

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2020



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

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

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF IRBID DISTRICT ELECTRICITY COMPANY
PUBLIC SHAREHOLDING COMPANY
IRBID - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of Irbid District Electricity Company Public Shareholding Company (the “Company”) as at 30 September 2020, comprising of the interim condensed statement of financial position as at 30 September 2020 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting). 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 the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
28 October 2020

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

	Notes	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS -			
Property and equipment	3	127,068,971	122,652,027
Subscribers' and rural fils contributions assets		79,900,173	79,817,831
Dispute lawsuits payments		45,795	52,889
Right of use assets		561,213	636,600
Projects in progress		13,729,826	18,064,517
Strategic inventories		6,909,030	7,168,761
Deferred tax assets		1,869,103	1,612,523
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>230,370,830</u>	<u>230,291,867</u>
CURRENT ASSETS -			
Accounts receivable		106,955,550	138,076,595
Other current assets		3,682,136	4,075,465
Inventories		3,545,401	2,769,248
Cash and bank balances		105,724	23,879
		<u>114,288,811</u>	<u>144,945,187</u>
Total Assets		<u>344,659,641</u>	<u>375,237,054</u>
<u>EQUITY AND LIABILITIES</u>			
EQUITY -			
Paid-in-capital	6	8,000,000	8,000,000
Statutory reserve	6	2,210,264	2,210,264
Voluntary reserve		638,778	638,778
Retained earnings		1,987,031	4,530,539
Total equity		<u>12,836,073</u>	<u>15,379,581</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers' and rural fils contributions liabilities		79,900,173	79,817,831
Long-term lease liability		413,306	485,753
Advances from subscribers		9,941,192	9,509,754
Excess of subscribers' contributions		145,793	348,807
Provision for end-of-service indemnity		5,376,570	4,469,649
Long-term loan	4	17,111,115	18,666,670
Subscribers' deposits		50,980,452	49,094,374
		<u>163,868,601</u>	<u>162,392,838</u>
CURRENT LIABILITIES			
Accounts payable		112,555,381	143,781,215
Current portion from long-term loan	4	3,111,110	3,111,110
Accrued expenses		2,711,302	1,734,993
Short-term lease liability		127,255	141,256
Other current liabilities		6,430,853	8,425,298
Bank overdrafts	7	39,909,314	37,263,047
Excess of subscribers' contributions		270,685	270,685
Other provisions		1,551,430	1,566,830
Income tax provision		1,287,637	1,170,201
		<u>167,954,967</u>	<u>197,464,635</u>
Total Liabilities		<u>331,823,568</u>	<u>359,857,473</u>
Total Equity and Liabilities		<u>344,659,641</u>	<u>375,237,054</u>

The attached notes from 1 to 12 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	<u>Notes</u>	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
		JD	JD	JD	JD
Electricity power sales		74,416,583	73,502,824	193,885,536	200,859,825
Cost of electricity power sales		(61,984,561)	(58,455,929)	(165,110,790)	(164,756,301)
Gross profit		12,432,022	15,046,895	28,774,746	36,103,524
Other operating revenues (expenses)		1,260,273	(544,785)	1,836,473	266,408
General and administrative expenses		(6,409,502)	(5,734,729)	(17,762,749)	(16,716,291)
Depreciation and amortization		(2,571,347)	(2,644,141)	(7,775,460)	(7,787,058)
Expected credit losses provision		(412,959)	(325,582)	(1,150,000)	(410,287)
Provision for slow moving inventories		-	(11,112)	-	(11,112)
Operating profit from core activities		4,298,487	5,786,546	3,923,010	11,445,184
Revenue from non-core activities		831,755	892,574	2,331,118	3,791,030
Interest income on late payments		(332,221)	106,068	2,919,877	5,470,097
Non-core activities expenses		(147,980)	(188,420)	(731,504)	(1,679,389)
Finance costs		(708,347)	(1,029,929)	(2,311,185)	(3,047,737)
Interest expense on late payments		(130,510)	(537,770)	(4,333,811)	(5,955,448)
Loss from non-core activities		(487,303)	(757,477)	(2,125,505)	(1,421,447)
Profit before income tax expense		3,811,184	5,029,069	1,797,505	10,023,737
Income tax expense	5	(741,013)	(1,433,276)	(741,013)	(2,515,526)
Profit for the period		3,070,171	3,595,793	1,056,492	7,508,211
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		3,070,171	3,595,793	1,056,492	7,508,211
		<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share from profit of the period	10	<u>0/384</u>	<u>0/449</u>	<u>0/132</u>	<u>0/939</u>

The attached notes from 1 to 12 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Paid in capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
	JD	JD	JD	JD	JD
2020 -					
Balance at 1 January 2020	8,000,000	2,210,264	638,778	4,530,539	15,379,581
Total comprehensive income for the period	-	-	-	1,056,492	1,056,492
Dividends distribution (Note 11)	-	-	-	(3,600,000)	(3,600,000)
Balance at 30 September 2020	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>1,987,031</u>	<u>12,836,073</u>
2018 -					
Balance at 1 January 2019	8,000,000	2,210,264	638,778	6,978,008	17,827,050
Total comprehensive income for the period	-	-	-	7,508,211	7,508,211
Dividends distribution (note 11)	-	-	-	(6,000,000)	(6,000,000)
Balance at 30 September 2019	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>8,486,219</u>	<u>19,335,261</u>

The attached notes from 1 to 12 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Notes	For the nine months ended 30	
		September	
		2020	2019
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		1,797,505	10,023,737
Adjustments for:			
(Gain) loss from sale of property and equipment		(31,584)	33,854
Interest income on late payments		(2,919,877)	(5,470,097)
Interest expense on late payments		4,333,811	5,955,448
End-of-service indemnity		1,500,000	408,663
Depreciation and amortization		7,775,460	7,787,058
Depreciation portion related to non-core activities		80,777	89,810
Right of use assets depreciation		75,387	75,387
Lease liability finance cost		34,552	38,852
Interest expense		2,311,185	3,047,737
Amortization of excess of subscribers' contributions		(203,013)	(203,013)
Other provisions		87,939	234,298
Provision for slow moving inventories		-	11,112
Expected credit losses expense		1,150,000	410,287
Working capital changes:			
Inventories		263,966	(3,290,202)
Accounts receivable		32,890,923	51,953,963
Other current assets		393,328	(103,270)
Advances from subscribers		5,026,895	7,729,117
Subscribers' deposits		1,886,078	2,662,890
Accounts payable		(35,559,645)	(51,617,464)
Accrued expenses and other current liabilities		(944,075)	(1,138,721)
Provisions paid		(103,339)	(13,547)
End-of-service indemnity paid		(593,079)	(249,792)
Income tax paid		(880,157)	(3,051,221)
Net cash flows from operating activities		18,373,037	25,324,886
<u>INVESTING ACTIVITIES</u>			
Projects in progress		(7,191,652)	(8,036,923)
Dispute lawsuits payments		(10,179)	(6,867)
Proceeds from sale of property and equipment		36,779	(1,084,798)
Purchase of property and equipment	3	(6,110,606)	(11,599,014)
Net cash flows used in investing activities		(13,275,658)	(18,558,006)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(3,927,816)	(6,204,746)
Repayment of long-term loan		(1,555,555)	(1,555,555)
Interest paid		(2,057,430)	(2,658,140)
Lease liability and finance cost payments		(121,000)	(121,000)
Net cash flows used in financing activities		(7,661,801)	(10,539,441)
Net decrease in cash and cash equivalents		(2,564,422)	(3,772,561)
Cash and cash equivalents at beginning of the period		(37,239,168)	(32,101,928)
Cash and cash equivalents at end of the period	7	(39,803,590)	(35,874,489)

The attached notes from 1 to 12 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2020 (UNAUDITED)

(1) GENERAL

Irbid District Electricity Company (the "Company") was established in 1957 as a public shareholding company and registered in the Ministry of Industry and Trade under the registration number (17) on 27 February 1964.

During 2008 and under the privatization initiative of the electric sector, the government of the Hashemite Kingdom of Jordan has resolved to sell its entire ownership of 55.46% in the Company's capital to Kingdom Electricity Company. During 2009, Kingdom Electricity Company sold its share in the Company's capital to Electricity Distribution Company Public Shareholding Company.

The main activities of the Company are to distribute electric power and to provide it to retail consumers who live in the north of Jordan (Irbid, Jerash, Ajloun and Mafrq), in accordance with the distribution license granted to the Company on 30 September 2008 for 25 years.

The Company's financial statements are consolidated with the financial statements of Electricity Distribution Company, Public Shareholding Company (Parent Company) and with Social Security Corporation (Ultimate Parent Company).

The interim condensed financial statements have been approved by the Board of Directors in their meeting held on 25 October 2020.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed financial statements for the nine-month period to 30 September 2019 have been 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 financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as of 31 December 2019. In addition, results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Amendments to IFRS 3: Definition of a Business

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

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Company did not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

These amendments do not have any impact on the Company's interim condensed financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

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

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

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

These amendments do not have any impact on the Company's interim condensed financial statements.

(3) PROPERTY AND EQUIPMENT

The Company purchased property and equipment amounted to JD 6,110,606 for the nine months ended 30 September 2020 (30 September 2019: JD 11,599,014).

(4) LONG TERM LOAN

During May 2015, the Company signed a loan agreement with Jordan Kuwait Bank amounting to JD 28,000,000 including a grace period of three years from the date of first withdrawal for the purpose of financing the Company's working capital projects and its operations. The entire loan was utilized during 2015.

The loan is repayable over 18 semi-annual instalments of JD 1,555,555 each. The loan bears an interest rate similar to interest rate applicable on the Central Bank of Jordan deposits plus 2.65% margin ratio with a minimum gross interest rate of 5.3% per annum.

(5) INCOME TAX

Income tax provision was calculated for the periods ended 30 September 2020 and 2019 in accordance with the Income Tax Law No. (38) for the year 2018. The Company is subject to a statutory income tax rate of 24% in addition to a 3% National Contribution tax in accordance with Income Tax Law No. (38) of 2018 which took effect on 1 January 2019.

The Company obtained a final clearance from the Income and Sales Tax Department up to the year 2017. The income tax return for the year 2018 has been approved according to sampling system issued by the Income and Sales tax Department. The Company submitted the income tax return for the year 2019 which has not been reviewed by The Income and Sales Tax Department up to the date of these interim condensed financial statements.

(6) EQUITY

Paid-in capital -

The Company's authorized, subscribed and paid-in share capital is 8,000,000 shares at 1 JD par value per share.

Statutory reserve -

The Company did not deduct statutory reserve according to the Companies' Law, since these financial statements are interim condensed financial statements.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2020 (UNAUDITED)

(7) CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed statements of cash flows consist of the following:

	For the nine months ended 30 September	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	105,724	44,076
Banks overdrafts*	(39,909,314)	(35,918,565)
	<u>(39,803,590)</u>	<u>(35,874,489)</u>

* This item represents the credit facilities granted to the Company from several local banks with a ceiling of JD 67,600,000, bearing an average interest rate of 5.17% annum.

(8) RELATED PARTIES

Related parties represent major shareholders, parent company, Board of Directors, key management personnel of the Company and companies where the company is a major shareholder. Such pricing policies and transactions' terms are approved by the Company's management.

Related parties' balances included in the interim condensed statement of financial position are as follow:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Due to Electrical Equipment Industries Company LLC (Sister Company)	-	46,759
Due to Electricity Distribution Public Shareholding Company (Parent Company)	251,111	13,698
	<u>251,111</u>	<u>60,457</u>

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2020 (UNAUDITED)

Transactions with related parties included in the interim condensed statement of comprehensive income are as follow:

	For the nine months ended 30 September	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Purchases from Electricity Distribution Company (Parent Company)	295,582	2,045,598
Purchases from Electrical Equipment Industries Company (Sister Company)	180,079	237,982

Salaries and other benefits for key management personnel of the Company are as follow:

	For the nine months ended 30 September	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Salaries and other benefits	384,925	458,729
Transportation and remuneration of Board of Directors	241,300	241,300
	<u>626,225</u>	<u>700,029</u>

(9) CONTINGENT LIABILITIES

Guarantees and letters of credit -

As at the date of the interim condensed financial statements, the Company has contingent liabilities representing letters of credit in an amount of JD 1,990,136 (31 December 2019: JD 236,844).

Litigations -

The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 447,334. The Company's management and its legal advisor believe that the provision taken against these claims in the amount of JD 423,336 is adequate to meet any obligations that may arise.

Dispute with National Electricity Power Company -

National Electricity Power Company (Company's electricity provider) claiming an amount of JD 717,269 which is mainly represent a difference of interest on late payments. The Company and its legal advisor believe that the Company will not have any obligation as per the electricity tariff (Wholesale Tariff) issued by EMRC.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2020 (UNAUDITED)

(10) EARNINGS PER SHARE FROM THE PROFIT OF THE PERIOD

	For the nine months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss) profit for the period (JD)	1,056,492	7,508,211
Weighted average of number of shares (share)	8,000,000	8,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share from the profit of the period	0/132	0/939

(11) DIVIDENDS DISTRIBUTION

The General Assembly approved in its' ordinary meeting, held on 4 June 2020, to distribute an amount of JD 3,600,000 (2019: JD 6,000,000) as dividends to the shareholders for the profits of 2019 of 45% of the Company's share capital (2019: 75%).

(12) THE SPREAD OF CORONA VIRUS (COVID-19) AND ITS IMPACT ON THE COMPANY

Corona virus (Covid-19) affected the global economy and the imbalance in the global markets, which had a negative impact on various business sectors as a result of the restriction. Whereas, on 17 March 2020, the Jordanian prime minister decided to impose a curfew and suspend all business activities in the Kingdom until further notice as part of the precautionary measures the government has taken to combat the spread of the Corona virus (Covid-19). Consequently, most of the business activities in the Kingdom were affected as a result of the decision. Some vital sectors, such as health, telecommunications, water and electricity, were excluded from this decision. Accordingly, the company continued its operations without interruption during the quarantine period.