

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2017

**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 June 2017, comprising of the interim statement of financial position as at 30 June 2017 and the related interim statements of comprehensive income, changes in equity and cash flows for the six-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
27 July 2017



IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	Notes	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
ASSETS			
NON-CURRENT ASSETS -			
Property and equipment	3	100,218,197	93,956,710
Subscribers' and rural fils contributions assets		70,394,222	69,503,387
Dispute lawsuits payments		90,662	109,352
Projects in progress		7,412,923	6,618,631
Strategic inventories		7,742,552	6,892,883
Deferred tax assets		930,097	1,034,316
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>187,075,372</u>	<u>178,401,998</u>
CURRENT ASSETS -			
Accounts receivable		127,719,990	105,535,696
Other current assets		2,832,257	2,756,709
Inventories		3,496,147	1,521,036
Cash and bank balances		1,111,241	337,131
		<u>135,159,635</u>	<u>110,150,572</u>
TOTAL ASSETS		<u>322,235,007</u>	<u>288,552,570</u>
EQUITY AND LIABILITIES			
EQUITY -			
Paid in capital	6	8,000,000	8,000,000
Statutory reserve		2,210,264	2,210,264
Voluntary reserve		638,778	638,778
Retained earnings		3,604,755	9,307,996
Total Equity		<u>14,453,797</u>	<u>20,157,038</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers and rural fils contributions liabilities		70,394,222	69,503,387
Advances from subscribers		8,526,929	7,796,691
Excess of subscribers contributions		1,025,302	1,160,860
Provision for end-of-service indemnity		2,818,116	3,223,349
Long term loan	4	28,000,000	28,000,000
Subscribers' deposits		39,273,005	37,338,097
		<u>150,037,574</u>	<u>147,022,384</u>
CURRENT LIABILITIES			
Accounts payable		117,137,568	86,194,539
Accrued expenses		1,524,831	1,624,385
Other current liabilities		8,568,323	8,415,639
Bank overdrafts		28,200,661	20,106,072
Excess of subscribers contributions		270,685	270,685
Other provisions		1,083,843	2,222,573
Provision for income tax		957,725	2,539,255
		<u>157,743,636</u>	<u>121,373,148</u>
Total Liabilities		<u>307,781,210</u>	<u>268,395,532</u>
TOTAL EQUITY AND LIABILITIES		<u>322,235,007</u>	<u>288,552,570</u>

The attached notes from 1 to 9 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

Note	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	JD	JD	JD	JD
Electricity power sales	62,868,123	62,759,200	124,793,045	120,643,956
Cost of electricity power sales	(54,103,351)	(52,853,443)	(107,843,673)	(102,866,988)
Gross profit	8,764,772	9,905,757	16,949,372	17,776,968
Other operating revenues	366,247	521,540	1,098,126	1,227,603
General and administrative expenses	(5,098,094)	(5,024,951)	(10,659,862)	(9,680,877)
Depreciation and amortization	(1,992,700)	(1,755,186)	(3,906,906)	(3,485,822)
Provision for slow moving inventories	(163,009)	(116,933)	(267,343)	(186,438)
Operating profit	1,877,216	3,530,227	3,213,387	5,651,434
Revenue from non-core activities	735,711	820,774	1,603,360	1,311,199
Interest income	690	164	1,039	706
Interest income on late payments	1,007,533	1,344,286	2,283,769	2,999,158
Costs of non-core activities	(218,446)	(137,428)	(373,441)	(273,577)
Finance costs	(695,577)	(737,170)	(1,395,558)	(1,438,382)
Interest expense on late payments	(1,261,692)	(793,646)	(1,989,194)	(1,225,944)
(Loss) profit from non-core activities	(431,781)	496,980	129,975	1,373,160
Profit before income tax expense	1,445,435	4,027,207	3,343,362	7,024,594
Income tax expense	(591,100)	(1,134,381)	(1,046,603)	(1,853,754)
Profit for the period	854,335	2,892,826	2,296,759	5,170,840
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	854,335	2,892,826	2,296,759	5,170,840
	JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings per share from profit for the period	0/107	0/362	0/287	0/646

The attached notes from 1 to 9 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

	Paid-in capital		Statutory reserve		Voluntary reserve		Retained earnings		Total		
	JD		JD		JD		JD		JD		
2017 -											
Balance at 1 January 2017	8,000,000		2,210,264		638,778		9,307,996		20,157,038		
Total comprehensive income for the period	-		-		-		2,296,759		2,296,759		
Dividends distribution (Note 6)	-		-		-		(8,000,000)		(8,000,000)		
Balance at 30 June 2017	8,000,000		2,210,264		638,778		3,604,755		14,453,797		
2016 -											
Balance at 1 January 2016	8,000,000		2,210,264		638,778		5,555,097		16,404,139		
Total comprehensive income for the period	-		-		-		5,170,840		5,170,840		
Dividends distribution	-		-		-		(4,800,000)		(4,800,000)		
Balance at 30 June 2016	8,000,000		2,210,264		638,778		5,925,937		16,774,979		

The attached notes from 1 to 9 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

	Note	For the six months ended 30	
		June	
		2017	2016
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		3,343,362	7,024,594
Adjustments for:			
Gain on disposal of property and equipment		(29,622)	(21,371)
Interest income		(1,039)	(706)
Interest income on late payments		(2,283,769)	(2,999,158)
Interest expense on late payments		1,989,194	1,225,944
End-of-service indemnity		61,734	99,215
Depreciation and amortization		3,906,906	3,485,822
Depreciation portion related to non-core activities		33,028	27,890
Interest expense		1,395,558	1,438,382
Excess of subscribers contributions		(135,558)	(135,342)
Other provisions		12,385	231,978
Provision for slow moving inventories		267,343	186,438
Provision for doubtful accounts		876,815	425,603
Working capital changes:			
Inventories		(1,457,416)	(1,532,142)
Accounts receivable		(20,777,340)	(18,307,960)
Other current assets		(75,548)	(305,528)
Advances from subscribers		4,089,547	3,231,956
Subscribers' deposits		1,934,908	2,108,113
Other provisions paid		(1,153,008)	(65,619)
Accounts payable		28,953,835	10,213,065
Accrued expenses and other current liabilities		(449,030)	311,950
End-of-service indemnity paid		(492,823)	(262,928)
Income tax paid		(2,523,914)	(1,123,431)
Net cash flows from operating activities		17,485,548	5,256,765
<u>INVESTING ACTIVITIES</u>			
Projects in progress		(5,850,686)	(4,811,208)
Dispute lawsuits payments		(3,329)	(205)
Proceeds from sale of property and equipment		36,451	21,471
Purchase of property and equipment		(10,096,103)	(7,809,485)
Interest received		1,039	706
Net cash flows used in investing activities		(15,912,628)	(12,598,721)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(7,621,507)	(4,464,532)
Interest paid		(1,271,892)	(1,314,716)
Net cash flows used in financing activities		(8,893,399)	(5,779,248)
Net decrease in cash and cash equivalents		(7,320,479)	(13,121,204)
Cash and cash equivalents at beginning of the period		(19,768,941)	(15,350,372)
Cash and cash equivalents at end of the period	7	(27,089,420)	(28,471,576)

The attached notes from 1 to 9 form part of these interim condensed financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2017 (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 Mafraq), in accordance with the distribution license granted to the Company on 30 June 2008 for 25 years.

The interim condensed financial statements have been approved by the Board of Directors in their meeting held on 27 July 2017.

(1-2) BASIS OF PREPARATION

The interim condensed financial statements for the six-month period to 30 June 2017 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 2016. In addition, results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

(2-2) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 annual 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 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.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised 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) PROPERTY AND EQUIPMENT

Additions and disposals -

Additions to property and equipment were amounted to JD 10,096,103 for the six months ended 30 June 2017 (2016: JD 7,809,485).

(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 including accrued interest. 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.

The aggregate amounts and maturities of the loan instalments are as follows:

<u>Year</u>	<u>Amount</u>
	JD
2018	3,111,110
2019	3,111,110
2020	3,111,110
2021	3,111,110
2022 and after	15,555,560
	<u>28,000,000</u>

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2017 (UNAUDITED)

(5) INCOME TAX

Income tax provision was calculated for the three months ended 30 June 2017 in accordance with the Income Tax Law No. (34) for the year 2014.

The Company obtained a final tax clearance up to the year 2014.

The Income Tax Department has not reviewed the Company's records for the years 2015 and 2016 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.

Dividends -

In its ordinary meeting held on 9 April 2017, the General Assembly approved the Board of Directors recommendations to distribute 100% of its capital as dividends amounted to JD 8,000,000.

In its ordinary meeting held on 7 April 2016, the General Assembly approved the Board of Directors recommendation to distribute 60% of its capital as dividends amounted to JD 4,800,000.

(7) CASH AND BANK BALANCES

Cash and bank balances included in the interim statements of cash flows consist of the following:

	30 June 2017	30 June 2016
	JD	JD
Cash on hand and at banks	1,111,241	1,402,725
Banks overdrafts*	(28,200,661)	(29,874,301)
	<u>(27,089,420)</u>	<u>(28,471,576)</u>

* This item represents the credit facilities granted to the Company from local banks with a ceiling of JD 43,000,000, bearing an average interest rate of 5.53% per annum.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2017 (UNAUDITED)

(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 statement of financial position are as follow:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Due to Electrical Equipment Industries Company LLC (sister company)	65,005	48,386
Due to Electricity Distribution Company (parent company)	-	38,992
	<u>65,005</u>	<u>87,378</u>

	For the six months ended 30 June	
	2017	2016
	JD	JD
Purchases from Electricity Distribution Company (parent company)	197,359	466,105
Purchases from Electrical Equipment Industries Company (sister company)	-	1,015,154

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

	For the six months ended 30 June	
	2017	2016
	JD	JD
Transportation and remuneration of Board of Directors	124,200	167,950

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

	For the six months ended 30 June	
	2017	2016
	JD	JD
Salaries and benefits	307,797	224,534

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(9) CONTINGENT LIABILITIES

Guarantees and letters of credit -

As at the date of the interim condensed financial statements, the Company has outstanding bank guarantees of JD 635,585 (30 June 2016: JD 300) and letters of credit of JD 1,481,602 (30 June 2016: JD 2,974,921).

Litigations -

The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 382,078. The Company's management and its legal advisor believe that the provision taken against these claims of JD 423,336 as at 30 June 2017 (31 December 2016: JD 423,336) is adequate to meet any obligations that may arise.

Dispute with National Electricity Power Company -

National Electricity Power Company claiming an amount of JD 721,881 which mainly represents 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.