

**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of National Petroleum Public Shareholding Company**  
**Amman – Jordan**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of National Petroleum Public Shareholding Company (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 financial statements for the year ended 31 December 2022. 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. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

Key Audit Item	
<b>1. Revenue recognition</b> The details of this item are laid out in Note (16) to the financial statements	
Key Audit matter	How the key audit matter was addressed in the audit
<p>The Company recognized revenue from sale of gas in accordance with IFRS (15) at the fair value of the consideration received or receivable and when it is probable to collect such consideration. The Company sells its entire production of gas to limited number of customers. According to the Concession Agreement, the Company's share of gas sales revenue is recognized upon supply of gas and issuance of the invoice to customers.</p> <p>The review of the revenue recognition method of the Company's share of revenue from the sale of gas and recovered costs revenue and the accuracy of revenues recognized was a key audit matter during the course of the audit.</p>	<p>The Audit procedures included the review of the accounting policies used in recognizing revenues in accordance with International Financial Reporting Standards. We also reviewed the Company's internal controls around revenue recognition and key controls within the revenue cycle.</p> <p>We have tested the accuracy of revenue recognized through matching the issued invoices with contracts and selling prices published and agreed.</p> <p>We also recalculated the Company's share of total gas revenue in accordance to the Concession Agreement.</p>

### **Other information included in the Company's 2022 annual report**

Other information consists of the information included in the Company's Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

### **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 IFRSs, 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.

### **Auditor's 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 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 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 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 auditor's 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 auditor's 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.

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, actions taken to eliminate threats or safeguards applied.

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 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 Company maintains proper books of accounts which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Osama Fayez Shakhathreh; license number 1079.

Amman - Jordan  
14 February 2023

**ERNST & YOUNG**  
Amman - Jordan

**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Notes	2022 JD	2021 JD
<b><u>ASSETS</u></b>			
<b>Non-current assets -</b>			
Property and equipment	3	2,339,992	2,586,006
Intangible assets		18,951	37,901
Gas assets	4	7,335,631	6,208,734
Projects in progress	5	3,744,036	4,096,067
		<u>13,438,610</u>	<u>12,928,708</u>
<b>Current assets -</b>			
Inventories	6	13,759,101	8,616,069
Accounts receivable	7	6,796,542	4,946,392
Other current assets	8	1,542,430	1,573,848
Cash on hand and at banks	9	11,707,267	14,964,582
		<u>33,805,340</u>	<u>30,100,891</u>
<b>Total assets</b>		<u>47,243,950</u>	<u>43,029,599</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity -</b>			
Paid in capital	10	15,000,000	15,000,000
Statutory reserve	10	7,496,702	7,073,066
Retained earnings		14,777,772	12,339,089
<b>Total equity</b>		<u>37,274,474</u>	<u>34,412,155</u>
<b>Liabilities -</b>			
<b>Non-current liabilities -</b>			
End of service indemnity provision	11	2,490,249	2,273,540
<b>Current liabilities -</b>			
Due to Ministry of Finance	12	6,275,421	5,021,388
Accounts payable		23,686	62,866
Other current liabilities	14	467,630	303,326
Income tax provision	15	712,490	956,324
		<u>7,479,227</u>	<u>6,343,904</u>
<b>Total liabilities</b>		<u>9,969,476</u>	<u>8,617,444</u>
<b>Total equity and liabilities</b>		<u>47,243,950</u>	<u>43,029,599</u>

The attached notes 1 to 30 form part of these financial statements

**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 JD	2021 JD
Company's share of gas revenue	16	3,005,475	2,991,338
Recovered costs	16	9,016,424	10,099,015
		12,021,899	13,090,353
Other income		155,666	232,942
Amortization of deferred grant income	13	-	131,751
Interest income		512,272	390,697
Sarhan field project income	18	3,191,359	-
Hamza field project income	18	987,643	1,593,708
Fair value adjustment – balance due from Ministry of Finance		-	10,819
Operating expenses	19	(7,479,945)	(5,709,920)
Administrative expenses	20	(1,475,938)	(1,710,935)
Sarhan field project expense	18	(2,727,725)	-
Hamza field project expense	18	(902,771)	(1,190,675)
Al-Safawi exploration expenses		(11,096)	(16,192)
Board of Director's remuneration		(35,000)	(35,000)
<b>Profit for the year before income tax</b>		4,236,364	6,787,548
Income tax expense	15	(1,374,045)	(1,109,740)
<b>Profit for the year</b>		2,862,319	5,677,808
Add: Other comprehensive income items		-	-
<b>Total comprehensive income for the year</b>		2,862,319	5,677,808
		JD / Fills	JD / Fills
<b>Basic and diluted earnings per share</b>	21	0/191	0/379

The attached notes 1 to 30 form part of these financial statements



**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Paid-in capital	Statutory reserve	Retained earnings	Total
	JD	JD	JD	JD
<b>2022-</b>				
<b>Balance as at 1 January 2022</b>	15,000,000	7,073,066	12,339,089	34,412,155
Total comprehensive income for the year	-	-	2,862,319	2,862,319
Transferred to statutory reserve (Note 10)	-	423,636	(423,636)	-
<b>Balance as at 31 December 2022</b>	<u>15,000,000</u>	<u>7,496,702</u>	<u>14,777,772</u>	<u>37,274,474</u>
<b>2021-</b>				
<b>Balance as at 1 January 2021</b>	15,000,000	6,394,311	7,340,036	28,734,347
Total comprehensive income for the year	-	-	5,677,808	5,677,808
Transferred to statutory reserve (Note 10)	-	678,755	(678,755)	-
<b>Balance as at 31 December 2021</b>	<u>15,000,000</u>	<u>7,073,066</u>	<u>12,339,089</u>	<u>34,412,155</u>

**The attached notes 1 to 30 form part of these financial statements**

**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<u>Notes</u>	<u>2022</u> JD	<u>2021</u> JD
<b><u>OPERATING ACTIVITIES</u></b>			
Profit for the year before income tax		4,236,364	6,787,548
<b>Adjustments:</b>			
Depreciation and amortization		3,189,479	2,117,350
Interest income		(512,272)	(390,697)
Amortization of deferred grant income	13	-	(131,751)
Unsuccessful gas well expenses amortization	19	1,301,524	-
End of service indemnity provision	11	276,312	224,644
Fair value adjustments - balance due from Ministry of Finance		-	(10,819)
Gain on disposal		(9,449)	-
<b>Working capital changes:</b>			
Inventories		(5,143,032)	(794,890)
Accounts receivable		(1,850,150)	1,201,527
Other current assets		31,418	(698,634)
Due from Ministry of Finance	16	-	750,000
Due to Ministry of Finance		1,254,033	2,991,338
Accounts payable		(39,180)	(150,889)
Other current liabilities		164,304	(579,755)
End of service indemnity paid	11	(59,603)	(76,319)
Income tax paid	15	(1,617,879)	(834,281)
<b>Net cash flows from operating activities</b>		<b>1,221,869</b>	<b>10,404,372</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Interest income received		512,272	395,779
Purchase of property and equipment		(262,332)	(153,978)
Projects in progress		(4,738,924)	(5,326,554)
Deposits matures within six months	9	(2,000,000)	-
Proceeds from the sale of property and equipment		9,800	-
<b>Net cash flows used in investing activities</b>		<b>(6,479,184)</b>	<b>(5,084,753)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>			
		(5,257,315)	5,319,619
Cash and cash equivalents at 1 January		14,964,582	9,644,963
<b>Cash and cash equivalents at 31 December</b>	9	<b>9,707,267</b>	<b>14,964,582</b>

**The attached notes 1 to 30 form part of these financial statements**

**NATIONAL PETROLEUM PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(1) GENERAL**

National Petroleum Company (the "Company") is a public shareholding company incorporated on 21 June 1995 with paid in 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 were adjusted as per the Companies Law. The authorized and paid-in capital became JD 15,000,000 divided into 15,000,000 shares at par value of JD 1 each subscribed as follows:

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

- \* According to the Council of Ministers decision No. (286) dated 28 June 2016 and in accordance with the letter from the Government Investment Management Company No. 47/2016 dated 1 August 2016, which included the transfer of the contribution of the Ministry of Finance in National Petroleum Company to the Government Investment Management Company.

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 with its derivatives inside and outside Jordan, contribute in the establishment of related projects, perform drilling activities, and establish workshops to maintain, test and provide all support services for drilling activities.

The Company sells its entire production of natural gas from Al Reesha field (located in the east of Jordan) to the Central Electricity Generating Company (CEGCO) and National Electric Power Company.

According to the Council of Ministers 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 70% the average price of natural gas available to the National Electric Power Company (NEPCO) and the manufacturing sector from all available sources. The average price for the monthly production of natural gas from Al-Risha field is determined by the pricing committee appointed by the Council of Ministers.

According to the Council of Ministers decision no. 58/1/11/45109 dated 31 October 2021, the selling price of gas produced and sold by the company in excess of the first 9 million cubic foot is set at 50% the average price of natural gas available to the National Electric Power Company (NEPCO) and the manufacturing sector from all available resources with a maximum price of JD 4 for each million British Thermal Unit (BTU) and a minimum price of JD 2.5 for each million BTU.

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The Company's head office location is in, Za'al Abu Tayeeh Street, Um Al-Summaq, Amman – Jordan.

The financial statements were authorized for issuance by the Company's Board of Directors on 5 February 2023.

**(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**(2-1) BASIS OF PREPARATION –**

The financial statements are prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Jordanian Dinars which represents the functional currency of the Company.

**(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 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in comprehensive income.

These amendments had no impact on the financial statements of the Company.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company.

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the financial statements of the Company.

**(2-3) USE OF ESTIMATES –**

The preparation of the 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 as well as fair value changes reported in equity. 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.

**Useful lives of property and equipment**

The Company's management determines the estimated useful lives of the property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset. The assets' useful lives and the residual values are reviewed, and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

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**Provision for expected credit losses**

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Income tax provision**

The Company's management calculates income tax expense for the year based on reasonable estimates for the potential audit results through the Sales and Income Tax Department. The amount of income tax provision depends on various factors such as the Company's experience from previous years' tax audit. In addition, the Company appoints an independent tax advisor to review the income tax provision calculation.

**Provision for slow moving inventory**

The management of the Company estimates the provision for slow moving inventory based on a study prepared by the management and is reviewed periodically in accordance with its internal policies.

**Provision for legal cases**

A provision is established against court cases where the Company is the defendant, based on a legal study provided by the Company's legal advisor which determines the risk that may occur. These studies are reviewed periodically.

**(2-4) SUMMARY OF SIGNIFICANT ACCOUNTS**

**Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. The cost of assets and accumulated depreciation is eliminated when the property and equipment sold or disposed and any profit or loss is recognized in the statement of comprehensive income.

Property and equipment (excluding land) are depreciated using the straight-line method over the estimated useful life using the following rates:

	<u>%</u>
Buildings and construction	2-15
Productions stations	15
Excavators	10
Camps	10
Workshops and laboratories	10-15
Machinery and vehicles	15
Office equipment	15
Furniture and fixtures	10

The book values of property and equipment are reviewed whether there is an indication of impairment or when the carrying values exceed the estimated recoverable amounts the carrying values decreased to reach the recoverable amounts and the impairment recorded in the statement of comprehensive income.

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The useful lives of property and equipment items are reviewed at each year end to ensure that the period of depreciation is consistent with the expected pattern of economic benefits made in prior periods.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of related items of property and equipment. All other expenditures are recognized as expenses in the statement of comprehensive income as incurred.

**Intangible assets**

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

The useful lives of these intangible assets are assessed as either finite or indefinite. Intangible assets with finite live are amortized over the useful economic lives and the amortization expense is recognized in the statement of comprehensive income. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at the date of financial statements, the impairment expenses on intangible assets is recognised in the statement of comprehensive income.

Amortization is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Computer software	20%
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**Exploration and evaluation costs (valuation) and Gas assets**

Exploration costs are accounted for by using the “successful efforts” method as follows:

The costs related to obtaining the exploration rights, exploratory drilling, well testing and evaluation are initially capitalized as intangible assets.

All costs of carrying and retaining undeveloped properties seismic information, and geophysical / geological studies are expensed in the statement of comprehensive income as incurred.

If it is determined that the well does not have proven reserves, the capitalized costs, net of any salvage value is fully amortized in the year that such information becomes available. If it is determined that the well has proven reserves, then all related costs are capitalized as gas properties and are amortized over the economic life of the well.

**Projects in progress**

Projects in progress are shown at cost and include the cost of construction equipment and direct expenses. Projects are depreciated only when assets related to them are completed and ready for use.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value, cost of inventories represents costs incurred in bringing each product to its present location and conditions and are accounted for using weighted average costing method.

### **Accounts receivable**

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Long term receivables**

Payments to the Ministry of finance are recognized as balances due from the Ministry of Finance and are recorded at fair value using the effective interest method. Gains or losses are recognized in the statement of comprehensive income when discounted or impaired.

### **Cash on hand and at banks**

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash on hand, cash at banks and short-term deposits with a maturity of three months or less, net of balances due to banks.

### **Accounts payable and accruals**

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

### **Deferred grants**

Deferred grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and able to be reliably measured.



**Employees' end of service indemnity**

The Company calculates the end of service benefits to employees in accordance with IAS (19). It is recorded on the basis of the present value of future cash flows and using an interest rate that represents the interest rate on governmental bonds.

**Revenue recognition**

In accordance with IFRS (15), revenue recognized from the sale of gas is measured at the fair value of the consideration received or receivable and when it is probable to collect such consideration.

According to the Concession Agreement, the Company's share of total gas revenue is recognized upon dispatch of gas and issuance of the invoices to customers. Record costs of revenue is recognized upon dispatch of gas and realization of cost recovery.

Under IFRS 15, revenue from services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

Interest income is recognized using the Effective Interest Rate (EIR) method.

**Income tax**

The Company provides for income tax in accordance with the Income Tax Law (34) for the year 2014 as mandated by the Concession Law No. (1) for the year 2010 which states that the statutory income tax rate for the Company is fixed at 15% as mentioned in paragraph (F) of article (6) of the concession law No. (1) of 2010 and in accordance with IAS (12).

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

**Impairment of financial assets –**

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if present) .

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The Company has established a provision calculation that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

**Impairment of non-financial assets -**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**Current versus non-current classification -**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- that there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current

**Fair value measurement -**

The Company measures financial instruments such as financial assets at fair value at the financial statements date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Earnings Per share -**

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (after deducting treasury shares).

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**(3) PROPERTY AND EQUIPMENT**

	Head office land	Buildings and construction	Production stations	Excavators	Camps	Workshops and laboratories	Machinery and vehicles	Office equipment	Furniture and fixtures	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>2022 - Cost -</b>										
Balance as at 1 January	234,635	2,161,214	11,167,258	9,659,664	463,920	698,677	807,272	438,201	95,539	25,726,380
Additions	-	-	3,863	29,265	-	3,340	199,252	23,787	2,825	262,332
Transferred from projects in progress (note 5)	-	94,358	-	-	-	-	-	-	-	94,358
Disposal	-	-	-	-	-	-	(27,700)	-	-	(27,700)
Balance as at 31 December	234,635	2,255,572	11,171,121	9,688,929	463,920	702,017	978,824	461,988	98,364	26,055,370
<b>Accumulated depreciation -</b>										
Balance as at 1 January	-	1,500,206	11,100,041	8,340,770	345,896	693,240	699,150	382,229	78,842	23,140,374
Depreciation for the year	-	43,781	46,492	414,527	15,232	2,053	53,799	22,722	3,747	602,353
Disposal	-	-	-	-	-	-	(27,349)	-	-	(27,349)
Balance as at 31 December	-	1,543,987	11,146,533	8,755,297	361,128	695,293	725,600	404,951	82,589	23,715,378
<b>Net book value -</b>										
<b>At 31 December</b>	234,635	711,585	24,588	933,632	102,792	6,724	253,224	57,037	15,775	2,339,992

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	Head office land	Buildings and construction		Production stations		Excavators		Camps		Workshops and laboratories		Machinery and vehicles		Office equipment		Furniture and fixtures		Total
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		
2021 - Cost -																		
Balance as at 1 January	234,635	2,161,214	11,167,258	9,657,808	346,495	698,677	821,923	418,217	93,075	25,599,302								
Additions	-	-	-	1,856	117,425	-	12,249	19,984	2,464	153,978								
Transferred to operating expenses	-	-	-	-	-	-	(26,900)	-	-	(26,900)								
Balance as at 31 December	234,635	2,161,214	11,167,258	9,659,664	463,920	698,677	807,272	438,201	95,539	25,726,380								
Accumulated depreciation -																		
Balance as at 1 January	-	1,461,144	10,991,863	7,925,215	332,273	665,772	689,514	362,754	75,109	22,503,644								
Depreciation for the year	-	39,062	108,178	415,555	13,623	27,468	36,536	19,475	3,733	663,630								
Transferred to operating expenses	-	-	-	-	-	-	(26,900)	-	-	(26,900)								
Balance as at 31 December	-	1,500,206	11,100,041	8,340,770	345,896	693,240	699,150	382,229	78,842	23,140,374								
Net book value -																		
At 31 December	234,635	661,008	67,217	1,318,894	118,024	5,437	108,122	55,972	16,697	2,586,006								

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**(4) GAS ASSETS**

This amount represents the re-entry costs of Al Risha wells (well 28) as well as drilling of new wells (well 48, well 49, well 50, well 51, well 53, well 54 and well 55) as at 31 December 2022.

Movements on gas properties during the year were as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Balance at 1 January	6,208,734	3,583,578
Transferred from projects in progress (Note 5)	3,695,073	4,059,926
Amortization during the year	<u>(2,568,176)</u>	<u>(1,434,770)</u>
Balance of 31 December	<u>7,335,631</u>	<u>6,208,734</u>

Gas assets are amortized over a five-year years.

**(5) PROJECTS IN PROGRESS**

This amount represents the cost of drilling of new wells (Well 56, and well 57) and costs of project of developing wells of Sarhan field, in addition to other construction projects in progress as at 31 December 2022.

Movements on projects in progress during the year were as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Balance as at 1 January	4,096,067	2,829,439
Additions during the year	4,738,924	5,326,554
Transferred to property and equipment (Note 3)	(94,358)	-
Unsuccessful gas well expenses amortization (Note 19)	(1,301,524)	-
Transferred to gas asset (Note 4)	<u>(3,695,073)</u>	<u>(4,059,926)</u>
Balance as at 31 December	<u>3,744,036</u>	<u>4,096,067</u>

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**(6) INVENTORIES**

	2022	2021
	JD	JD
Gas station spare parts and supplies	1,562,664	1,150,068
Spare parts, wells equipment and excavators	7,091,735	6,912,027
Goods in transit	5,624,702	1,073,974
	14,279,101	9,136,069
Provision for slow moving spare parts and supplies	(520,000)	(520,000)
	13,759,101	8,616,069

There was no movement on the provision for slow moving spare parts and supplies during 2022 and 2021.

**(7) ACCOUNTS RECEIVABLE**

	2022	2021
	JD	JD
Ministry of Energy and Mineral Resources (Note 18 and 23)	3,845,356	320,715
Central Electricity Generating Company (Note 23)	2,393,431	4,591,060
Trans-Global International Company	927,340	927,340
National Electric Power Company (Note 23)	551,621	-
Reda Kannan & Sons Company	46,222	46,222
Others	6,134	34,617
	7,770,104	5,919,954
Less: Provision for expected credit losses	(973,562)	(973,562)
	6,796,542	4,946,392

Central Electricity Generation Company and National Electric Power Company settle their outstanding balances every (45) days after the end of each month according to its agreements. Accordingly, receivables do not exceed (90) days from the due date.

Doubtful debts in the amount of JD 973,562 as at 31 December 2022 and 2021 and have been fully provisioned for.

The Company expects unimpaired receivables to be fully recoverable. The Company does not obtain collateral against accounts receivable.



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**(8) OTHER CURRENT ASSETS**

	2022	2021
	JD	JD
Employees' receivables	1,312,176	1,271,299
Income and sales tax deposits	39,805	131,721
Refundable deposits	97,015	80,410
Work injury claims	53,889	50,844
Former Board of Directors' receivables (recovered remunerations)	12,989	19,389
Prepaid Expenses	8,000	-
Others	18,556	20,185
	<u>1,542,430</u>	<u>1,573,848</u>

**(9) CASH ON HAND AND AT BANKS**

	2022	2021
	JD	JD
Deposits mature within six months*	2,000,000	-
Deposits mature within three months**	8,000,000	14,000,000
Demand deposits***	1,707,267	964,582
	<u>11,707,267</u>	<u>14,964,582</u>

\* The deposits are held for periods not exceeding 6 months and bear an interest rate of 5.5%.

\*\* Time deposits are held for periods for 3 months and bear an interest rate of 4.63% (2021: 3.58%).

\*\*\* Demand deposits bear an interest rate between 1% to 2.5% (2021: 1% to 2.5%)

For the purpose of the statement of cash flows, cash and cash equivalents consist of the following:

	2022	2021
	JD	JD
Cash on hand and at banks	11,707,267	14,964,582
Less: Deposits maturing within six months	(2,000,000)	-
Cash and cash equivalent	<u>9,707,267</u>	<u>14,964,582</u>

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**(10) EQUITY**

**Paid-in capital –**

The authorized and paid in capital amounts to JD 15,000,000 divided into 15,000,000 shares at par value of JD 1 each as of 31 December 2022 and 2021.

**Statutory reserve –**

As required by the Jordanian Companies Law, 10% of the annual profit for the year before income tax is to be transferred to statutory reserve. This reserve is not available for distribution to the shareholders. The General Assembly of the Company has approved for the continuation of transfer to the statutory reserve until the balance reaches the paid-in capital.

**(11) END OF SERVICE INDEMNITY PROVISION**

Movements on the provision for end of service indemnity were as follows:

	2022 JD	2021 JD
Balance as at 1 January	2,273,540	2,125,215
Provision during the year *	276,312	224,644
Paid during the year	(59,603)	(76,319)
Balance as at 31 December	2,490,249	2,273,540

\* The provision for end of service indemnity is calculated for all employees. The provision for each employee is based on one month salary for each year of service using the employee's salary at the last day of service.

**(12) DUE TO MINISTRY OF FINANCE**

According to the Council of Ministers decision no. 58/1/11/28800 dated 15 July 2021, an agreement was reached for the Company to retain the Ministry of Finance's share of Company revenues for the years 2020 and 2021 as part of the Company's budget, as well as to undertake the necessary procedures to provide the Company with the facilities, for the purpose of exploration and to reach the excavation stage.

The Company had addressed the Minister of Finance through letter no. 32/3/237 dated 2 February 2020 requesting that the revenues which were retained as part of the agreement to be considered as non-refundable grants and there has been no response to the Company's request as of the date of preparation these financial statements. The Company has not repaid this balance to The Ministry of Finance as of the date of preparation these financial statements.

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**(13) DEFERRED GRANT INCOME**

The Company received a grant from British Petroleum (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 systematical and reasonable basis in accordance with IAS (20).

During the year ended 31 December 2021, the Company amortized the remaining amount of deferred grant income amounted to JD 131,751.

**(14) OTHER CURRENT LIABILITIES**

	2022 JD	2021 JD
Provision for legal cases (Note 24)	158,400	232,754
Board of Directors' remuneration	35,000	35,000
Accrued expenses	58,320	16,330
Sales tax payable	140,609	11,149
Employees' payables	-	949
Others	75,301	7,144
	<u>467,630</u>	<u>303,326</u>

**(15) INCOME TAX**

The income tax provision for the years ended 31 December 2022 and 2021 was calculated in accordance with the Income Tax Law number 34 for the year 2014 and its amendments as mandated by the Concession Law No. (1) for the year 2010 which states that the statutory income tax rate for the Company is fixed at 15% of taxable income related to its operations under the Concession in addition to a national contribution at a rate of 1% of taxable income for each year.

Movements on the provision for income tax were as follows:

	2022 JD	2021 JD
Balance as at 1 January	956,324	680,865
Income tax expense	712,490	1,109,740
Prior years' income tax expense	661,555	-
Paid during the year	<u>(1,617,879)</u>	<u>(834,281)</u>
Balance as at 31 December	<u>712,490</u>	<u>956,324</u>

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Details of the income tax expense recorded in the statement of profit or loss is as follows:

	2022	2021
	JD	JD
Income tax expense during the year	667,960	1,040,381
Prior years' income tax expense	661,555	-
National contribution	44,530	69,359
	<u>1,374,045</u>	<u>1,109,740</u>

Reconciliation between accounting profit and taxable profit is as follows:

	2022	2021
	JD	JD
Accounting profit	4,236,364	6,787,548
<u>Add:</u>		
Non-deductible expenses:		
End of service indemnity expense provision	276,312	224,644
<u>Less</u>		
Paid from end of service	(59,603)	(76,319)
Taxable profit	<u>4,453,073</u>	<u>6,935,873</u>
Statutory tax rate (according to the concession law)	15%	15%
National contribution rate	1%	1%
Actual tax rate	32.43%	16.35%

The Company submitted its tax declarations to the Income and Sales Tax Department for the year ended 2021. The Company obtained final clearance from the Income Tax Department up to the year 2021 which resulted in recognizing additional provisions amounted to JD 661,555.

**(16) COMPANY'S SHARE OF GAS REVENUE**

	2022	2021
	JD	JD
Gross gas revenue during the year (Note 23)	15,027,374	16,831,691
Less: recovered costs	(9,016,424)	(10,099,015)
Less: recovered amount from the balance due from Ministry of Finance deducted from the increase in gas prices	-	(750,000)
Less: Jordanian Government share (note 23)	<u>(3,005,475)</u>	<u>(2,991,338)</u>
	<u>3,005,475</u>	<u>2,991,338</u>

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**(17) RECOVERED COSTS**

The Petroleum Operations Cost Reimbursement Committee (the "Committee") formed by the Minister of Energy and Mineral Resources, approved petroleum operations costs of JD 111,941,063 for the period from 1 May 2002 to 31 December 2021 as reimbursable operational costs. The Company was reimbursed the following costs:

<u>Period</u>	<u>Amount</u>
	JD
2022	9,016,424
2021	10,099,015
2020	8,340,151
2019	6,626,857
2018	7,405,606
2017	5,070,370
2016	3,493,253
2015	3,687,713
2014	4,116,873
2013	4,529,903
2012	4,909,185
2011	5,437,738
2010	5,538,635
2005	1,769,570
Total	<u>80,041,293</u>

The remaining and approved balance is JD 31,899,770 as at 31 December 2022.

The Committee reviewed the petroleum operations cost for the period between 1 January 2022 to 30 September 2022 is JD 10,040,385. The Committee has not issued their reports up to the date of these financial statements.

The Committee did not review the petroleum operations costs for the period from 1 October 2022 to 31 December 2022 in the amount of JD 42,396.

**(18) HAMZA/SARHAN FIELD PROJECT**

These items consist of revenues and expenses related to the provision of infrastructure development services for the Hamza and Sarhan fields, which the Company carried out during the year ended 31 December 2022 for the Ministry of Energy and Mineral Resources based on the Prime Minister's books No. 58/11/1/18026 and 22/9/06192.

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**(19) OPERATING EXPENSES**

	2022					2021
	Gas Station	Excavators	Exploration	Al Risha Wells	Total	Total
	JD	JD	JD	JD	JD	JD
Salaries, wages and other benefits	809,737	1,633,156	376,588	-	2,819,481	2,806,529
Capitalization of salaries	(100,000)	(500,000)	(40,000)	-	(640,000)	(1,247,798)
Transferred to Hamza and Sarhan fields' projects expenses (Note 18)	(450,000)	(330,000)	(60,000)	-	(840,000)	-
Depreciation and amortization	74,858	441,875	19,986	2,568,176	3,104,895	2,049,784
End of service indemnity	48,517	98,285	33,709	-	180,511	191,228
Spare parts and maintenance	206,386	924,552	-	95,864	1,226,802	1,534,336
Insurance expenses	9,542	27,985	369	-	37,896	30,301
Geophysical and reservoir studies	-	-	276,900	-	276,900	326,210
Unsuccessful gas well expenses amortization (Note 5)	-	-	-	1,301,524	1,301,524	-
Others	-	-	11,936	-	11,936	19,330
Total operating expenses	599,040	2,295,853	619,488	3,965,564	7,479,945	5,709,920

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**(20) ADMINISTRATIVE EXPENSES**

	<u>2022</u>	<u>2021</u>
	JD	JD
Salaries, wages and other benefits	1,041,767	1,026,258
Capitalization of salaries	(160,000)	-
Transferred to Hamza and Sarhan Fields' projects expenses (Note 18)	(260,000)	-
Vehicles and fuel expenses	208,893	143,392
End of service indemnity expense	95,801	33,416
Depreciation	84,585	67,566
Travel and transportation	67,466	78,478
Maintenance	61,583	34,018
Employee incentives	58,929	44,802
Board of Directors' fees, remuneration and transportation (Note 23)	55,150	50,250
Consultancy fees	52,820	29,460
Telephone, electricity and water	36,631	37,357
Government fees, licenses and penalties	24,980	24,815
Bank charges	20,770	25,051
Stationery, printings and subscriptions	18,315	17,448
Hospitality	8,555	6,188
Training	4,913	2,479
Insurance	2,209	1,858
Others	52,571	88,099
	<u>1,475,938</u>	<u>1,710,935</u>

**(21) BASIC AND DILUTED EARNINGS PER SHARE**

	<u>2022</u>	<u>2021</u>
	JD	JD
Profit for the year (JD)	2,862,319	5,677,808
Weighted average number of shares (Share)	15,000,000	15,000,000
	<u>JD / Fills</u>	<u>JD / Fills</u>
Basic and diluted earnings per share	<u>0/191</u>	<u>0/379</u>

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**(22) CONTINGENT LIABILITIES**

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

	2022		2021	
	Amount	Cash margin	Amount	Cash margin
	JD	JD	JD	JD
Letters of guarantee	<u>1,143,000</u>	<u>65,100</u>	<u>1,243,000</u>	<u>70,100</u>
Letters of credit	<u>905,526</u>	<u>27,165</u>	<u>185,356</u>	<u>5,560</u>

**(23) 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.

**Statement of financial position items as at 31 December 2022:**

	2022	2021
	JD	JD
<b>Current Assets -</b>		
Accounts receivable -		
Central Electricity Generating Company (Associate of Government Investment Management Company) (Note 7)	<u>2,393,431</u>	<u>4,591,060</u>
National Electric Power Company (Subsidiary of Government Investment Management Company) (Note 7)	<u>551,621</u>	<u>-</u>
Ministry of Energy and Mineral Resources (Note 7)	<u>3,845,356</u>	<u>320,715</u>
<b>Current Liabilities -</b>		
Accounts payable -		
Due to Ministry of Finance (Note 12)	<u>6,275,421</u>	<u>5,021,388</u>



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**Statement of comprehensive income items for the year ended 31 December:**

	2022 JD	2021 JD
Total gas invoices billed to Central Electricity Generating Company (associate of Government Investment Management Company) (Note 16)	14,475,753	16,831,691
Total gas invoices billed to National Electric Power Company (Subsidiary of Government Investment Management Company) (Note 16)	551,621	-
Hashemite Kingdom of Jordan – Ministry of Energy and Mineral Resources (Hamza's Field project income) (Note 18)	987,643	1,593,708
Hashemite Kingdom of Jordan – Ministry of Energy and Mineral Resources (Sarhan's Field project income) (Note 18)	3,191,359	-
Jordanian Government share for the year (Note 16)	3,005,475	2,991,338
Key management salaries and other benefits	348,644	313,163
Board of Directors' fees (Note 20)	18,000	18,000
Board of Directors' transportation (Note 20)	34,300	30,000
Board of Directors' remuneration (Note 20)	2,850	2,250

**(24) LITIGATIONS**

The Company is a defendant in a number of lawsuits within normal course of its business. The management and legal consultant believe that the provision booked is sufficient to meet the obligations that may result from these cases and claims. The Company settled all the lawsuits held against others as at 31 December 2022 (31 December 2021: JD 42,696).

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**(25) 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 Risha field area.

Based on the results of continuous internal studies updated in 2007 and carried out by the Company, the minimum estimated gas reserves were 443 billion cubic feet.

**(26) FAIR VALUE FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, accounts receivable, balance due from Ministry of Finance and other current assets. Financial liabilities consist of accounts payable, balance due Ministry of Finance and some other current liabilities.

The fair value of the financial instruments is not materially different from their carrying values.

**(27) RISK MANAGEMENT**

**Interest rate risk -**

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities such as bank deposits.

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

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates as at 31 December, with all other variables held constant.

	Increase (Decrease) in interest rates	Effect on profit before tax for the year
	Basis Points	JD
<b>2022 –</b>		
Currency		
JD	50	58,535
JD	(50)	(58,535)

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	Increase (Decrease) in interest rates	Effect on profit before tax for the year
	Basis Points	JD
<b>2021 –</b>		
Currency		
JD	50	74,823
JD	(50)	(74,823)

**Credit risk -**

Credit risk is the risk that counterparty will not meet its obligations to the Company.

The Company believes that it is not subject to high credit risk as it constantly monitors its receivables. The Company also maintains balances and deposits with reputable banking institutions.

The Company sells its entire production of natural gas to Central Electricity Generating Company and National Electric Power Company.

**Liquidity risk -**

The Company monitors its liquidity by ensuring availability of funds to meet its obligations at their maturity dates through using the generated revenues of the Company.

The Company limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

	Less than 3 months JD	Total JD
<b>As at 31 December 2022</b>		
Accounts payable and other current liabilities	491,316	491,316
Due to Ministry of Finance	6,275,421	6,275,421
<b>Total</b>	<u>6,766,737</u>	<u>6,766,737</u>
<b>As at 31 December 2021</b>		
Accounts payable and other current liabilities	366,192	366,192
Due to Ministry of Finance	5,021,388	5,021,388
<b>Total</b>	<u>5,387,580</u>	<u>5,387,580</u>

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**Foreign currency risk -**

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (USD 1.41 for JD 1). Accordingly, currency risk has no material impact on the financial statements.

**(28) CAPITAL MANAGEMENT**

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the current year and prior year.

Capital comprises paid in capital, statutory reserves, and retained earnings, and is measured at JD 37,274,474 as at 31 December 2022 (2021: JD 34,412,155).

**(29) STANDARDS AND INTERPRETATIONS 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**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 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. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided 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 the Company.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Company.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**(30) TEMPORARY STOPPAGE OF THE PRODUCTION DURING THE YEAR**

On 18 October 2022, the Company's gas production and supply to the Central Electricity Generating Company was stopped in accordance with the letter of the Minister of Energy and Mineral Resources No. (٢٢/٩/٦٨٩٩/غ م ن) dated 29 September 2022 which referred to the letter of the CEO of the Central Electricity Generating Company No. (6/1/27/1938) dated 27 September 2022, which includes disconnection of the fourth and fifth gas units in the Risha station from the electrical network by the end of 17 October 2022, The Company's gas production continued to be stopped for a period of (65) days, which negatively affected the gas sales as a result of the government's decision to transfer the ownership of the gas units from the Central Electricity Generating Company to Al-Samra Electricity Generation Company.

The Company has signed gas sale and purchase agreements with the National Electricity Power Public Shareholding Company to supply the Company's gas produced through the operator - Al-Samra Electricity Generation Company - with a maximum quantity of 18.5 million British thermal units per day, subject to increase up to 120% of the amount agreed upon with the approval of both parties. The gas selling price is determined according to the Petroleum Derivatives Pricing Committee assigned by the Council of Ministers. The term of the agreement is valid from 21 December 2022 to 31 December 2027.

The Company is in the process of concluding several gas sale and purchase agreements with several parties. An agreement was signed with one of the Companies to purchase quantities equivalent to 12 million British thermal units per day. The Company's management expects to start on these agreements during the last quarter of 2023.