

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2017



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**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 2017, comprising of the interim statement of financial position as at 30 September 2017 and the related interim statements of comprehensive income, changes in equity and cash flows for the 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
30 October 2017

Ernst + Young

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

INTERIM STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

	Notes	30 September 2017	31 December 2016
		JD (Unaudited)	JD (Audited)
ASSETS			
NON-CURRENT ASSETS -			
Property and equipment	3	102,424,312	93,956,710
Subscribers' and rural fils contributions assets		70,463,156	69,503,387
Dispute lawsuits payments		86,267	109,352
Projects in progress		9,913,314	6,618,631
Strategic inventories		6,848,268	6,892,883
Deferred tax assets		918,478	1,034,316
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>190,940,514</u>	<u>178,401,998</u>
CURRENT ASSETS -			
Accounts receivable		136,213,372	105,535,696
Other current assets		3,096,361	2,756,709
Inventories		3,210,950	1,521,036
Cash and bank balances		56,611	337,131
		<u>142,577,294</u>	<u>110,150,572</u>
TOTAL ASSETS		<u>333,517,808</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		8,405,577	9,307,996
Total Equity		<u>19,254,619</u>	<u>20,157,038</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers, and rural fils contributions liabilities		70,463,156	69,503,387
Advances from subscribers		8,775,968	7,796,691
Excess of subscribers contributions		957,583	1,160,860
Provision for end-of-service indemnity		2,772,903	3,223,349
Long term loan	4	28,000,000	28,000,000
Subscribers' deposits		40,112,671	37,338,097
		<u>151,082,281</u>	<u>147,022,384</u>
CURRENT LIABILITIES			
Accounts payable		125,931,029	86,194,539
Accrued expenses		1,838,403	1,624,385
Other current liabilities		7,947,628	8,415,639
Bank overdrafts		23,936,840	20,106,072
Excess of subscribers contributions		270,685	270,685
Other provisions		1,085,500	2,222,573
Provision for income tax		2,170,823	2,539,255
		<u>163,180,908</u>	<u>121,373,148</u>
Total Liabilities		<u>314,263,189</u>	<u>268,395,532</u>
TOTAL EQUITY AND LIABILITIES		<u>333,517,808</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 THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	2017	2016
		JD	JD	JD	JD
Electricity power sales		76,440,223	71,536,972	201,233,268	192,180,928
Cost of electricity power sales		(63,871,811)	(59,128,873)	(171,715,484)	(161,995,861)
Gross profit		12,568,412	12,408,099	29,517,784	30,185,067
Other operating revenues		419,516	552,846	1,517,642	1,780,449
General and administrative expenses		(4,755,891)	(4,902,769)	(15,415,752)	(14,583,646)
Depreciation and amortization		(2,044,218)	(1,774,842)	(5,951,124)	(5,260,664)
Provision for slow moving inventories		(316,801)	(167,047)	(584,144)	(353,485)
Operating profit from core activities		5,871,018	6,116,287	9,084,406	11,767,721
Revenue from non-core activities		1,003,386	885,591	2,606,746	2,196,790
Interest income		201	291	1,240	997
Interest income on late payments		2,003,490	1,159,928	4,287,259	4,159,086
Costs of non-core activities		(164,862)	(525,435)	(538,303)	(799,012)
Finance costs		(693,775)	(684,388)	(2,089,333)	(2,122,770)
Interest expense on late payments		(1,616,967)	(1,081,853)	(3,606,161)	(2,307,797)
Profit (loss) from non-core activities		531,473	(245,866)	661,448	1,127,294
Profit before income tax expense		6,402,491	5,870,421	9,745,854	12,895,015
Income tax expense	5	(1,601,670)	(1,460,356)	(2,648,273)	(3,314,110)
Profit for the period		4,800,821	4,410,065	7,097,581	9,580,905
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		4,800,821	4,410,065	7,097,581	9,580,905
		<u>JD/ Fils</u>	<u>JD/ Fils</u>	<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic and diluted earnings per share from profit for the period		<u>0/600</u>	<u>0/551</u>	<u>0/887</u>	<u>1/198</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 CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-		-		-		7,097,581		7,097,581		
Dividends (note 6)	-		-		-		(8,000,000)		(8,000,000)		
Balance at 30 September 2017	<u>8,000,000</u>		<u>2,210,264</u>		<u>638,778</u>		<u>8,405,577</u>		<u>19,254,619</u>		
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	-		-		-		9,580,905		9,580,905		
Dividends (note 6)	-		-		-		(4,800,000)		(4,800,000)		
Balance at 30 September 2016	<u>8,000,000</u>		<u>2,210,264</u>		<u>638,778</u>		<u>10,336,002</u>		<u>21,185,044</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 CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Notes	For the nine months ended 30 September	
		2017 JD	2016 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		9,745,854	12,895,015
Adjustments for:			
(Gain) loss on disposal of property and equipment		(64,704)	201,971
Interest income		(1,240)	(997)
Interest income on late payments		(4,287,259)	(4,159,086)
Interest expense on late payments		3,606,161	2,307,797
End-of-service indemnity		61,734	99,215
Depreciation and amortization		5,951,124	5,260,664
Depreciation portion related to non-core activities		53,325	39,973
Interest expense		2,089,333	2,122,770
Excess of subscribers contributions		(203,277)	(203,013)
Other provisions		17,429	331,658
Provision for slow moving inventories		584,144	353,485
Dividends received		(43,008)	(17,203)
Provision for doubtful accounts		919,835	607,622
Working capital changes:			
Inventories		80,741	(4,993,073)
Accounts receivable		(27,310,252)	(21,962,324)
Other current assets		(339,652)	(101,614)
Advances from subscribers		5,666,720	4,571,677
Subscribers' deposits		2,774,574	3,021,143
Accounts payable		36,130,329	16,881,395
Accrued expenses and other current liabilities		(1,053,130)	716,625
Other provisions paid		(1,156,395)	(52,400)
End-of-service indemnity paid		(538,037)	(309,925)
Income tax paid		(2,900,868)	(1,864,932)
Net cash flows from operating activities		29,783,481	15,746,443
<u>INVESTING ACTIVITIES</u>			
Projects in progress		(9,679,210)	(8,391,337)
Dispute lawsuits payments		(8,570)	(558)
Proceeds from sale of property and equipment		71,963	195,173
Purchase of property and equipment	3	(15,033,004)	(11,743,583)
Interest received		1,240	997
Dividends received		43,008	17,203
Net cash flows used in investing activities		(24,604,573)	(19,922,105)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(7,703,774)	(4,623,227)
Interest paid		(1,586,422)	(1,619,859)
Net cash flows used in financing activities		(9,290,196)	(6,243,086)
Net decrease in cash and cash equivalents		(4,111,288)	(10,418,748)
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	(23,880,229)	(25,769,120)

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 SEPTEMBER 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 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).

The interim condensed financial statements have been approved by the Board of Directors in their meeting held on 29 October 2017.

(1-2) BASIS OF PREPARATION

The interim condensed financial statements for the nine month period to 30 September 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 nine-month period ended 31 September 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
30 SEPTEMBER 2017 (UNAUDITED)

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 -

Additions to property and equipment were amounted to JD 15,033,004 for the nine months ended 30 September 2017 (30 September 2016: JD 11,743,583).

In addition, the Company has transferred an amount of JD 1,724,834 from projects in progress to property and equipment during the nine months ended 30 September 2017 (30 September 2016: JD 11,000).

(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	<u>15,555,560</u>
	<u>28,000,000</u>

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

(5) INCOME TAX

Income tax provision was calculated for the three months ended 31 September 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 recommendations 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 September 2017	30 September 2016
	JD	JD
Cash on hand and at banks	56,611	36,285
Banks overdrafts*	(23,936,840)	(25,805,405)
	<u>(23,880,229)</u>	<u>(25,769,120)</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 5.66% per annum.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 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 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Due to Electrical Equipment Industries Company LLC (associate company of Electricity Distribution Company)	2,320	48,386
Due to Electricity Distribution Company (parent company)	178,166	38,992
	<u>180,486</u>	<u>87,378</u>

	For the nine months ended 30 September	
	2017	2016
	JD	JD
Purchases from Electricity Distribution Company (parent company)	308,090	459,059

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

	For the nine months ended 30 September	
	2017	2016
	JD	JD
Transportation and remuneration of Board of Directors	186,300	170,226
Dividends received – Electrical Equipment Industries Company LLC	43,008	17,203

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

	For the nine months ended 30September	
	2017	2016
	JD	JD
Salaries and benefits	<u>410,796</u>	<u>377,565</u>

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

(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 635,285 (30 September 2016: JD 557,888) and letters of credit of JD 1,029,052 (31 December 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 249,771 as at 30 September 2017. The Company's management and its legal advisor believe that the provision taken against these claims of JD 423,336 as at 30 September 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 (company's energy provider) claiming an amount of JD 716,393 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.