IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Irbid District Electricity Company - Public Shareholding Company
Irbid – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Irbid District Electricity Company - Public Shareholding Company (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Revenue recognition (Tariff) Disclosures on revenue recognition are included in Note 32 to the financial statements.	
Key Audit matter We identified electricity power sales revenue as a key audit matter due to high volume of sales revenue originated from electricity power sales to subscribers. The significant risks associated with the measurement and accuracy of recognized revenues are related to billing systems and revenue recognition. Total revenues recognized during 2020 amounted to JD 252,928,973.	**How the key audit matter was addressed in the audit** Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable International Accounting Standards. We have tested the Company's internal controls over the completeness, measurement and occurrence of revenue recognized including reconciliations between sales, cash receipts and testing the billing system controls. We obtained a representative sample of transactions and tested proper recording and recognition. In addition, we selected a sample at the cutoff period to check proper recognition. Additionally, we performed substantive analytical procedures for the gross margin and sales revenues on a monthly basis.
2. Provision of Expected Credit Losses Disclosures on provision of Expected Credit Losses are included in Note 10 to the financial statements.	
Key Audit matter Judgment is required to assess the appropriate level of provisioning for expected credit losses. The Company has large number of diversified subscribers, households and companies, which increases the risk of collectability for these receivables. The Company implements the simplified approach of the IFRS 9 to estimate Expected Credit Losses (ECL). The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors and the economic environment.	**How the key audit matter was addressed in the audit** Our audit procedures included the following: - Obtaining from management the calculation of ECL as at year end and reviewing it. - Testing the inputs and other information used in calculating ECL. - Assessing the reasonableness of the ECL calculation prepared by management in compliance with the simplified approach of IFRS 9.

3. Provision for employees' end-of-service indemnity Disclosures on the provision for end-of-service indemnity are included in Note 15 to the financial statements.	
Key Audit matter Judgment is required to assess the appropriate level of provisioning for employees' end-of-service indemnity. This area was important to our audit because of the magnitude of the amount, the judgment involved and technical expertise required to determine the provision for employees' end-of-service indemnity amount.	**How the key audit matter was addressed in the audit** Our procedures included, evaluating the actuarial assumptions and valuation methodologies used by management to assess the Company's end-of-service obligations. We also assessed whether the key actuarial assumptions are reasonable including the adequacy of provision for end-of-service indemnity including provision recalculation.

Other information included in The Company's 2020 Annual Report
Other information consists of the information included in The Company's 2020 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2020 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Issam Barkawi; license number 591.

Ernst + Young

Amman – Jordan
16 March 2021

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020	2019
ASSETS		JD	JD
NON-CURRENT ASSETS -			
Property and equipment	3	129,652,780	122,652,027
Subscribers' and rural fils contributions assets	5	85,774,811	79,817,831
Dispute lawsuits payments	6	41,358	52,889
Right of use assets	4	536,085	636,600
Projects in progress	7	7,017,111	18,064,517
Strategic inventories	9	7,037,427	7,168,761
Deferred tax assets	22	1,819,336	1,612,523
Financial assets at fair value through other comprehensive income	8	286,719	286,719
		232,165,627	230,291,867
CURRENT ASSETS -			
Accounts receivable	10	93,153,859	138,076,595
Other current assets		3,852,066	4,075,465
Inventories	9	3,403,246	2,769,248
Cash and bank balances	11	1,406,682	23,879
		101,815,853	144,945,187
Total Assets		333,981,480	375,237,054
EQUITY AND LIABILITIES			
EQUITY -	12		
Paid-in-capital		8,000,000	8,000,000
Statutory reserve		2,210,264	2,210,264
Voluntary reserve		638,778	638,778
Retained earnings		8,685,775	4,530,539
Total equity		19,534,817	15,379,581
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers' and rural fils contributions liabilities	5	85,774,811	79,817,831
Long-term lease liability	4	413,306	485,753
Advances from subscribers	13	6,001,940	9,509,754
Excess of subscribers' contributions	14	78,122	348,807
Provision for end-of-service indemnity	15	4,853,868	4,469,649
Long-term loan	16	15,555,560	18,666,670
Subscribers' deposits	17	51,752,452	49,094,374
		164,430,059	162,392,838
CURRENT LIABILITIES			
Accounts payable	18	92,729,780	143,781,215
Current portion from long-term loan	16	3,111,110	3,111,110
Accrued expenses		2,228,849	1,734,993
Short-term lease liability	4	138,139	141,256
Other current liabilities	19	6,538,938	8,425,298
Bank overdrafts	11,20	39,682,671	37,263,047
Excess of subscribers' contributions	14	270,685	270,685
Other provisions	21	1,893,659	1,566,830
Income tax provision	22	3,422,773	1,170,201
		150,016,604	197,464,635
Total Liabilities		314,446,663	359,857,473
Total Equity and Liabilities		333,981,480	375,237,054

The attached notes from 1 to 38 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		JD	JD
Electricity power sales		252,928,973	261,472,910
Cost of electricity power sales		(205,372,663)	(219,979,701)
Gross profit	24	47,556,310	41,493,209
Other operating revenues (expenses), net	25	2,356,684	(309,675)
General and administrative expenses	26	(24,084,256)	(23,548,555)
Depreciation and amortization	27	(10,575,276)	(9,725,945)
Provision for slow moving inventories	9	(199,790)	(277,337)
Operating profit from core activities		15,053,672	7,631,697
Revenue from non-core activities	29	3,200,353	5,089,719
Interest income on late payments		3,752,845	6,241,178
Non-core activities expenses	30	(1,039,986)	(2,756,040)
Finance costs		(3,040,150)	(4,061,846)
Interest expense on late payments		(7,245,581)	(7,200,159)
Loss from non-core activities		(4,372,519)	(2,687,148)
Profit before income tax		10,681,153	4,944,549
Income tax expense	22	(2,925,917)	(1,392,018)
Profit for the year		7,755,236	3,552,531
Other comprehensive income		-	-
Total comprehensive income for the year		7,755,236	3,552,531
		JD/Fils	JD/Fils
Basic and diluted earnings per share from profit for the year	31	0/969	0/444

The attached notes from 1 to 38 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Paid-in-capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
	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 year	-	-	-	7,755,236	7,755,236
Dividends distribution (note 12)	-	-	-	(3,600,000)	(3,600,000)
Balance at 31 December 2020	8,000,000	2,210,264	638,778	8,685,775	19,534,817
2019 -					
Balance at 1 January 2019	8,000,000	2,210,264	638,778	6,978,008	17,827,050
Total comprehensive income for the year	-	-	-	3,552,531	3,552,531
Dividends distribution (note 12)	-	-	-	(6,000,000)	(6,000,000)
Balance at 31 December 2019	8,000,000	2,210,264	638,778	4,530,539	15,379,581

The attached notes from 1 to 38 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
OPERATING ACTIVITIES		JD	JD
Profit for the year before income tax		10,681,153	4,944,549
Adjustments for:			
(Gain) loss on disposal of property and equipment		(34,787)	490,715
Interest income		(68)	(21)
Interest income on late payments		(3,752,845)	(6,241,178)
Interest expense		3,040,150	4,061,846
Interest expense on late payments		7,245,581	7,200,159
Provision for end-of- service indemnity		1,000,000	500,000
Depreciation and amortization		10,692,315	9,851,269
Right of use assets depreciation		100,515	100,515
Lease liability finance cost		45,436	51,227
Provision for slow moving inventories		199,790	277,337
Provision for expected credit losses		1,185,147	1,063,629
Excess of subscribers' contributions		(270,685)	(270,685)
Other provisions		423,347	155,458
Working capital changes:			
Inventories		430,342	(1,687,404)
Accounts receivable		47,490,434	53,787,437
Other current assets		223,399	3,156,831
Advances from subscribers		8,526,393	11,082,236
Subscribers' deposits		2,658,078	3,515,377
Accounts payable		(58,297,016)	(50,467,384)
Accrued expenses and other current liabilities		(1,012,582)	446,702
End-of-service indemnity paid		(615,781)	(318,895)
Other provisions paid		(107,699)	(19,236)
Income tax paid		(880,158)	(3,051,220)
Net cash flows from operating activities		28,970,459	38,629,264
INVESTING ACTIVITIES			
Purchase of property and equipment		(10,468,340)	(15,928,393)
Dispute lawsuits payments		(10,764)	(10,695)
Projects in progress		(9,316,044)	(15,470,273)
Proceeds from sale of property and equipment		39,982	1,236,413
Interest income received		68	21
Net cash flows used in investing activities		(19,755,098)	(30,172,927)
FINANCING ACTIVITIES			
Repayments of long-term loan		(3,111,110)	(3,111,110)
Dividends paid to shareholders		(3,956,113)	(6,275,501)
Interest paid		(3,063,959)	(4,085,966)
Lease liability and finance cost payments		(121,000)	(121,000)
Net cash flows used in financing activities		(10,252,182)	(13,593,577)
Net decrease in cash and cash equivalents		(1,036,821)	(5,137,240)
Cash and cash equivalents at beginning of the year		(37,239,168)	(32,101,928)
Cash and cash equivalents at end of the year	11	(38,275,989)	(37,239,168)

The attached notes from 1 to 38 form an integral part of these financial statements

(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 55.4% in the Company's capital to Kingdom Electricity Company. During 2009, Kingdom Electricity Company sold it's full 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 Company).

The financial statements have been approved by the Board of Directors in their meeting held on 16 March 2021. The financial statements require the approval of Company's General Assembly.

(2-1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board ("IASB").

The financial statements are prepared under the historical cost convention, expect for the financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the financial statements.

The financial statements are presented in Jordanian Dinars ("JD"), which is the functional currency of the Company.

(2-2) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 except for that the Company adopted these changes starting from 1 January 2020:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Company.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

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.

These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

These amendments had no material impact on the financial statements of the Company.

(2-3) SIGNIFICANT ACCOUNTING POLICES

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria's are met. Repair and maintenance expenses are recognized in the statement of comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (lands are not depreciated) using annual percentages as follows:

	%
Buildings	2
Hangers	4
Vehicles parking shade covers	10
Buildings improvements	33
Underground cables	3
Air networks	5
Meters and transformers	7
Tools and equipment	20
Vehicles	15
Furniture and fixture	9
Elevators and air conditioners	10
Communication tools	12
Computers equipment and systems	20

Property and equipment are depreciated using the previously mentioned rates after excluding fully depreciated property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognising of the asset are included in the statement of comprehensive income when the asset is derecognised.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Subscribers' contributions assets and liabilities

These assets are stated separately based on the Energy and Minerals Regulatory Commission ("EMRC") regulations under non-current assets, with a similar contra liability account under non-current liabilities with the same amount.

Subscriber's contributions assets are depreciated on a straight-line basis at 4% annually and the liability is amortized using the same rate as well, thus it does not affect the financial performance of the Company.

Rural fils assets

This item represents the infrastructure assets to distribute electric power to rural areas which are classified as non-current assets, with a similar contra liability account classified as non-current liabilities with the same amount based on EMRC regulations.

Rural fils assets are depreciated on a straight line basis at 4% annually, and the liability is amortized using the same rate as well, thus it does not affect the financial performance of the Company.

Dispute lawsuits payments

This item represents payments made to locals as compensations for damages caused to their properties as a result of passing electrical lines through or any other damages to their properties; this account is amortized at 10% annually based on EMRC regulations.

Projects in progress

Project in progress are stated at cost, which represents cost of constructions, equipment and direct costs. Project in progress are not depreciated until they became available for use.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the statement of comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the statement of comprehensive income and in the statement of changes in equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings.

These assets are not subject to impairment testing and the dividends are recorded in the statement of comprehensive income.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the capital company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Inventories

Inventories are valued at the lower of cost (weighted average costing) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Accounts Receivable

Accounts receivable are stated at original invoice amount less provision for expected credit losses using the simplified approach. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and at banks, net of outstanding bank overdrafts.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

End-of-service indemnity provision

End-of-service indemnity provision is recognized when there are commitments on the Company to pay end-of-service indemnity to employees. Company is committed only when there is a separate and detailed plan. Provision is calculated based on the number of employees at the financial statements date and in accordance with the internal policies and IAS 19. This provision is recorded on the basis of the present value of estimated cash flows using an interest rate that represents the interest rates on government bonds.

Accounts payable and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, or whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income taxes and deferred taxes

Income tax provision is calculated in accordance with the Income Tax Law No. (38) for the year 2018 and in accordance with International Accounting Standard (IAS 12) which states that the deferred taxes resulting from the differences between the accounting and tax value of assets and liabilities, and their carrying amounts to be recorded in the statement of comprehensive income.

Deferred tax is provided on temporary differences at each reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

The carrying values of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Revenue recognition

Revenue is recognized in accordance with IFRS 15, which includes the 5-steps approach where power sales revenues are recognized when power are consumed by customers and reliably measured.

Revenues are recognized upon rendering services and issuance of invoice.

Dividends are recognized when the shareholders' right to receive payment is established.

Interest income is recognized as interest accrues using the effective interest rate method.

Rental income is recognized on a straight-line basis over the lease term as other income.

Revenues and expenses from rural fils projects are recognized in the same year the projects are completed.

Revenue form excess of subscriber's payment on completed projects is recognized on straight line basis using annual rate of 4% and its included as other revenues and revenues from non-core activities.

Other revenues are recognized on accrual basis.

Leases

Company as a lessee -

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Company as a lessor -

Operating lease revenue from investment properties are recognized as other income in the statement of comprehensive income on a straight- line basis over the lease term.

Foreign currency

Foreign currency transactions recorded at the rate applicable on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the statement of financial position date. All differences are recognized on the statement of comprehensive income.

Segments information

For the purpose of reporting to management and the decision makers in the Company, a business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but are disclosed when an inflow of economic benefit is possible.

(2-4) SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Significant accounting judgment, estimates and assumptions used in the financial statements are as follow:

- Allowance for expected credit loss on receivables is reviewed in accordance with the simplified approach and under the principles and assumptions approved by the Company's management to estimate the allowance amount in accordance with IFRS requirements.

- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IFRS. Deferred tax assets and liabilities and income tax provision is calculated accordingly.

- The management periodically reviews the useful lives of property and equipment in order to calculate the annual deprecation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Any impairment losses of property and equipment are recognized in the statement of comprehensive income.

- Management derecognises property and equipment based on estimating the net book value of disposed assets.

- Provision for slow moving items is recognized for inventory items that are not expected to be used for more than two years.

- End of services indemnity is calculated based on the Company’s internal policies and actuarial studies.

- A provision will be established against court litigations where the Company is the defendant based on a legal study provided by the Company’s legal advisor which will determine the risk that may occur. These studies are reviewed periodically and the provision is adjusted accordingly.

(3) PROPERTY AND EQUIPMENT

	Lands	Buildings	Hangers	Vehicles parking shade covers	Buildings improvements	Underground cables	Air networks	Meters and transformers	Tools and equipment	Vehicles	Furniture and fixtures	Elevators and air conditioners	Communication tools	Computers equipment and systems	Total
2020	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost -															
At 1 January	638,309	2,423,236	151,825	17,079	258,831	27,812,154	102,664,271	53,797,191	6,231,725	8,820,583	856,165	165,983	308,236	7,028,346	211,173,934
Additions	-	-	-	1,054	21,151	600,075	4,976,141	4,371,436	148,104	4,705	13,572	10,380	78,623	243,099	10,468,340
Transfers from projects in progress (note7)	-	-	-	-	-	514,702	556,222	558,286	-	-	-	-	6,708,766	2,448	8,340,424
Disposals	-	-	-	-	-	(347,102)	(525,279)	(1,071,422)	(155,385)	-	(12,886)	(4,907)	(1,698)	(129,520)	(2,248,199)
At 31 December	638,309	2,423,236	151,825	18,133	279,982	28,579,829	107,671,355	57,655,491	6,224,444	8,825,288	856,851	171,456	7,093,927	7,144,373	227,734,499
Accumulated depreciation -															
At 1 January	-	954,935	54,803	8,440	230,290	4,585,024	44,779,340	20,281,068	5,373,606	5,540,981	582,939	102,368	232,147	5,795,966	88,521,907
Charge for the year	-	47,677	4,693	1,521	19,212	768,659	4,259,656	3,271,363	401,012	885,599	54,753	14,282	355,943	585,650	10,670,020
Disposals	-	-	-	-	-	(61,040)	(227,741)	(546,806)	(140,550)	-	(9,028)	(912)	(1,443)	(122,688)	(1,110,208)
At 31 December	-	1,002,612	59,496	9,961	249,502	5,292,643	48,811,255	23,005,625	5,634,068	6,426,580	628,664	115,738	586,647	6,258,928	98,081,719
Net book value -															
At 31 December	638,309	1,420,624	92,329	8,172	30,480	23,287,186	58,860,100	34,649,866	590,376	2,398,708	228,187	55,718	6,507,280	885,445	129,652,780

The cost of fully depreciated property and equipment as at 31 December 2020 amounted to JD 42,215,496 (2019: JD 39,915,843).

	Lands	Buildings	Hangers	Vehicles parking shade covers	Buildings improvements	Underground cables	Air networks	Meters and transformers	Tools and equipment	Vehicles	Furniture and fixtures	Elevators and air conditioners	Communication tools	Computers equipment and systems	Total
2019	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost -															
At 1 January	638,309	2,418,315	149,925	11,474	252,067	24,234,552	95,135,432	50,223,220	6,104,457	8,733,704	829,277	161,302	303,285	6,490,140	195,685,459
Additions	-	4,921	1,900	5,605	6,764	2,548,527	7,976,796	3,787,413	257,056	626,846	36,630	7,664	5,966	662,305	15,928,393
Transfers from projects in progress (note7)	-	-	-	-	-	1,335,960	403,497	1,749,982	-	-	-	-	-	-	3,489,439
Disposals	-	-	-	-	-	(306,885)	(851,454)	(1,963,424)	(129,788)	(539,967)	(9,742)	(2,983)	(1,015)	(124,099)	(3,929,357)
At 31 December	638,309	2,423,236	151,825	17,079	258,831	27,812,154	102,664,271	53,797,191	6,231,725	8,820,583	856,165	165,983	308,236	7,028,346	211,173,934
Accumulated depreciation -															
At 1 January	-	907,219	50,122	7,213	195,910	3,926,138	41,134,464	17,902,468	4,939,720	5,204,772	532,818	89,121	213,469	5,245,275	80,348,709
Charge for the year	-	47,716	4,681	1,227	34,380	707,337	4,014,479	2,883,406	494,562	875,319	54,722	15,629	19,693	670,641	9,823,792
Disposals	-	-	-	-	-	(48,451)	(369,603)	(504,806)	(60,676)	(539,110)	(4,601)	(2,382)	(1,015)	(119,950)	(1,650,594)
At 31 December	-	954,935	54,803	8,440	230,290	4,585,024	44,779,340	20,281,068	5,373,606	5,540,981	582,939	102,368	232,147	5,795,966	88,521,907
Net book value -															
At 31 December	638,309	1,468,301	97,022	8,639	28,541	23,227,130	57,884,931	33,516,123	858,119	3,279,602	273,226	63,615	76,089	1,232,380	122,652,027

(4) RIGHT OF USE ASSETS AND LEASE LIABILITIES

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the year:

	Right of use assets	Lease Liabilities*
	JD	JD
At 1 January 2020	636,600	627,009
Depreciation	(100,515)	-
Finance costs	-	45,436
Lease payments	-	(121,000)
At 31 December 2020	536,085	551,445

	Right of use assets	Lease Liabilities*
	JD	JD
At 1 January 2019	737,115	696,782
Depreciation	(100,515)	-
Finance costs	-	51,227
Lease payments	-	(121,000)
At 31 December 2019	636,600	627,009

* Lease liabilities details as at 31 December 2020 are as follows:

Short term	Long term	Total
JD	JD	JD
138,139	413,306	**551,445**

The Company recognised rent expense from short-term leases and of low-value assets of JD 858,517 for the year ended 31 December 2020 (2019: JD 1,343,674).

(5) SUBSCRIBERS' AND RURAL FILS CONTRIBUTION ASSETS

	2020	2019
	JD	JD
Cost -		
At 1 January	148,246,258	137,325,178
Transfers from projects in progress (note 7)	12,034,207	10,921,080
At 31 December	160,280,465	148,246,258
Accumulated depreciation -		
At 1 January	68,428,427	62,677,522
Depreciation for the year (note 27)	6,077,227	5,750,905
At 31 December	74,505,654	68,428,427
Net book value -		
At 31 December	85,774,811	79,817,831

Subscribers' and rural fils contributions assets are depreciated at 4% annually, subscribers and rural fils contributions liabilities are amortized at the same rate as well, accordingly there is no effect on the statement of comprehensive income. Details of subscribers and rural fils contributions liabilities are as follow:

	2020	2019
	JD	JD
Subscribers contributions liabilities	56,866,590	51,173,459
Rural fils contributions liabilities	28,908,221	28,644,372
	85,774,811	79,817,831

(6) DISPUTE LAWSUITS PAYMENTS

	2020	2019
	JD	JD
Cost -		
At 1 January	1,393,880	1,383,185
Additions	10,764	10,695
At 31 December	1,404,644	1,393,880
Accumulated amortization -		
At 1 January	1,340,991	1,313,514
Amortization for the year	22,295	27,477
At 31 December	1,363,286	1,340,991
Net book value -		
At 31 December	41,358	52,889

(7) PROJECTS IN PROGRESS

The following represent projects in progress and payments made to contractors:

	2020	2019
	JD	JD
Self-funded projects	2,626,998	8,798,526
Subscribers contributions projects	3,150,518	8,131,540
Rural fils contributions projects	1,239,595	1,134,451
	7,017,111	18,064,517

Movement on the projects in progress is as follows:

	2020	2019
	JD	JD
Beginning balance	18,064,517	16,791,323
Additions during the year	3,754,160	9,980,254
Capitalized expenses (note 26)	5,573,065	5,703,459
Transferred to property and equipment (note 3)	(8,340,424)	(3,489,439)
Transferred to subscribers and rural fils contributions assets (note 5)	(12,034,207)	(10,921,080)
Balance at year end	7,017,111	18,064,517

The estimated cost to complete the above projects is JD 10,334,732 as at 31 December 2020. The projects are expected to be completed during 2021.

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item represents the Company's ownership in the following company:

	Ownership percentage	2020	2019
	%	JD	JD
Unquoted shares- Jordan			
Electrical Equipment Industries Company LLC	11.47	286,719	286,719

(9) INVENTORIES

	2020	2019
	JD	JD
Medium and low-pressure electrical tools and subscribers' accessories	9,042,290	8,973,833
Tools and cars' spare parts warehouse	336,570	380,052
Stationery, furniture and computers equipment warehouse	21,530	25,777
Spare parts warehouse	22,059	19,661
Returned materials warehouse	2,985,998	2,226,540
	12,408,447	11,625,863
Less: allowance for slow moving inventories	(2,004,862)	(1,805,072)
	10,403,585	9,820,791
Add: letter of credit and tenders' expenses	37,088	117,218
	10,440,673	9,938,009
Strategic inventories	7,037,427	7,168,761
Inventories	3,403,246	2,769,248
	10,440,673	9,938,009

Strategic inventories include medium and low pressure electrical tools and subscribers' accessories that are used in the Company's projects, maintenance and replacements works.

Movement on the allowance for slow moving inventories is as follows:

	2020	2019
	JD	JD
Beginning balance	1,805,072	1,870,075
Provision for the year	199,790	277,337
Less: materials written off during the year	-	(342,340)
Ending balance	2,004,862	1,805,072

(10) ACCOUNTS RECEIVABLE

	2020	2019
	JD	JD
Normal subscribers' receivables – Housing	31,899,388	28,554,800
Governmental departments and normal non-housing subscribers' receivables	9,152,186	11,999,968
Employees subscribers' receivables – Housing	44,473	54,781
Commercial sector subscribers' receivables	7,853,014	8,578,948
Temporary meters subscribers' receivables	204,042	244,887
Telecommunication sector subscribers' receivables	1,206,279	1,927,616
Banking sector subscribers' receivables	72,426	69,307
Television sector subscribers' receivables	14,217	68,065
Hotels sector subscribers' receivables	4,686	20,310
Manufacturing sector subscribers' receivables / Small	1,292,841	1,707,404
Manufacturing sector subscribers' receivables / Medium	3,261,955	4,699,685
Water authority subscribers' receivables	20,013,074	29,135,154
Agricultural sector subscribers' receivables	2,602,601	3,168,477
Street lighting sector receivables	8,098,798	9,575,553
Agricultural / Commercial sector subscribers' receivables	132,030	192,038
Army departments subscribers' receivables	4,955,280	6,993,637
Agricultural / Trio tariff subscribers' receivables	1,638,864	1,944,755
Electric charging cars subscribers' receivables	4,056	4,799
Private hospitals subscribers' receivables	40,879	36,186
Total receivables of subscribers	92,491,089	108,976,370
Late interest receivables	6,534,777	33,496,879
Other receivables	204,138	274,466
Governmental – other lighting projects	595,350	917,596
Municipalities receivables	-	1,518
Employee receivables	647,469	543,583
	100,472,823	144,210,412
Less: expected credit losses provision	(7,318,964)	(6,133,817)
	93,153,859	138,076,595

* The delay interest charge is 1% per month and 9% per annum maximum on subscribers for power electricity sold and not collected within 30 days, in accordance with electricity tariff system.

Movement on the expected credit losses provision is as follows:

	2020	2019
	JD	JD
Beginning balance	6,133,817	5,070,188
Provision for the year (note 26)	1,185,147	1,063,629
	7,318,964	6,133,817

As at 31 December, the aging of unimpaired accounts receivable is as follows:

	Not past due	1 – 60 days	61 – 90 days	> 90 days	Total
	JD	JD	JD	JD	JD
2020	31,644,748	11,565,145	8,268,817	41,675,149	93,153,859
2019	36,747,899	12,837,566	9,440,788	79,050,342	138,076,595

(11) CASH AND BANK BALANCES

Cash and bank balances included in the statements of financial position consist of the following:

	2020	2019
	JD	JD
Cash on hand	19,041	20,471
Banks accounts	1,387,641	3,408
	1,406,682	23,879

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	2020	2019
	JD	JD
Cash on hand and at banks	1,406,682	23,879
Bank overdrafts (note 20)	(39,682,671)	(37,263,047)
	(38,275,989)	(37,239,168)

(12) 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 -

As required by the Jordanian Companies Law, 10% of the annual profit before taxation is to be transferred to statutory reserve. The reserve is not available for distribution to shareholders. The Company may stop this transfer to statutory reserve when its balance reaches 25% of its paid in capital.

Voluntary reserve -

This account represents cumulative appropriations not exceeding 20% of the annual profit before taxation per year. This reserve is available for distribution to shareholders.

Dividends -

In its ordinary meeting held on 4 June 2020, the General Assembly approved the Board of Directors recommendations to distribute 45% of its capital as cash dividends amounted to JD 3,600,000 as a profit share for the shareholders.

In its ordinary meeting held on 10 April 2019, the General Assembly approved the Board of Directors recommendations to distribute 75% of its capital as dividends amounted to JD 6,000,000 as a profit share for the shareholders.

(13) ADVANCES FROM SUBSCRIBERS

This item represents advances received from subscribers' contributions projects. Upon completion of these projects, the Company settles these advances into subscribers' contributions and liabilities subscribers' contributions.

(14) EXCESS OF SUBSCRIBERS CONTRIBUTIONS

This item represents the difference between the amount received from subscribers contributions and the actual costs incurred to complete these projects. The Company amortizes this amount at 4% per annum.

(15) PROVISION FOR END- OF- SERVICE INDEMNITY

Movement on the provision for end-of-service indemnity is as follows:

	2020	2019
	JD	JD
Beginning balance	4,469,649	4,122,095
Charge for the year	1,000,000	666,449
Paid during the year	(615,781)	(318,895)
Ending balance	4,853,868	4,469,649

End-of-service charge for the year details are as follows:

	2020	2019
	JD	JD
Interest on obligation	445,332	296,791
Current service costs	554,668	369,658
Expense for the year	1,000,000	666,449

End-of-service charge for the year is allocated as follows:

	2020	2019
	JD	JD
General and administrative expenses	771,953	500,000
Capitalized on projects in progress	228,047	166,449
	1,000,000	666,449

The actuarial basic assumptions used to determine end-of-service are as follow:

	2020	2019
Discount rate*	5.15%	5.27%
Mortality rate	0.18%	0.12%
Annual salaries increase rate	4%	5%
Resignation rate	1%	1%
Company's contribution to social security deducted from employees' end of service indemnity	8%	8%

* The following table demonstrates the sensitivity of end-of-service as at 31 December to possible changes by 1% in discount rate, salaries increase rate, and resignation rate:

Increase in rate by 1 %	Effect on end-of-service benefits
	2020
	JD
Discount	(417,588)
Salaries increase	71,502
Resignation	(75,250)

Decrease In rate by 1 %	Effect on end-of-service benefits
	2020
	JD
Discount	497,758
Salaries increase	(71,502)
Resignation	75,250

(16) LONG-TERM LOAN

During May 2015, the Company has signed a loan agreement with Jordan Kuwaiti 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 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% with a minimum interest rate of 5.3% per annum.

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

Year	Amount
	JD
2021	3,111,110
2022	3,111,110
2023	3,111,110
2024 - 2027	9,333,340
	18,666,670

(17) SUBSCRIBERS' DEPOSITS

This item represents the amount received from subscribers as cash deposits for electricity power supply based on EMRC instructions.

(18) ACCOUNTS PAYABLE

	2020	2019
	JD	JD
National Electricity Power Company – energy purchases	60,441,879	89,194,447
National Electricity Power Company – interest on late payments	13,943,657	36,617,297
Al Badya for Energy Company- renewable energy purchases	594,250	625,643
National Electricity Power Company – fuel price differences	727,800	9,375,762
Green Sources Company – renewable energy purchases	159,720	175,450
Suppliers payables	8,003,587	4,632,628
Municipalities – garbage fees	5,064,072	1,112,098
Ministry of Finance – television fees	2,012,240	1,397,724
Rural fils	1,713,167	483,900
Others	69,408	166,266
	92,729,780	143,781,215

(19) OTHER CURRENT LIABILITIES

	2020	2019
	JD	JD
Deposits – subscription requests	31,307	29,526
Deposits – renewable energy connections	315,055	280,451
Advances from customers – connection fees	36,151	311,985
General deposits	328,262	261,658
Subscribers deposits	1,235,439	1,944,319
Post offices deposits	2,559	380,185
Governmental deposits – projects	84,518	65,092
Due to Sales Tax Department	77,501	72,209
Board of Directors' remuneration	55,000	55,000
Health insurance fund payables	3,101,552	2,836,276
Contractors retentions	308,959	440,176
Dividends payable	773,016	1,129,129
Damaged inventories deposits	460	422
Others	189,159	618,870
	6,538,938	8,425,298

(20) BANKS OVERDRAFTS

This item represents the credit facilities granted to the Company from local banks with a ceiling of JD 53,000,000, bearing an average interest rate of 5.14% per annum (2019: 6.5%) (note 11).

(21) OTHER PROVISIONS

Provisions included in the statement of financial position consist of the following:

	2020				2019
	Employees vacations	Social Services	Lawsuits	Total	Total
	JD	JD	JD	JD	JD
Beginning balance	1,079,323	64,171	423,336	1,566,830	1,383,618
Charge for the year*	54,855	17,684	379,673	452,212	219,529
Paid during the year	(52,773)	(72,610)	-	(125,383)	(36,317)
Ending balance	1,081,405	9,245	803,009	1,893,659	1,566,830

* The charge for the year includes capitalized expenses amounted to JD 11,181 (2019: JD 46,990).

(22) INCOME TAX PROVISION

Deferred tax assets-

This represents deferred tax assets on temporary differences between taxable profit and accounting profit.

Movement on deferred tax assets is as follows:

	2020	2019
	JD	JD
Beginning balance	1,612,523	1,310,070
Change during the year	206,813	302,453
Ending balance	1,819,336	1,612,523

Income tax provision -

Movement on income tax provision is as follows:

	2020	2019
	JD	JD
Beginning balance	1,170,201	2,526,950
Income tax for the year	3,407,730	1,694,471
Recoveries of prior years' income tax	(275,000)	-
Income tax paid	(880,158)	(3,051,220)
Ending balance	3,422,773	1,170,201

Below is the income tax expense details included in the statement of comprehensive income and the reconciliation between the accounting profit and taxable profit:

	2020	2019
	JD	JD
Accounting profit before tax	10,681,153	4,944,549
Non-taxable revenues	(939,396)	(968,971)
Non-deductible expenses	2,879,465	2,300,241
Taxable income	12,621,222	6,275,819
Income tax for the year	3,407,730	1,694,471
Deferred tax during the year	(206,813)	(302,453)
Recoveries of prior years' income tax	(275,000)	-
Income tax for the year	2,925,917	1,392,018
Statutory income tax rate*	27%	27%
Effective income tax rate	27,39%	28,15%

Income tax provision was calculated for the years ended 31 December 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 2018. The income tax return for the year 2019 is not yet audited by the Income and Sales tax Department up to the date of these financial statements.

(23) 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 transactions included in the statement of financial position are as follow:

	2020	2019
	JD	JD
Amounts due from Electrical Equipment Industries Company LLC (Sister Company)	6,213	-
Amounts due to Electrical Equipment Industries Company LLC (Sister Company)	-	46,759
Amounts due to Electricity Distribution Company – Public Shareholding Company (Parent Company)	250,644	13,698
	250,644	60,457

Below is a summary of related parties transactions:

	2020	2019
Purchases from Electricity Distribution Company – Public Shareholding Company (Parent Company)	766,746	2,597,813
Purchases from Electrical Equipment Industries Company (Sister Company)	233,615	121,442

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

	2020	2019
	JD	JD
Salaries and benefits	538,508	587,098

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

	2020	2019
	JD	JD
Transportation and remuneration of Board of Directors	301,000	320,260

(24) GROSS PROFIT

Electricity power sales revenues represent sales to all subscribers and cost of electricity power sales represents the cost of electricity power purchases from National Electricity Power Company and renewable energy resources.

Sales tariff is determined by the EMRC, the tariff for the small manufacturing, water pumps, telecommunications, private hospitals, medium manufacturing (day and night time), agricultural trio tariff (maximum power load), temporary meters (except for banking and hotels sectors) sectors have been decreased in January 2020.

Electricity power is purchased from National Electricity Power Company and purchase tariff is determined by the EMRC, the tariff has been decreased from January up to June, increased from July up to September, and decreased from October to December for the year 2020.

(25) OTHER OPERATING REVENUES (EXPENSES), NET

	2020	2019
	JD	JD
Subscribers connection fees	1,144,448	983,373
Municipalities connection fees	5,077	9,515
Meters fees	1,530,154	1,457,714
Miscellaneous fees	422,608	317,407
Workshops fees	47,422	28,932
Net losses from rural fils projects	(974,909)	(1,155,139)
Net losses from subscribers' contributions projects	(312,154)	(2,400,422)
Electricity reconnection fees	431,256	422,134
Meters replacement fees	59,616	17,969
Others	3,166	8,842
	2,356,684	(309,675)

(26) ADMINISTRATIVE EXPENSES

	2020	2019
	JD	JD
Salaries and related benefits	19,217,601	18,544,676
Employees' benefits	1,703,712	1,844,633
End-of-service indemnity	1,000,000	666,449
Employees vacations	54,855	202,448
Maintenance expenses	424,563	450,176
Vehicles rent expense	781,396	1,274,680
Stationery, printing and advertising	317,538	294,438
Stamps	458,321	427,283
Compensations	505,218	297,665
Connection expenses	518,112	678,028
Insurance expenses	436,312	397,651
Vehicles expense	493,176	545,644
Postage and telephone expenses	155,227	171,438
Board of Directors remuneration and transportations	39,600	39,600
Security and cleaning expenses	493,353	559,757
Electricity, water and heating	172,880	163,362
Legal fees	273,439	625,204
Professional fees	20,260	26,390
Subscriptions, conferences and seminars	24,097	40,019
License and governmental fees	32,996	31,670
Distribution license fee	283,676	337,984
Rent	77,121	68,994
Computers expenses	56,496	50,688
Hospitality expenses	12,260	70,378
Employee meals	1,103	9,419
Collection commission- post offices	366,777	392,386
Provision of expected credit losses (note 10)	1,185,147	1,063,629
Social activities and donations	15,155	14,360
Depreciation of right of use assets	100,515	100,515
Financing costs – Lease contracts liabilities	45,436	51,227
Lawsuits provision	379,673	-
Others	280,064	118,234
	29,926,079	29,559,025
Less: Capitalization of salaries and related benefits	(4,655,612)	(4,554,754)
Capitalization of-end-of service indemnity	(228,047)	(166,449)
Capitalization of administrative expenses	(678,225)	(935,266)
Capitalization of employees vacation expenses	(11,181)	(46,990)
Total capitalized expenses on project in progress*	(5,573,065)	(5,703,459)
Transfers to cost of non-core activities	(268,758)	(307,011)
	24,084,256	23,548,555

* These expenses are capitalized projects in progress according to approved rates in the Merkadus System.

(27) DEPRECIATION AND AMORTIZATION

Details of depreciation and amortization included in the statement of comprehensive income are as follow:

	2020	2019
	JD	JD
Property and equipment deprecation (note 3)	10,670,020	9,823,792
Lawsuits payments amortization (note 6)	22,295	27,477
Depreciation of subscribers and rural fils contributions assets (note 5)	6,077,227	5,750,905
Less: amortization of subscribers and rural fils contributions liabilities	(6,077,227)	(5,750,905)
Depreciation and amortization	10,692,315	9,851,269

The depreciation and amortization are allocated as follows:

	2020	2019
	JD	JD
Depreciation and amortization in the statement of comprehensive income	10,575,276	9,725,945
Depreciation of non-core activities	117,039	125,324
	10,692,315	9,851,269

(28) PROFIT FROM CORE ACTIVITIES

According to the distribution and supplies license granted to the Company on 30 June 2008 from Energy and Mineral Regulatory Commission (EMRC), the annual return from core activities before tax is determined based on the Regulatory Asset Base set by EMRC. The Company computed the annual return for the core activities which resulted in a deficit from the annual return as determined in the license by JD 742,078 for the year 2020, as a result, the net cumulative amount up to the end of 2020 became a deficit of JD 12,406,094 taking into consideration that no incentive or fine was calculated for the power loss rate for the year 2020 as this percentage has not been approved by the EMRC up to the date of financial statements. Accordingly, this deficit will be recovered by determining the tariff for the upcoming tariff period as per the tariff determination methodology stated in the license; additionally, the deficit amount is subject to EMRC revision and amendment as mentioned in the license.

(29) REVENUE FROM NON–CORE ACTIVITIES

	2020	2019
	JD	JD
Television fees collection revenue	328,298	320,414
Garbage fees collection revenue	1,662,567	1,626,684
Street lighting maintenance revenue	29,076	140,578
Compensations revenue	230,916	420,041
Buildings lease revenue	1,024	1,024
Tenders revenue	16,060	23,120
Late payments penalties revenue	43,002	212,492
Proceeds from sale of damaged goods (property and equipment)	37,610	1,236,193
Electricity poles rental revenue	210,489	211,288
Late postal deposit interest revenue	34,175	60,645
Foreign currency exchange gains	728	12,340
Revenue from amortization of deferred revenues until 2 July 2008	270,685	270,685
Revenue from renewable energy sources consulting	270,429	528,984
Other revenues	65,294	25,231
	3,200,353	5,089,719

(30) NON–CORE ACTIVITIES EXPENSES

	2020	2019
	JD	JD
Loss on sale of property and equipment	2,199	348
Maintenance of street lights	9,723	117,153
Cost of damaged goods sales (property and equipment)	2,996	1,726,781
Donations	264,099	62,592
Foreign currency exchange losses	6,079	2,724
Board of Directors remuneration	261,400	280,660
Incentives for non-core activities	90,000	122,492
Others	17,692	10,955
	654,188	2,323,705
Add: non-core activities share of common expenses	268,759	307,011
non-core activities share of depreciation expense	117,039	125,324
	1,039,986	2,756,040

(31) BASIC AND DILUTED EARNINGS PER SHARE FROM PROFIT FOR THE YEAR

	2020	2019
Profit for the year (JD)	7,755,236	3,552,531
Weighted average number of shares (share)	8,000,000	8,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share from profit for the year	0/969	0/444

The basic and diluted earnings per share are equal.

(32) SEGMENT INFORMATION

The presentation of major segments was determined based on risk and benefits associated with the Company which are directly related to the services of these segments. These segments are organized and managed separately according to the nature of its services, so that each one of them represent a separate unit, which is measured based on the reports used by the chief executive officer and the chief decision maker for the Company.

The Company is organized for administrations purposes through the following business segments based on the power sales:

	2020	2019
	JD	JD
Normal subscribers' sales – Housing	99,700,011	90,995,954
Government departments and normal non-housing subscribers'' sales	20,763,302	24,131,762
Normal subscribers' sales – Employee housing	264,115	246,805
Commercial sector sales	28,109,577	31,907,026
Temporary meters sales	305,565	552,524
Telecommunication sector sales	5,022,854	5,928,676
Banking sector sales	1,899,832	1,924,148
Media sector sales	178,167	199,412
Hotels sector sales	89,433	160,055
Manufacturing sector sales / Small	5,350,090	7,010,762
Manufacturing sector sales / Medium	14,663,800	17,089,359
Water authority sales	25,880,783	29,419,545
Agricultural sector sales	14,832,251	15,923,193
Street lighting sales	16,921,576	16,644,085
Commercial / Agricultural sales	642,477	841,682
Army department sales	9,216,666	8,954,611
Consumption differences sales	1,355,659	1,434,376
Agricultural / Trio tariff sales	7,368,778	7,637,448
Private hospitals sales	322,817	417,963
Electric charging cars sales	41,220	53,524
	252,928,973	261,472,910

The Company's management monitors its business segments separately for performance evaluation purposes. The segments performance is evaluated based on each segment sales.

Geographical segment is associated with providing products or services in particular economical environment subject to risk and rewards that differ from those pertained to business segments in other economical environments. However, all operating segments represent one geographical segment which is the north of Jordan.

(33) CONTINGENT LIABILITIES

Guarantees and letters of credit -

As at the date of the financial statements, the Company has outstanding bank guarantees and letters of credit of JD 1,967,562 (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 1,838,995. The Company's management and its legal advisor believe that the provision taken against these claims of JD 803,009 (2019: 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 717,357 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.

Operating lease commitments-

Company as a lessor -

The Company has entered into commercial property leases on some of its small offices. These leases have a term of one year or less. Future minimum rentals receivables under operating leases as at 31 December are as follow:

	2020	2019
	JD	JD
Within one year	1,024	1,024

(34) RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing liabilities such as bank overdrafts and loans.

The sensitivity of the statement of comprehensive income is inherent in the effect of expected changes in interest rates on the Company's profit for one year, based on financial assets and liabilities bearing floating interest rates.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates with all other variables held constant.

	Increase in interest rate	Effect on profit before tax
2020 -	(POINT)	JD
JD	50	(291,747)

	Increase in interest rate	Effect on profit before tax
	(POINT)	JD
2019 -		
JD	50	(295,085)

The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increase shown above.

Credit risk

Credit risk is the risk that one party to a financial instrument will not meet its obligations and cause the other party to incur a financial loss.

The Company believes it is not exposed to significant credit risk as it sets credit limits to its customer and monitors the outstanding receivable regularly. The Company maintains its balance and deposits in reputable financial institutions.

The Company provides its services to a large number of customers; however, Government receivables represent more than 49% of accounts receivable as at 31 December 2020 (2019: 64%).

Liquidity risk

The Company limits its liquidity risk by ensuring collection of accounts receivable and bank facilities are available.

The table below summarises the maturities of the Company's (undiscounted) financial liabilities based on contractual payment dates and market interest rate.

	On demand	1 to 12 months	1to 5 years	More than 5 years	Total
At 31 December 2020	JD	JD	JD	JD	JD
Accounts payable	-	92,729,780	-	-	92,729,780
Accrued expenses and other payables	-	4,891,931	-	-	4,891,931
Long term loan	-	4,066,779	17,855,075	-	21,921,854
Bank overdrafts	41,722,360	-	-	-	41,722,360
Subscribers' deposits	51,752,452	-	-	-	51,752,452
Lease liability	-	176,702	483,298	-	660,000
Total	93,474,812	101,865,192	18,338,373	-	213,678,377
At 31 December 2019					
Accounts payable	-	143,781,215	-	-	143,781,215
Accrued expenses and other payables	-	6,194,887	-	-	6,194,887
Long term loan	-	4,360,053	19,044,382	3,250,572	26,655,007
Bank overdrafts	39,349,778	-	-		39,349,778
Subscribers' deposits	49,094,374	-	-	-	49,094,374
Lease liability	-	186,692	594,308	-	781,000
Total	88,444,152	154,522,847	19,638,690	3,250,572	265,856,261

Currency risk

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against USD (US$ 1.41 for JD 1). Thus, the impact of currency risk is insignificant to the financial statements.

(35) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, financial asset at fair value through other comprehensive income, accounts receivable and some other current assets. Financial liabilities consist of accounts payable, bank overdrafts, loans, lease obligations, and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

(36) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No amendments were made on the objectives, policies or procedures during the current and previous year.

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 19,534,817 as at 31 December 2020 (2019: JD 15,379,581).

(37) STANDARD ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- that an entity will exercise its deferral right,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

IBOR reform Phase 2
IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Company’s hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Company to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place.

For the retrospective assessment of hedge effectiveness, the Company may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Company may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Company reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Company is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not applicable to the Company.

(38) CORONAVIRUS SPREAD (COVID – 19) AND ITS IMPACT ON THE COMPANY

As a result of the continued impact of the Corona virus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and measures imposed by the Jordanian government and neighboring countries and the rest of the world. The Company's management has conducted a study to identify the magnitude of the coronavirus effect, as it is possible that the operating activities may be affected by the global developments, which are currently affecting various economic and geographical sectors.

The Company does not believe that the Coronavirus pandemic has caused a significant impact on the Company's activities, as the electricity sector has been excluded from the imposed curfew and suspension of all business activities in the Kingdom until further notice as part of the precautionary measures taken by the Government to combat the spread of the Coronavirus. Consequently, the Company continued its operations without interruption during the curfew period.

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