



Ref. : .....

Date : .....

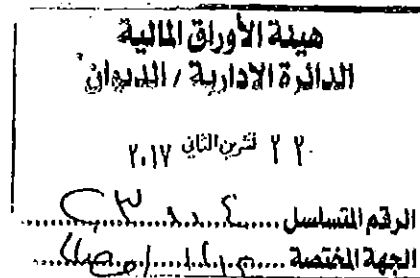
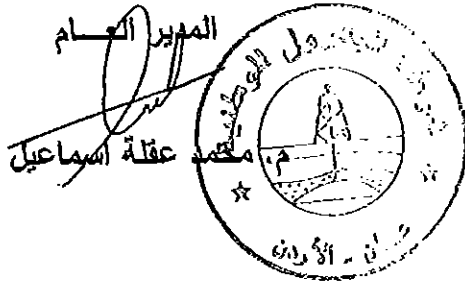
الإشارة : ١٥٤١/١/٣٦  
التاريخ : ٢٠١٧/١١/٢٤

السادة / هيئة الأوراق المالية المحترمين ،،،  
تحية واحتراماً ،،،

إشارة الى كتابكم رقم 17/02703/1/12 تاريخ 2017/11/16 ، والمتعلق بالبيانات المالية للربع الثالث لعام 2017 باللغة الانجليزية والمتضمن إلزام الشركات المساهمة العامة وصناديق الاستثمار المشترك واي جهة مصدرة أخرى خاضعة لرقابة الهيئة واشرافها " الافصاح عن بياناتها المالية باللغتين العربية والانجليزية ، وذلك اعتباراً من تاريخ 2017/2/1 " . تجدون طيه البيانات المالية باللغة الانجليزية للربع الثالث لعام 2017 .

اذ نقدم لكم خالص اعتذارنا عن التأخير الحاصل بشأن تزويدكم بالبيانات المالية باللغة الانجليزية والذي يعود الى تأخر مدققي الحسابات المستقلين السادة /ارنست ويونغ في إعداد البيانات المالية المطلوبة وتزويدنا بها.

وتفضلوا بقبول اعتذارنا مع فائق الاحترام والتقدير ،،،،



**NATIONAL PETROLEUM COMPANY**

**PUBLIC SHAREHOLDING COMPANY**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2017**



Building a better  
working world

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

Tel : 00 962 6580 0777/00 962 6552 6111  
Fax: 00 962 6553 8300  
www.ey.com/me

**Report on Review of Interim Condensed Financial Statements  
To the Board of Directors of  
National Petroleum Company  
Amman - Jordan**

***Introduction***

We have reviewed the accompanying interim condensed financial statements of National Petroleum Company (the "Company") as at 30 September 2017, comprising of the interim statement of financial position as at 30 September 2017 and the related interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory information. Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Basis of qualified conclusion***

As indicated in note (6) to the financial statements, the Company transferred an amount of JD 5,000,000 to the Ministry of Finance. However, the nature and classification of this amount is not determined up to the date of these financial statements

***Qualified conclusion***

Based on our review, except for the effect of the matter disclosed in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan  
19 October 2017

**NATIONAL PETROLEUM COMPANY- PUBLIC SHAREHOLDING COMPANY**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

	<u>Notes</u>	30 September 2017 JD (Unaudited)	31 December 2016 JD (Audited)
<b><u>ASSETS</u></b>			
<b>Non-current assets -</b>			
Property and equipment	5	6,302,771	6,949,651
<b>Current assets</b>			
Inventories		6,151,347	6,120,680
Accounts receivable		2,518,938	1,486,856
Other current assets		193,179	178,052
Payment to the Ministry of Finance	6	5,000,000	-
Cash on hand and at banks		3,442,833	8,342,096
		17,306,297	16,127,684
<b>Total Assets</b>		<b>23,609,068</b>	<b>23,077,335</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity -</b>			
Paid in capital		15,000,000	15,000,000
Statutory reserve	12	5,328,528	5,328,528
Retained earnings		558,264	104,721
<b>Total equity</b>		<b>20,886,792</b>	<b>20,433,249</b>
<b>Liabilities -</b>			
<b>Non-current liabilities -</b>			
End of service indemnity provision		787,421	769,472
Deferred grant income	7	1,159,872	1,397,131
		1,947,293	2,166,603
<b>Current liabilities -</b>			
Accounts payable		504,633	292,286
Other current liabilities		189,455	185,197
Income tax provision		80,895	-
		774,983	477,483
<b>Total Liabilities</b>		<b>2,722,276</b>	<b>2,644,086</b>
<b>Total Equity and Liabilities</b>		<b>23,609,068</b>	<b>23,077,335</b>

**NATIONAL PETROLEUM COMPANY- PUBLIC SHAREHOLDING COMPANY**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	<u>Note</u>	<u>For the three months ended 30 September</u>		<u>For the nine months ended 30 September</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b><u>Continuing Operations</u></b>		<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
<b>Revenue -</b>					
Company's share of gas revenue		503,386	284,296	1,116,335	872,137
Recovered Costs		<u>1,510,159</u>	<u>852,887</u>	<u>3,349,006</u>	<u>2,616,410</u>
		<u>2,013,545</u>	<u>1,137,183</u>	<u>4,465,341</u>	<u>3,488,547</u>
Other income		94,232	804	100,468	15,410
Amortization of deferred grant income		79,087	79,087	237,260	237,260
Interest income		38,301	95,295	182,982	296,786
Reversal of provision for slow moving inventories		-	-	-	1,000,000
Operating expenses		(984,396)	(1,269,670)	(2,945,275)	(3,424,401)
Administrative expenses		(398,353)	(349,036)	(1,173,231)	(1,312,998)
Impairment of East Safawi exploration costs		-	-	(64,338)	(2,480,447)
Impairment of Al-Rish exploration costs		-	-	-	(858,665)
End of service indemnity expense		<u>(82,305)</u>	<u>-</u>	<u>(263,903)</u>	<u>(172,391)</u>
<b>Profit (loss) for the period before income tax</b>		<u>760,111</u>	<u>(306,337)</u>	<u>539,304</u>	<u>(3,210,899)</u>
Income tax	8	<u>(80,895)</u>	<u>-</u>	<u>(85,761)</u>	<u>-</u>
<b>Profit (loss) for the period</b>		<u>679,216</u>	<u>(306,337)</u>	<u>453,543</u>	<u>(3,210,899)</u>
Add: other comprehensive income items		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>679,216</u>	<u>(306,337)</u>	<u>453,543</u>	<u>(3,210,899)</u>
		<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
<b>Basic and diluted (loss) earnings per share</b>		<u>0/045</u>	<u>(0/020)</u>	<u>0/030</u>	<u>(0/214)</u>

**NATIONAL PETROLEUM COMPANY- PUBLIC SHAREHOLDING COMPANY**  
**INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	Paid in capital	Statutory reserve	Voluntary reserve	Retained earnings (Accumulated losses)	Total
	JD	JD	JD	JD	JD
<b>2017 -</b>					
<b>Balance as of 1 January 2017</b>	15,000,000	5,328,528	-	104,721	20,433,249
<b>Total comprehensive income for the period</b>	-	-	-	453,543	453,543
<b>Balance as of 30 September 2017</b>	<u>15,000,000</u>	<u>5,328,528</u>	<u>-</u>	<u>558,264</u>	<u>20,886,792</u>
<b>2016 -</b>					
<b>Balance as of 1 January 2016</b>	15,000,000	5,328,528	2,019,225	3,818,329	26,166,082
<b>Dividends (note 13)</b>	-	-	-	(900,000)	(900,000)
<b>Total comprehensive income for the period</b>	-	-	-	(3,210,899)	(3,210,899)
<b>Balance as of 30 September 2016</b>	<u>15,000,000</u>	<u>5,328,528</u>	<u>2,019,225</u>	<u>(292,570)</u>	<u>22,055,183</u>

**NATIONAL PETROLEUM COMPANY- PUBLIC SHAREHOLDING COMPANY**  
**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	For the nine months ended 30 September	
	2017	2016
	JD	JD
<b><u>OPERATING ACTIVITIES</u></b>		
Income (loss) before income tax	539,304	(3,210,899)
<b>Adjustments for:</b>		
Depreciation and amortization	923,318	942,497
Interest income	(182,982)	(296,786)
End of service indemnity expense	263,903	172,391
Reversal of provision for slow moving inventories	-	(1,000,000)
Impairment exploration cost	-	3,339,112
Loss on sale of property and equipment	-	5
Amortization of deferred grant income	(237,260)	(237,260)
<b>Working capitals changes:</b>		
Inventories	(30,667)	160,808
Accounts receivable and other current assets	(1,031,437)	70,070
Payment to the Ministry of Finance	(5,000,000)	-
Accounts payable and other current liabilities	216,605	(539,374)
End of service indemnity paid	(245,954)	(790,853)
Income tax paid	(4,866)	(187,552)
<b>Net cash flows used in operating activities</b>	<b>(4,790,036)</b>	<b>(1,577,841)</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(276,438)	(1,737,043)
Gas properties	-	(835,721)
Interest income received	167,211	223,364
<b>Net cash flows used in investing activities</b>	<b>(109,227)</b>	<b>(2,349,400)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Deferred grant income	-	375,720
Dividends paid	-	(900,000)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>(524,280)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,899,263)</b>	<b>(4,451,521)</b>
Cash and cash equivalents, beginning of the period	8,342,096	15,113,357
<b>Cash and cash equivalents, end of the period</b>	<b>3,442,833</b>	<b>10,661,836</b>

## 1. GENERAL

National Petroleum Company is a public shareholding company (the "Company") incorporated in Jordan on 21 June 1995 with an authorized capital of JD 20,000,000 divided into 20,000,000 shares of JD 1 each. The capital has been amended several times, the last amendment was on 1 November 2001, when a merger took place between Petra Drilling Company and National Petroleum Company at book value. As a result of this merger, the articles of association and bylaws have been adjusted in accordance with Companies Law with whereas the authorized and paid-in capital become 15,000,000 shares of JD 1 each subscribed as follows:

	<u>Share/ JD</u>
Governmental Investment Management Company *	14,987,890
Safwa Islamic Bank	12,110

- \* According to the Prime ministry decision No. (286) Date of 28 June 2016 and in accordance with the letter from Governmental Investment Management Company No. 47/2016 dated 1 August 2016 that's included the transfer of the investment of the Ministry of Finance in the National Petroleum Company to Governmental Investment Management Company name on 28 July 2016.

The main objectives of the Company are to explore oil and natural gas and other hydro carbonic materials, treatment and storing of hydro carbonic materials, establish, manage and invest in specialized ports for storing, transporting and exchanging oil and gas, trading in crude and untreated oil and its derivatives inside and outside Jordan, contribute in the establishment of related projects, perform drilling activities, and establish maintenance and inception workshops, test and provide all support services for drilling activities.

The Company sells its production of natural gas from Al Reesha field (located in the east of Jordan) to the Central Electricity Generating Company at pre-determined prices set by the Council of Ministers.

According to the Prime Ministry decision no. 58/11/1/25161 dated 28 May 2017, the selling price of Gas has been changed from JD 0.05 per Cubic Meter to become 0.7 x the average price of natural gas available for NEPCO and all manufacturing sectors. The average price for the monthly production of natural gas from Al Reesha field is determined by the pricing committee appointed by the Jordanian cabinet.

The financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 19 October 2017

### **Amended Concession Agreement, No (1) for 2010-**

On 3 January 2010, Temporary Law No.(1) of 2010 was issued to ratify the concession agreement between the Hashemite Kingdom of Jordan Government and, National Petroleum Company.



**Production sharing agreement a contract for exploration, for east Al Safawi district approval law no. (14) for 2014-**

On 1 April 2014 law no. (14) for 2014 was issued as an approval on the Production sharing agreement a contract for exploration, appraisal, development and production of petroleum within east Safawi area between Natural Resources Authority and its legal successor Jordanian Ministry of Energy and Mineral Resources and the Company.

## **2. BASIS OF PREPARATION**

The interim condensed financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the annual financial statements as of 31 December 2016. In addition, results of the three-month period ended 30 September 2017 are not necessarily indicative of the results expected for the financial year ending 31 December 2017.

### **CHANGES IN ACCOUNTING POLICIES –**

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

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

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

#### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

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

### **3. GAS RESERVES**

Based on the latest study conducted during 2006 by the International Specialized Consultant (IPR) in relation to gas reserves, it has been determined that the estimated reserves at the end of 2006 were 102.3 billion cubic feet. The study indicated that there is an overstatement in the degree of conservatism in this estimation since it was conducted in the area nearby the wells and it excluded the estimation of any gas reserve in most of the Al Reesha field area.

Based on the results of continuous internal studies which were updated in 2007 and carried out by in accordance with the most realistic and conservative measurement methods for the productive wells only, the minimum estimated gas reserves were 443 billion cubic feet.

### **4. REIMBURSABLE PETROLEUM OPERATIONS COSTS**

The Petroleum Operations Cost Reimbursement Committee (the "Committee"), formed by the Minister of Energy and Mineral Resources, approved petroleum operations costs of JD 71,542,846 for the period from 1 May 2002 to 31 December 2016 as reimbursable costs. The Company reimbursed the following amounts JD 3,349,006, JD 3,493,253, JD 3,687,713, JD 4,116,873, JD 4,529,903, JD 4,909,185, JD 5,437,738, JD 5,538,635 and JD 1,769,570 during the years 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2005 respectively. Therefore, the remaining approved balance is JD 34,710,970 as at 30 September 2017.

The Committee reviewed the petroleum operations cost for the period between 1 January 2017 until 30 September 2017, which is amounted to JD 3,008,216. The Committee has not issued its reports as of the date of these financial statements.

### **5. PROPERTY AND EQUIPMENT**

During the nine months ended 30 September 2017, the Company has purchased property and equipment with a cost of JD 276,438 (2016: JD 1,737,043).

**6. PAYMENT TO MINISTRY OF FINANCE**

This item represents transferred amount to the Company's current account at the Central Bank of Jordan based on the Jordanian Cabinet decision No. 58/11/1/25161 dated 28 May 2017 which states that the company has to transfer an amount of JD 8,000,000 to the Ministry of Finance account. The Ministry of Finance transferred JD 5,000,000 to its account during July 2017 based on the decision above. The company's management has addressed the Ministry of Finance to inquire about the nature and proper treatment of the payment to determine the accounting entries to reflect this treatment. The Ministry of Finance has replied to the company through memo No. 18/73/20368 dated 23 July 2017 on how to process and recover this amount.

**7. DEFERRED GRANT INCOME**

The Company received a grant from BP for the purchase of new gas compressors amounted to JD 2,108,971. The grant is to be classified as deferred income and amortized over the useful life of these gas compressors, and on a systematic and reasonable basis in accordance with IAS (20).

During the nine months ended in 30 September 2017, the Company amortized deferred grant income with an amount of JD 237,260 (2016: JD 237,260).

**8. INCOME TAX**

Income tax provision was calculated for the period ended 30 September 2017 in accordance with the Income Tax Law No. (34) of 2014.

The Company obtained final clearance from Income Tax Department up to 2015.

The Company did not obtain a final clearance form the income tax department for 2016 up to the date of these condensed interim financial statements.

## **9. CONTINGENT LIABILITIES**

As at the date of these interim condensed financial statements, the Company had the following contingent liabilities:

	30 September 2017 (Unaudited)		31 December 2016 (Audited)	
	Amount	Cash margin	Amount	Cash margin
	JD	JD	JD	JD
Letters of guarantee	993,000	62,350	995,000	57,600
Letters of credit	-	-	53,698	1,620

## **10. RELATED PARTY TRANSACTIONS**

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions with related parties are approved by the Company's management.

### **Interim condensed statement of financial position:**

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
<b>Accounts receivable</b>		
Central Electricity Generating Company	2,516,931	1,461,405
Payment to the Ministry of Finance	5,000,000	-
<b>Accounts payable</b>		
Ministry of Finance	503,386	292,281

**Interim condensed statement of comprehensive income:**

	For the nine months ended 30 September	
	2017	2016
	JD	JD
Jordanian Government share from gas revenue for the period	1,116,335	872,137
Key management salaries and other benefits	248,385	240,526
Board of Directors remuneration and transportation	48,375	51,675
Gas supplied for Central Electricity Generating Company	5,581,676	4,360,684

**11. LITIGATION**

The Company is a defendant in a number of lawsuits amounted to JD 130,767 as at 30 September 2017 (2016: JD 55,116). The Company's management and its legal advisor believe that the outcome of these lawsuits will not result in any liability.

**12. STATUTORY RESERVE**

The Company did not take any statutory reserve according to the Companies Law as these financial statements are interim condensed financial statements.

**13. DIVIDENDS**

On its ordinary meeting held on 14 March 2016, the General Assembly approved the Board of Directors recommendation to distribute cash dividends at 6% of the Company's capital at a total amount of JD 900,000.

On 22 January 2016, the General Assembly approved in its ordinary meeting the distribution of 13.46% of the Company's paid in capital as cash dividends by an amount of JD 2,019,000.

#### **14. SEGMENT INFORMATION**

Business segment represents a group of assets and transaction that are jointly engaged in serving products or services subjected to risks and rewards that are different from other business segments.

The geographical segment is associated with served products or services in specific economic environments that is subject to risks and rewards that are different from other business segments in economic environments.

As stated in the interim statement of comprehensive income the Company's operations are limited to the activity of extraction and sale of gas in Jordan and their operations do not include other segments.

#### **15. COMPARATIVE FIGURES**

Some of 2016 balances were reclassified to correspond to 2017 presentation with no effect on equity or profit for the year.