610
Advances from customers	5,187,606	1,060,108
Sales tax withholding	84,530	494,762
Accrued expenses	7,546,199	515,627
Jordan universities fee provision	69,762	69,762
Dividends payable	150,953	134,648
Social security withholding	222,612	198,448
	71,743,793	45,399,965

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

(21) REVENUES

	2019	2018
	JD	JD
Fuel and oil sales	854,413,654	965,542,705
Fuel transportation	19,674,694	17,650,413
Rent	3,788,110	3,945,225
Food trading	12,273,234	10,192,617
	<u>890,149,692</u>	<u>997,330,960</u>

(22) GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	JD	JD
Salaries and wages	3,403,747	3,697,068
Depreciation (note 4)	1,488,358	881,981
Registration, licenses and stamps fees	1,046,300	660,107
Advertisements	627,796	441,167
Head office charges	363,115	428,260
Rent	56,480	79,969
Professional fees	60,451	84,154
Vehicles expenses	43,876	190,014
Water, electricity and telephone	541,799	682,769
Training travel and accommodation	48,604	23,294
Donations	231,100	79,188
Stationary and printing	28,431	24,409
Hospitality	29,796	34,148
Maintenance and fuel	228,537	133,752
Consumable tools	20,943	11,627
Board members transportation and other benefits	25,000	25,000
insurance	134,957	100,995
Others	827,884	479,576
	<u>9,207,174</u>	<u>8,057,478</u>

(23) SEGMENT INFORMATION

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

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

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

These segments in formation are detailed below:

	Afaq for Energy	Oil and Fuel	Abcco	Import and Export	Food Trading	Total
	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2019						
Revenue-						
Revenue	-	868,022,142	2,264,619	7,589,697	12,273,234	890,149,692
Cost of Revenue	-	(829,624,583)	(1,018,104)	(6,526,733)	(10,633,124)	(847,802,544)
Gross profit	-	38,397,559	1,246,515	1,062,964	1,640,110	42,347,148
Segments results-						
General and administrative expenses	(369,720)	(5,956,008)	(693,015)	(124,945)	(2,063,486)	(9,207,174)
Finance costs	-	(15,507,127)	(110,974)	(2,741)	(3,071)	(15,623,913)
Expected credit loss	-	(1,012,063)	-	-	-	(1,012,063)
Gain from disposal of land, property and equipment	-	126,008	-	-	946	126,954
Other income	1,881	763,094	10,000	-	692,600	1,467,575
Income tax for the year	-	(2,889,197)	(47,952)	-	(53,420)	(2,990,569)
Profit (loss) before tax	(367,839)	16,811,463	452,525	935,278	267,100	18,098,527
Other segments information-						
Capital expenditure	-	4,167,925	7,927	-	143,311	4,319,163
Projects in progress	-	5,151,696	-	-	-	5,151,696
For the year ended 31 December 2018						
Revenue-						
Revenue	-	974,394,752	2,416,755	10,326,836	10,192,617	997,330,960
Cost of Revenue	-	(946,303,060)	(991,806)	(9,048,463)	(8,779,044)	(965,122,373)
Gross profit	-	28,091,692	1,424,949	1,278,373	1,413,573	32,208,587
Segments results-						
Profit (loss) before tax	(50,039)	11,337,174	-	1,162,783	136,344	12,586,262
General and administrative expenses	(59,648)	(5,705,218)	-	(133,086)	(2,159,526)	(8,057,478)
Finance costs	-	(14,394,004)	(156,288)	(2,229)	(1,449)	(14,553,970)
Expected credit loss	-	-	-	-	-	-
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
Other segments information-						
Capital expenditure	-	6,033,179	-	208	455,712	6,489,099
Projects in progress	-	6,097,783	-	-	-	6,097,783

**AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

	Afaq for Energy	Oil and Fuel	Abcco	Import and Export	Food Trading	Eliminations	Total
	JD	JD	JD	JD	JD	JD	JD
As of 31 December 2019							
Assets and liabilities-							
Segment assets	151,682,313	444,197,683	9,698,660	8,485,878	3,119,735	(110,339,184)	506,845,085
Segment liabilities	1,455,842	347,736,583	5,872,828	1,360,494	2,546,325	(6,085,081)	352,886,991
As of 31 December 2018							
Assets and liabilities							
Segment assets	164,697,460	426,036,634	9,946,698	9,026,512	2,866,667	(144,493,469)	468,080,502
Segment liabilities	1,138,179	314,139,817	7,293,749	2,836,406	2,507,221	(6,935,006)	320,980,366

(24) 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 4,632,386 (2018: JD 4,474,186).

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 471,510 (2018: JD 406,910). 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 3,151,127 as of 31 December 2019 (2018: JD 3,086,062).

Capital expenditures

The Group contracted to construct gas station projects and to purchase equipment. The expected remaining cost to complete these projects is JD 16,548,615 as of 31 December 2019 (2018: JD 7,849,547).

(25) 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.

(26) 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:

	Increase in basis points	Effect on profit for the year
2019		
JD	100	(1,790,063)
	Decrease in basis points	Effect on profit for the year
JD	100	1,790,063
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

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 39% of outstanding trade receivables at 31 December 2019 (2018: Top 10 customers for 34%).

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.

AFAQ FOR ENERGY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

	Less than 3 months JD	3 to 12 months JD	From 1 to 5 years JD	Total JD
2019-				
Trade payables and other current liabilities	71,743,793	-	-	71,743,793
Due to related parties	3,941,240	-	-	3,941,240
Due to banks	29,099,044	-	-	29,099,044
Loans and Murabaha	78,994,657	20,914,296	52,689,165	152,598,118
Due to Jordan Petroleum Refinery Company Ltd.	6,435,887	-	-	6,435,887
Governmental deposits	76,446,198	-	-	76,446,198
Post-dated cheques	800,173	-	-	800,173
Lease liability	-	1,076,414	11,389,571	12,465,985
Total	267,460,992	21,990,710	64,078,736	353,530,438

	Less than 3 months JD	3 to 12 months JD	From 1 to 5 years JD	Total JD
2018-				
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

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.

(27) 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 150,226,472 as at 31 December 2019 (2018: JD 143,550,572).

(28) GOING CONCERN

The Group's current liabilities exceeded its current assets by JD 108.03 million as of 31 December 2019 (2018: JD 138.3 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 2019 and 2018 and increase the credit period for the major suppliers of fuel products to 60 days instead of paying the full amount upon delivery as used to be in 2018.

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

	<u>2020</u>
	<u>Million JD</u>
Total forecasted cash in- flow	1030
Total forecasted cash out- flow	<u>1051</u>
Forecasted cash deficit	<u>21</u>
Available revolving loans limits	<u>51</u>

(29) 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 Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to Company.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of “Material”

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’ The amendments to the definition of material is not expected to have a significant impact on the Group’s financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an “RFR”). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Group has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

(30) COMPARATIVE FIGURES

Some of 2018 comparative figures were reclassified to correspond with 31 December 2019 presentation. The reclassification has no effect on the profit and equity of the year 2018.

(31) SUBSEQUENT EVENTS

Subsequent to date of these financial statements as the result of the Corona virus pandemic on the global economy and the oil and gas distribution and marketing sector, due to restriction on mobility and curfew, the management is in the process determine the impact of the on the Group's activities to take the appropriate actions.