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الرقـــم : صخر زيتي/٢٠٠٥/٤٥/ ٢٠١٧

التــاريخ : ٢٨ آذار ٢٠١٧

To: Amman Stock Exchange

السادة بورصة عمان المحترمين

Subject: Audited Financial Statements for the fiscal year ended 31/12/2016

الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في ٢٠١٦/١٢/٣١

Attached the Audited Financial Statements of National Oil and Electricity Production from Oil Shale Company P.L.C (Shale Energy) for the fiscal year ended 31/12/2016

مرفق طيه نسخة من البيانات المالية المدققة للشركة الوطنية لإنتاج النفط والطاقة الكهربائية من الصخر الزيتي عن السنة المالية المنتهية في ٢٠١٦/١٢/٣١

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام

Acting General Manager

Dr. Majdi barjous

المدير العام بالوكالة

د. مجدي برجوس

SHALE ENERGY
الشركة الوطنية لإنتاج النفط والطاقة الكهربائية من الصخر الزيتي م.ع.م
National Oil & Electricity Production from Oil Shale Company P.L.C

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٩ آذار ٢٠١٧
الرقم المتسلسل: ١٦٠٥
رقم الملف:
الجهة المختصة:

National Oil and Electricity Production from Oil Shale Company (SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Financial Statements and Independent Auditor's Report for the year ended December 31, 2016

National Oil and Electricity Production
from Oil Shale Company
(SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Index

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Independent Auditors Report

To Messer's
National Oil and Electricity Production from Oil Shale Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of **National Oil and Electricity Production from Oil Shale Company,** which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect stated in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for qualified Opinion

Investment in associate was not evaluated by the equity method due to the lack of receiving audited financial statements for the associate for the year ended December 31, 2016 and the previous years, accordingly we could not determine the effect of that on the statement of comprehensive income, also we did not obtain a confirmation of the associate receivable amounting to JD 56,100 as of December 31, 2016, this associate receivable is carried forward from previous years, and also a provision was not provided for it. The management company contacted the associate company regarding this matter and up to date neither a financial statement nor a confirmation is received.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company 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 financial statements, 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.

Going Concern

We would like to reference to note (11) of the financial statements where the accumulated losses for the company amounted to JD 3,547,345 representing 71% of the company's capital, these losses cast significant doubt on the company ability to continue as a going concern.

Emphasis of Matter

Without adjusting our opinion we would like to refer to note (12) regarding understanding memorandums and signed agreements by the company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of provision of doubtful notes receivable	Scope of audit
Other debit balances includes notes receivable amounting to JD 1,201,747 and the company's management has estimated an allowance for doubtful accounts of JD 1,201,747 as of December 31, 2016.	Audit procedures included verifying the control procedures used by management on the collection process of receivables, and also we reviewed aging of trade receivables in addition to subsequent collections, guaranteed obtained against the receivables, and examined the sufficiency of the provision provided for the receivables through evaluating management hypotheses. We evaluated the adequacy of the company's disclosures about significant estimates made for providing the doubtful provision

Other Information

Management is responsible for the other information. The other information comprises the information included in the yearly report but does not include the financial statements and our auditors' report.
Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 group financial statement. we are responsible for the direction, supervision and performance of the group audit. we remain solely responsible for our audit opinion.

We have communicated 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 reasonably be expected to outweigh the public interest benefits of such communication.

<u>Report on Other Legal and Regulatory Requirements</u>

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the general assembly.

طلال أبوغزاله وشركاه الدولية

Talal Abu-Ghazaleh & Co. Intl.

Talal Abu-Ghazaleh & Co. International

Mohammed Alazraq
(License # 1000)

Amman – March 2, 2017

National Oil and Electricity Production
from Oil Shale Company
(SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2016

	Notes	2016	2015
ASSETS		JD	JD
Current Assets			
Cash and cash equivalents	3	1,221,668	1,305,487
Investment in financial assets at fair value through profit or loss	4	154,329	156,839
Other debit balances	5	86,876	90,827
Total Current Assets		1,462,873	1,553,153
Non-Current Assets			
Investments in an associate	6	56,100	56,100
Property and equipment	7	2,580	2,478
Total Non-Current Assets		58,680	58,578
TOTAL ASSETS		1,521,553	1,611,731
LIABILITIES AND EQUITY			
Current Liabilities			
Other credit balances	8	68,898	71,535
Equity			
Capital		5,000,000	5,000,000
Accumulated Losses	11	(3,547,345)	(3,459,804)
Net Equity		1,452,655	1,540,196
TOTAL LIABILITIES AND EQUITY		1,521,553	1,611,731

National Oil and Electricity Production
from Oil Shale Company
(SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Statement of comprehensive income for the year ended December 31, 2016

	Notes	2016	2015
		JD	JD
Murabaha revenue		21,162	47,082
Sale of property and equipment revenue		750	14,288
Change in fair value of investments in financial assets at fair value through profit or loss	4	(2,510)	(9,669)
Gain of investments in financial assets at fair value in financial assets through profit and loss	9	4,397	5,736
Administrative expenses	10	(111,340)	(134,915)
Loss		**(87,541)**	**(77,478)**
Weighted average number of shares		5,000,000	5,000,000
Loss per share		JD (0/018)	JD (0/015)

National Oil and Electricity Production
from Oil Shale Company
(SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Statement of changes in equity for the year ended December 31, 2016

	Capital	Accumulated Losses	Total
	JD	JD	JD
Balance as at January 1, 2015	5,000,000	(3,382,326)	1,617,674
Loss	-	(77,478)	(77,478)
Balance as at December 31, 2015	**5,000,000**	**(3,459,804)**	**1,540,196**
Loss	-	(87,541)	(87,541)
Balance as at December 31, 2016	**5,000,000**	**(3,547,345)**	**1,452,655**

National Oil and Electricity Production
from Oil Shale Company
(SHALE ENERGY)
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Statement of cash flows for the year ended December 31, 2016

	2016	2015
Cash Flow From Operating Activities	JD	JD
Loss	(87,541)	(77,478)
Adjustment for:		
Change in fair value of investments in financial assets at fair value through profit or loss	2,510	9,669
Depreciation	1,108	5,683
Gain on sale of property and equipment	(750)	(14,288)
Gain on disposal of investments in financial assets at fair value through profit or loss	-	(1,824)
Change in Operating Assets and Liabilities:		
Other debit balances	3,951	(329)
Other credit balances	(2,637)	(3,449)
Net Cash Flow From Operating Activities	**(83,359)**	**(82,016)**
Cash Flow From Investing Activities		
Proceeds from sale of property and equipment	750	17,235
Purchaces of property and equipment	(1,210)	-
Gain on disposal of investments in financial assets at fair value through profit or loss	-	4,800
Net Cash Flow From Investing Activities	**(460)**	**22,035**
Net change in cash and cash equivalents	**(83,819)**	**(59,981)**
Cash and cash equivalents - beginning of year	1,305,487	1,365,468
Cash and cash equivalents - end of year	**1,221,668**	**1,305,487**

Notes to the financial statements

1. Legal status and activity

- The Company was established on May 13, 2007 and registered as a public shareholding company with the Ministry of Industry and Trade under the number (437).
- The main Company's activities are as follows:
  - Oil Shale mining and its use in petrochemical and construction industries and the production of oil shale and gas by, desalinated and electricity, cement, bricks, sulfur and chemical fertilizers.
  - Mining for oil shale throughout all of the Jordanian territories.
  - Exploitation of similar resources such as oil sand.
- The company operates through the trademark of (SHALE ENERGY).
- The financial statements were approved by the Board of Directors in its meeting held on March 2, 2017 and it requires the general assembly's approval.

2. Basis for preparation of financial statements and significant accounting policies

- **Financial statements preparation framework**

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

- **Measurement bases used in preparing the financial statements**

  The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

- **Functional and presentation currency**

  The financial statements have been presented in Jordanian Dinar (JD), which is the functional currency of the entity.

- **Using of estimates**
  - When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and carrying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
  - Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
  - For example, estimates may be required for doubtful and bad debts, useful lives of depreciable assets, provisions, any legal cases against the entity.

- **Financial instruments**

  Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

  - **Financial assets**
    - A financial asset is any asset that is:
      (a) Cash;
      (b) An equity instrument of another entity;
      (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
      (d) A contract that will or may be settled in the entity's own equity instruments.
    - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

- All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
  (a) The entity's business model for managing the financial assets, and
  (b) The contractual cash flow characteristics of the financial assets
- A financial asset is measured at amortized cost if both of the following conditions are met:
  (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- All other financial assets are subsequently measured at fair value.
- A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

<u>Cash and cash equivalents</u>

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

<u>Trade receivables</u>

- Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Trade receivables are stated at invoices amount net of allowance for doubtful receivables which represents the collective impairment of receivables.

<u>Investments in associates</u>

- An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
- The entity's investment in its associate is accounted for under the equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustment to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee are other comprehensive income. The investor's share of those changes is recognized in other comprehensive income of the investor.

<u>Impairment of financial assets</u>

- Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each period.
- For financial assets carried at amortized cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Impairment loss is recognized in the losses.

- **Financial liabilities**
  - A financial liability is any liability that is:
    (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
    (b) A contract that will or may be settled in the entity's own equity instruments.
  - Financial liabilities are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
  - After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
  - Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

Trade payables and accruals

- Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

Property and equipment

- Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment losses.
- The depreciation charge for each year is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful lives of the assets using the following annual rates:

Category	Depreciation rate
	%
Vehicle	15
Furniture	10
Electrical machinery and computers	15-20
Leasehold improvements	10

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent de-recognition of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.

- **Impairment of assets**

  - At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - An impairment loss is recognized immediately as a loss.
  - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- **Provisions**

  - Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
  - Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.

- **Revenue recognition**

  Revenue is measured at the fair value of the consideration received or receivable.

- **Dividend and interest revenue**

  - Dividend revenue from investments is recognized when the shareholder's right to receive payment is established.

- **Basic earnings per share**

  Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year

3. Cash and cash equivalents

	2016	2015
	JD	JD
Deposits at a bank (*)	1,205,000	1,300,000
Current account at a bank	16,668	5,487
Total	1,221,668	1,305,487

(*) This item represent the following:

Bank	Tie period	2016	2015
		JD	JD
Al-Rajhi Bank	1 Year	1,050,000	1,050,000
Al-Rajhi Bank	6 Months	130,000	130,000
Al-Rajhi Bank	1 Month	25,000	20,000
Al-Rajhi Bank	3 Months	-	100,000
Total		**1,205,000**	**1,300,000**

4. Investments in financial assets at fair value through profit or loss

	2016	2015
	JD	JD
Beginning of year balance	156,839	169,484
Disposals	-	(2,976)
Change in fair value	(2,510)	(9,669)
End of year balance	**154,329**	**156,839**

5. Other debit balances

	2016	2015
	JD	JD
Advance payments to sales tax	48,071	47,098
Advance payments to income tax	28,162	27,104
Associate receivable	6,078	6,078
Prepaid expenses	4,252	9,934
Refundable deposits	300	600
Other	13	13
Notes receivable (*)	-	-
Total	**86,876**	**90,827**

(*) Movement of notes receivable is as follows:

	2016	2015
	JD	JD
Notes receivable - note (12)	1,212,082	1,212,082
Brokerage company receivable	(10,335)	(10,335)
Net of notes receivable	**1,201,747**	**1,201,747**
Allowance for doubtful accounts	(1,201,747)	(1,201,747)
Net	**-**	**-**

6. **Investments at associate**

Based on the signed agreement between the company and C.J Group Solution Pvt. Ltd -Indian national - referred to note (11) where (Al-Sultani international for oil) the company was established at December 24, 2012 where its main objectives is mining for petroleum and natural gas and produce electrical power, follows is investment in associate:

Company	Legal Status	Country	Ownership	Investment
			%	JD
Al-Sultani international for oil	PSC	Jordan	51	56,100

7. Property and equipment

2016	Vehicle	Furniture	Electrical machinery and computers	Leasehold improvements	Total
	JD	JD	JD	JD	JD
Cost					
Beginning of year balance	24,250	8,472	15,749	-	48,471
Additions	-	-	-	1,210	1,210
Disposals	-	(2,442)	-	-	(2,442)
End of year balance	24,250	6,030	15,749	1,210	47,239
Accumulated depreciation					
Beginning of year balance	24,249	6,406	15,338	-	45,993
Depreciation	-	577	410	121	1,108
Disposals	-	(2,442)	-	-	(2,442)
End of year balance	24,249	4,541	15,748	121	44,659
Net	1	1,489	1	1,089	2,580

2015	Vehicle	Furniture	Electrical machinery and computers	Leasehold improvements	Total
Cost					
Beginning of year balance	54,710	8,472	15,749	-	78,931
Disposals	(30,460)	-	-	-	(30,460)
End of year balance	24,250	8,472	15,749	-	48,471
Accumulated depreciation					
Beginning of year balance	47,660	5,558	14,605	-	67,823
Depreciation	4,102	848	733	-	5,683
Disposals	(27,513)	-	-	-	(27,513)
End of year balance	24,249	6,406	15,338	-	45,993
Net	1	2,066	411	-	2,478

8. Other credit balances

	2016	2015
	JD	JD
Accrued expenses	44,905	46,925
Shareholders deposits	20,693	20,693
Vacations provision (*)	3,300	3,917
Total	**68,898**	**71,535**

(*) The movement on the provision during the year were as follows:

	2016	2015
	JD	JD
Beginning of year balance	3,917	4,717
Paid during the year	(617)	(800)
End of year balance	**3,300**	**3,917**

9. Gain from Investments in financial assets at fair value through profit or loss

	2016	2015
	JD	JD
Dividends	4,397	3,912
Gain on disposal	-	1,824
Total	**4,397**	**5,736**

10. Administrative expenses

	2016	2015
	JD	JD
Salries, wages and related benefits (*)	56,140	60,309
Rents	21,534	23,451
Governmental expenses	8,083	8,031
Contribution to social security	7,777	7,965
Professional fees	7,500	17,540
Health Insurance	1,818	2,547
Cars	1,701	2,003
Communications	1,458	1,961
Depreciation	1,108	5,683
Miscellaneous	976	1,587
Stationary and printings	677	972
Mintenance	641	758
Participation at coinferences	635	-
Utilities	604	1,088
Advertisements	588	688
Employees bonuses	100	100
Travel and transportation	-	144
Lawsuits	-	88
Total	**111,340**	**134,915**

(*) Salaries and wage item includes executive managements salaries with a total amount of JD 55,540 for the year ended December 31, 2016 (JD 55,540 for the year ended December 31, 2015)

11. Accumulated losses

The accumulated losses for the company has reached a total amount of JD 3,547,345 which comprises a 71% of the company's capital, managements plan describes the company's main activities and its ability to continue in its line of business as follows:

- The company has filed a bank feasibility study for Al-Sultani distillation project based on the memorandum of understanding mentioned at note (12).
- The company currently is following to get the ministry approval and taking the proper actions to get the privileges of Al-Sultani area.
- The company is reviewing safe options for the financial status and is working on reducing expenses in order to continue in the future stages of the project.

12. Memorandum of understanding and agreements

- A memorandum of understanding had been signed between the company and the Government of Jordan on April 11, 2010 and adjusted on October 4, 2010, which the minister of Energy and Natural Resources granted and the company with approval of the Ministry Council the exploring right and mining of oil shale in Al-Sultani area with the condition of conducting a feasibility study acceptable by banks and prepare a business development plan to be accomplished within a short period of time from the start date of mining to be able to get the privilege right from the government. the Memorandum was extended to April 11, 2014, a feasibility study was submitted on time.

- An agreement was signed between the company and CJ Group Solution Pvt. Ltd. India on December 16, 2010 adjusted on April 17, 2011, which followed by an annex on December 5, 2011 to establish a private shareholding co. in Jordan to create a project in Al-Sultani area to benefit from oil shale in the area to execute the privilege right granted to the company, where the CJ Group provides all financial requirements to cover the cost of the project in all phases and to pay the needed payments on time without any additional cost or responsibility on the company. according to that Al-Sultan Oil International was established and registered on December 24, 2012 where the main objectives of the company are to mine for oil, natural gas and to produce electrical energy.
- CJ Group Solution did not comply with agreement and till date neither issue a financial statements nor provide the financing requirements of the project according to above mentioned agreement, based on that privilege right was retained.

13. Lawsuits

(*) Lawsuits raised by the company

- On November 18, 2008 the company filed a lawsuit at Amman district attorney's against a former board of directors' member and the brokerage company for amounts that was drawn from the portfolio of the company. Based on the settlement between the company and the former board member on 2009, the company obtained (37) notes receivable the value of each is JD 24,778 except for the last one with the value of JD 423,230 to cover the board member and the brokerage company debts amounting to JD 1,315,230 as of December 31, 2008. The first installment was due on January 1, 2010 and the last on December 1, 2012, these notes receivable are guaranteed by other people. an amount of JD 103,148 was collected during 2010 from the total amount of JD 297,336 due in 2010. No amounts were collected from the notes that was due on 2011 and 2012. Amman north court issued an order that the defendants should pay an amount of JD 1,216,118.
- On July 27, 2011 an executive case had been filed at Amman initial court, and on September 11, 2011 the defendants denied the debts of notes receivable, on January 4, 2012 a lawsuit had been filed against the debtors, and the case is still outstanding at the court.
- On January 4, 2012 a lawsuit was filed at Amman North court under No. 30/2012 against debtors claiming an amount of JD 1,216,118 in addition to paid fees, the case still outstanding at the court.

(**) As it was mentioned in one of the lawyers letters there is a case raised against the company by an ex-chairman of the company claiming his labor rights and a malfunction for an amount of JD 484,000 regarding a contract with Al-Sultani International Oil Company (associate) where the court has reached a verdict at June 17, 2015, that the defendant should pay an amount of JD 442,000. Knowing that the company has filed for an appeal after the verdict of the Magistrate court in which the court has overruled the appeal and the case is still at specialized courts.

14. Tax status

- Tax status for the company has been settled with the income and sales tax department till the end of 2013.
- The Company has submitted the tax returns for the years 2012, 2013, 2014 and 2015 within the legal period.
- The opinion of the tax consultant there is no tax liability on the company for year 2016 or prior years due to the company acceptable accumulated losses.

15. Risk management

a) <u>Capital risk:</u>

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.
The accumulated losses for the company has reached an amount of JD 3,547,345 that represent 71% of the company's capital.

b) <u>Currency risk:</u>

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- The entity is not exposed to currency risk.

c) <u>Interest rate risk:</u>

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The entity is not exposed to interest rate risk, because the company gets Murabaha amounts on their deposit.

d) <u>Other price risk:</u>

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments.
- The entity is not exposed to other price risks.
- The following table shows the sensitivity to profit or loss and equity to the changes in the listed prices of investment in equity instruments assuming that there are no changes to the rest of other variables :

e) <u>Credit risk:</u>

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) <u>Liquidity risk:</u>

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.

- The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than one year		One or more Years	
Description	2016	2015	2012	2011
	JD	JD	JD	JD
Financial Assets:				
Cash and cash equivalents	1,221,668	1,305,487	-	-
Investment in financial assets at fair value through profit or loss	154,329	156,839	-	-
Other debit balances	6,391	6,691	-	-
Investment in associate	-	-	56,100	56,100
Total	1,382,388	1,469,017	56,100	56,100
Financial Liabilities:				
Other credit balances	65,598	67,618	-	-
Total	65,598	67,618	-	-

16. Fair value of financial instruments

The table below represents the fair value of the financial instruments using valuation method. there are different levels as follows:
Level 1: listed prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs rather than prices listed in level 1 and observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3: inputs for the asset or liability is not based on comparable market data that can be observed (non-observable inputs).

At December 31, 2016	Change in price	the effect on profit (loss) and equity
	%	JD
Investment in financial assets at fair value through profit or loss	0,5 ±	154,329

17. **Standards and Interpretations issued but not yet effective**

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments	Jan 1, 2018 or after
IFRS (15) – New	Revenue from contracts with customers	Jan. 1, 2018 or after
IFRS (16) – New	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases	Jan 1, 2019 or after
IAS (7) - Amendments	Additional disclosures enables users of financial statement to assess the required changes arising from financial operation	Jan 1, 2017 or after
IAS (12) - Amendments	Recognition to deferred tax assets for unrealized losses	Jan 1, 2017 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.