

**IRBID DISTRICT ELECTRICITY COMPANY**

**PUBLIC SHAREHOLDING COMPANY**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**31 MARCH 2018**

**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 31 March 2018, comprising of the interim statement of financial position as at 31 March 2018 and the related interim statements of comprehensive income, changes in equity and cash flows for the three-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 April 2018



**IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2018**

	<u>Notes</u>	31 March 2018 JD (Unaudited)	31 December 2017 JD (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS -</b>			
Property and equipment	3	109,959,761	108,696,396
Subscribers' and rural files contributions assets		71,176,430	72,331,248
Dispute lawsuits payments		76,366	82,963
Projects in progress		12,169,579	9,654,672
Strategic inventories		6,831,330	4,479,445
Deferred tax assets		945,943	968,810
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>201,446,128</u>	<u>196,500,253</u>
<b>CURRENT ASSETS -</b>			
Accounts receivable		144,034,437	132,566,224
Other current assets		5,883,719	4,718,381
Inventories		3,478,360	2,758,086
Cash and bank balances		44,559	38,763
		<u>153,441,075</u>	<u>140,081,454</u>
		<u>354,887,203</u>	<u>336,581,707</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY -</b>			
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		6,174,519	6,898,005
		<u>17,023,561</u>	<u>17,747,047</u>
<b>Total Equity</b>			
<b>LIABILITIES -</b>			
<b>NON-CURRENT LIABILITIES</b>			
Subscribers' and rural files contributions liabilities		71,176,430	72,331,248
Advances from subscribers		9,301,984	8,380,292
Excess of subscribers contributions		822,505	890,176
Provision for end-of-service indemnity		2,676,273	2,871,729
Long term loan	4	24,888,890	24,888,890
Subscribers' deposits		42,673,729	41,319,954
		<u>151,539,811</u>	<u>150,682,289</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	4	143,672,456	123,328,351
Current portion from long term loan		3,111,110	3,111,110
Accrued expenses		2,622,480	1,419,530
Other current liabilities		7,789,965	8,608,829
Bank overdrafts		26,158,456	28,252,910
Excess of subscribers contributions		270,685	270,685
Other provisions		1,301,080	1,197,991
Provision for income tax		1,397,599	1,962,965
		<u>186,323,831</u>	<u>168,152,371</u>
		<u>337,863,642</u>	<u>318,834,660</u>
<b>Total Liabilities</b>			
		<u>354,887,203</u>	<u>336,581,707</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

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 MONTHS ENDED 31 MARCH 2018 (UNAUDITED)**

	Note	For the three months ended 31 March	
		2018	2017
		JD	JD
Electricity power sales		59,192,513	61,924,922
Cost of electricity power sales		(52,095,609)	(53,740,322)
<b>Gross profit</b>		<u>7,096,904</u>	<u>8,184,600</u>
Other operating revenues		776,619	731,879
General and administrative expenses		(5,815,800)	(5,561,767)
Depreciation and amortization		(2,248,713)	(1,914,206)
Provision for slow moving inventories		(379,800)	(104,334)
<b>Operating (loss) profit from core activities</b>		<u>(570,790)</u>	<u>1,336,172</u>
Revenue from non-core activities		888,725	867,998
Interest income on late payments		1,925,996	1,276,236
Costs of non-core activities		(317,339)	(154,995)
Finance costs		(776,509)	(699,981)
Interest expense on late payments		(1,873,569)	(727,502)
<b>(Loss) profit from non-core activities</b>		<u>(152,696)</u>	<u>561,756</u>
<b>(Loss) profit before income tax expense</b>		<u>(723,486)</u>	<u>1,897,928</u>
Income tax expense	5	-	(455,503)
<b>(Loss) profit for the period</b>		<u>(723,486)</u>	<u>1,442,425</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<u>(723,486)</u>	<u>1,442,425</u>
		<u>JD/Fils</u>	<u>JD/Fils</u>
<b>Basic and diluted earnings per share from (loss) profit for the period</b>		<u>(0/090)</u>	<u>0/180</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 THREE MONTHS ENDED 31 MARCH 2018 (UNAUDITED)**

	Paid-in capital		Statutory reserve		Voluntary reserve		Retained earnings		Total		
	JD		JD		JD		JD		JD		
<b>2018 -</b>											
<b>Balance at 1 January 2018</b>	8,000,000		2,210,264		638,778		6,898,005		17,747,047		
Total comprehensive income for the period	-		-		-		(723,486)		(723,486)		
<b>Balance at 31 March 2018</b>	<u>8,000,000</u>		<u>2,210,264</u>		<u>638,778</u>		<u>6,174,519</u>		<u>17,023,561</u>		
<b>2017 -</b>											
<b>Balance at 1 January 2017</b>	8,000,000		2,210,264		638,778		9,307,996		20,157,038		
Total comprehensive income for the period	-		-		-		1,442,425		1,442,425		
<b>Balance at 31 March 2017</b>	<u>8,000,000</u>		<u>2,210,264</u>		<u>638,778</u>		<u>10,750,421</u>		<u>21,599,463</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 THREE MONTHS ENDED 31 MARCH 2018 (UNAUDITED)**

	For the three months ended 31 March	
	2018	2017
	JD	JD
<b><u>OPERATING ACTIVITIES</u></b>		
(Loss) profit before income tax	(723,486)	1,897,928
<b>Adjustments for:</b>		
Gain on disposal of property and equipment	(530)	(16,934)
Interest income on late payments	(1,925,996)	(1,276,236)
Interest expense on late payments	1,873,569	727,502
End-of-service indemnity	138,027	87,591
Depreciation and amortization	2,248,713	1,914,206
Depreciation portion related to non-core activities	23,844	17,420
Interest expense	776,509	699,981
Provision for doubtful accounts	419,000	662,032
Excess of subscribers contributions	(67,671)	(67,740)
Other provisions	123,009	2,843
Provision for slow moving inventories	379,800	104,334
<b>Working capital changes:</b>		
Inventories	(2,564,121)	(718,483)
Accounts receivable	(9,961,217)	(5,899,693)
Other current assets	(1,165,338)	(400,239)
Advances from subscribers	1,063,456	1,943,665
Subscribers' deposits	1,353,775	1,116,202
Accounts payable	18,470,536	5,212,230
Other provisions paid	(19,920)	(1,131,294)
Accrued expenses and other current liabilities	414,772	593,506
End-of-service indemnity paid	(372,811)	(351,219)
Income tax paid	(542,499)	(531,467)
<b>Net cash flows from operating activities</b>	<b>9,941,421</b>	<b>4,586,135</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Projects in progress	(2,617,342)	(3,703,831)
Dispute lawsuits payments	(1,903)	(624)
Proceeds from sale of property and equipment	131,708	23,574
Purchase of property and equipment	(4,546,439)	(5,119,798)
<b>Net cash flows used in investing activities</b>	<b>(7,033,976)</b>	<b>(8,800,679)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Dividends paid	(22,442)	(23,030)
Interest paid	(784,753)	(201,192)
<b>Net cash flows used in financing activities</b>	<b>(807,195)</b>	<b>(224,222)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,100,250</b>	<b>(4,438,766)</b>
Cash and cash equivalents at beginning of the period	(28,214,147)	(19,768,941)
<b>Cash and cash equivalents at end of the period</b>	<b>(26,113,897)</b>	<b>(24,207,707)</b>

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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**  
**31 MARCH 2018 (UNAUDITED)**

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**(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 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 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 29 April 2018.

**(1-2) BASIS OF PREPARATION**

The interim condensed financial statements for the three-month period to 31 March 2018 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 2017. In addition, results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

**(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 2017, except for the adoption of new standards effective as of 1 January 2018:

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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The Company had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated. IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments measured at amortization cost.

The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

**Impairment**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The effect of adopting the second phase of IFRS 9 did not have a material impact on the Company's interim condensed financial statements.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The effect of adopting IFRS 15 did not have a material impact on the Company's interim condensed financial statements.

The impact of the new standard on the Company's policy for revenue recognition is detailed below:

**(a) Rendering of services**

Under IFRS 15, the Company concluded that 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, because the customer simultaneously receives and consumes the benefits provided by the Company.



**(b) Advances received from customers**

Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer is more than one year, the Company shall adjust the promised amount of consideration for the effects of the time value of money.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Company's interim condensed financial statements.

**Amendments to IAS 40 Transfers of Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

**Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

**Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

**IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY**  
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If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity

method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

**(3) PROPERTY AND EQUIPMENT**

**Additions**

Additions to property and equipment were amounted to JD 4,546,439 for the three months ended 31 March 2018 (2017: JD 5,119,798).

**(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
2019	3,111,110
2020	3,111,110
2021	3,111,110
2022 – 2027	<u>15,555,560</u>
	<u>24,888,890</u>

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**(5) INCOME TAX**

No Income tax provision was calculated for the three months ended 31 March 2018, and for the period 31 March 2017 the income tax provision was calculated in accordance with the Income Tax Law No. (34) for the year 2014.

The Company obtained a final clearance from the Income and Sales Tax Department up to the year 2014. The Income and Sales Tax Department has reviewed the Company's records for the year 2015, whereas the department requests the Company to pay income tax differences amounted to JD 112,148. The Company objected the request and the objection was dismissed. The Company filed a case at the court of first instance.

The Income Tax Department has not reviewed the Company's records for the years 2017 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 10 April 2018, the General Assembly approved the Board of Directors recommendations to distribute 70% of its capital as dividends amounted to JD 5,600,000.

**(7) CASH AND BANK BALANCES**

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

	31 March 2018 <u>JD</u>	31 March 2017 <u>JD</u>
Cash on hand and at banks	44,559	718,701
Banks overdrafts*	<u>(26,158,456)</u>	<u>(24,926,408)</u>
	<u>(26,113,897)</u>	<u>(24,207,707)</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 6.15% per annum.

**IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY**  
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**31 MARCH 2018 (UNAUDITED)**

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**(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:

	31 March 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Due to Electricity Distribution Company (parent company)	-	178,075

	For the three months ended 31 March	
	2018 JD	2017 JD
Purchases from Electricity Distribution Company (parent company)	-	26,263

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

	For the three months ended 31 March	
	2018 JD	2017 JD
Transportation and remuneration of Board of Directors	62,100	43,465

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

	For the three months ended 31 March	
	2018 JD	2017 JD
Salaries and benefits	163,228	197,972

**IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY**  
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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 300 (31 March 2017: JD 300) and letters of credit of JD 2,366,582 (31 December 2017: JD 3,019,774).

**Litigations -**

The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 338,338. The Company's management and its legal advisor believe that the provision taken against these claims of JD 423,336 as at 31 March 2018 (31 December 2017: 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 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.