

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2020



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

Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.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 31 March 2020, comprising of the interim statement of financial position as at 31 March 2020 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
8 July 2020

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Notes	31 March 2020	31 December 2019
		JD	JD
ASSETS			
NON-CURRENT ASSETS -			
Property and equipment	3	121,969,594	122,652,027
Subscribers' and rural files contributions assets		79,321,698	79,817,831
Dispute lawsuits payments		48,466	52,889
Right of use assets		611,471	636,600
Projects in progress		19,195,714	18,064,517
Strategic inventories		6,919,661	7,168,761
Deferred tax assets		1,675,378	1,612,523
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>230,028,701</u>	<u>230,291,867</u>
CURRENT ASSETS -			
Accounts receivable		160,542,730	138,076,595
Other current assets		4,105,957	4,075,465
Inventories		3,302,838	2,769,248
Cash and bank balances		52,518	23,879
		<u>168,004,043</u>	<u>144,945,187</u>
Total Assets		<u>398,032,744</u>	<u>375,237,054</u>
EQUITY AND LIABILITIES			
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		2,603,354	4,530,539
Total equity		<u>13,452,396</u>	<u>15,379,581</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers' and rural files contributions liabilities		79,321,698	79,817,831
Long-term lease liability		485,753	485,753
Advances from subscribers		9,925,121	9,509,754
Excess of subscribers' contributions		281,136	348,807
Provision for end-of-service indemnity		4,627,672	4,469,649
Long-term loan	4	18,666,670	18,666,670
Subscribers' deposits		49,930,284	49,094,374
		<u>163,238,334</u>	<u>162,392,838</u>
CURRENT LIABILITIES			
Accounts payable		163,677,348	143,781,215
Current portion from long-term loan	4	3,111,110	3,111,110
Accrued expenses		3,784,967	1,734,993
Short-term lease liability		153,880	141,256
Other current liabilities		8,535,922	8,425,298
Bank overdrafts		39,476,955	37,263,047
Excess of subscribers' contributions		270,685	270,685
Other provisions		1,644,706	1,566,830
Income tax provision		686,441	1,170,201
		<u>221,342,014</u>	<u>197,464,635</u>
Total Liabilities		<u>384,580,348</u>	<u>359,857,473</u>
Total Equity and Liabilities		<u>398,032,744</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 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2020	2019
		JD	JD
Electricity power sales		62,637,652	62,350,362
Cost of electricity power sales		(54,811,247)	(52,359,538)
Gross profit		7,826,405	9,990,824
Other operating revenues		493,349	739,298
General and administrative expenses		(5,942,590)	(5,463,024)
Depreciation and amortization		(2,598,825)	(2,425,141)
Provision for expected credit losses		(1,086,751)	(189,672)
Operating (loss) profit from core activities		(1,308,412)	2,652,285
Revenue from non-core activities		733,355	1,874,065
Interest income on late payments		1,415,420	2,567,346
Costs of non-core activities		(158,268)	(1,305,139)
Finance costs		(876,899)	(990,364)
Interest expense on late payments		(1,732,381)	(2,477,661)
Loss from non-core activities		(618,773)	(331,753)
(Loss) profit before income tax expense		(1,927,185)	2,320,532
Income tax expense	5	-	(495,651)
(Loss) profit for the period		(1,927,185)	1,824,881
Other comprehensive income		-	-
Total comprehensive income for the period		(1,927,185)	1,824,881
		JD/Fils	JD/Fils
Basic and diluted earnings per share from the (loss) profit for the period	10	(0/241)	0/228

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 THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	Paid-in capital		Statutory reserve		Voluntary reserve		Retained earnings		Total equity		
	JD	JD	JD	JD	JD	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	-	-	-	(1,927,185)	(1,927,185)						
Balance at 31 March 2020	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>2,603,354</u>	<u>13,452,396</u>						
2019 -											
Balance at 1 January 2019	8,000,000	2,210,264	638,778	6,978,008	17,827,050						
Total comprehensive ve income for the period	-	-	-	1,824,881	1,824,881						
Balance at 31 March 2019	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>8,802,889</u>	<u>19,651,931</u>						

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

IRRID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
 INTERIM CONDENSED STATEMENT OF CASH FLOWS
 FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2020 JD	2019 JD
<u>OPERATING ACTIVITIES</u>			
(Loss) profit before income tax		(1,927,185)	2,320,532
Adjustments for:			
(Gain) loss on disposal of property and equipment		(2,993)	44,865
Interest income on late payments		(1,415,420)	(2,567,346)
Interest expense on late payments		1,732,381	2,477,661
Provision of end-of-service indemnity		375,000	138,610
Depreciation and amortization		2,598,825	2,425,141
Depreciation portion related to non-core activities		26,286	26,026
Right of use assets depreciation		25,129	25,129
Lease liability finance cost		12,624	14,029
Interest expense		876,899	990,364
Provision for expected credit losses		1,086,751	189,672
Excess of subscribers' contributions		(67,671)	(67,671)
Other provisions		98,388	114,538
Working capital changes:			
Inventories		(40,728)	(4,452,674)
Accounts receivable		(22,137,466)	9,861,311
Other current assets		(30,493)	84,906
Advances from subscribers		1,405,146	889,575
Subscribers' deposits		835,910	886,725
Other provisions paid		(20,511)	(4,548)
Accounts payable		18,163,752	(12,179,605)
Accrued expenses and other current liabilities		1,853,884	(96,413)
End-of-service indemnity paid		(216,977)	(26,624)
Income tax paid		(546,614)	(974,201)
Net cash flows from operating activities		2,684,917	120,002
<u>INVESTING ACTIVITIES</u>			
Projects in progress		(2,181,705)	(2,776,567)
Dispute lawsuits payments		(2,153)	(2,386)
Proceeds from sale of property and equipment		4,234	1,073,787
Purchase of property and equipment	3	(2,120,376)	(3,608,288)
Net cash flows used in investing activities		(4,300,000)	(5,313,454)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(14,510)	(37,338)
Interest paid		(555,676)	(592,141)
Net cash flows used in financing activities		(570,186)	(629,479)
Net decrease in cash and cash equivalents		(2,185,269)	(5,822,931)
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	(39,424,437)	(37,924,859)

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
31 MARCH 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 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 8 July 2020.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation -

The interim condensed financial statements for the three-month period to 31 March 2020 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 three-month period ended 31 March 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.

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.

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

(3) PROPERTY AND EQUIPMENT

The Company purchased property and equipment with cost of JD 2,120,376 for the three months ended 31 March 2020 (31 March 2019: JD 3,608,288).

(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 except for the last instalment amounting to JD 1,555,565. 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

No Income tax provision was calculated for the period ended 31 March 2020 due to the excess of deductible expenses over taxable revenue, and was calculated for the period ended 31 March 2019 in accordance with the Income Tax Law No. (38) of 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.

IRRID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 31 MARCH 2020 (UNAUDITED)

(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.

(7) CASH AND BANK BALANCES

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

	31 March 2020	31 March 2019
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	52,518	49,209
Banks overdrafts*	(39,476,955)	(37,974,068)
	<u>(39,424,437)</u>	<u>(37,924,859)</u>

* This item represents the credit facilities granted to the Company from several local banks with ceilings of JD 62,000,000, bearing an average interest rate of 6.17% per 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:

	31 March 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Amounts due to Electrical Equipment Industries Company LLC (Sister Company)	-	46,759
Amounts due to Electricity Distribution Company – Public Shareholding Company (Parent Company)	21,967	13,698
	<u>21,967</u>	<u>60,457</u>

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

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

	For the three months ended 31 March	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Purchases from Electricity Distribution Company – Public Shareholding Company (Parent Company)	<u>63,557</u>	<u>83,288</u>

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

	For the three months ended 31 March	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	82,716	92,330
Transportation and remuneration of Board of Directors	<u>62,100</u>	<u>62,100</u>
	<u>144,816</u>	<u>154,430</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 JD1,992,550 (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 530,573. 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 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 Energy and Mineral Regulatory Commission (EMRC).

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

(10) EARNINGS PER SHARE FROM THE (LOSS) PROFIT FOR THE PERIOD

	For the three months ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
(Loss) profit for the period (JD)	(1,927,185)	1,824,881
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 (loss) profit for the period	<u>(0/241)</u>	<u>0/288</u>

(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 IT'S 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.