

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2021



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

Tel: 00 962 6580 0777\ 00 962 6552 6111
Fax:00 962 6553 8300
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 30 June 2021, comprising of the interim condensed statement of financial position as at 30 June 2021 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
28 July 2021

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<u>Notes</u>	30 June 2021	31 December 2020
		JD (Unaudited)	JD (Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS -			
Property and equipment	3	130,307,834	129,652,780
Subscribers' and rural files contributions assets		86,999,650	85,774,811
Dispute lawsuits payments		35,494	41,358
Right of use assets		485,826	536,085
Projects in progress		6,456,063	7,017,111
Strategic inventories		8,150,191	7,037,427
Deferred tax assets		2,100,788	1,819,336
Financial assets at fair value through other comprehensive income		286,719	286,719
		<u>234,822,565</u>	<u>232,165,627</u>
CURRENT ASSETS -			
Accounts receivable		114,316,113	93,153,859
Other current assets		4,052,519	3,852,066
Inventories		5,064,462	3,403,246
Cash and bank balances	7	98,362	1,406,682
		<u>123,531,456</u>	<u>101,815,853</u>
Total Assets		<u>358,354,021</u>	<u>333,981,480</u>
<u>EQUITY AND LIABILITIES</u>			
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		6,285,385	8,685,775
Total equity		<u>17,134,427</u>	<u>19,534,817</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers' and rural files contributions liabilities		86,999,650	85,774,811
Long-term lease liability		333,106	413,306
Advances from subscribers		5,728,282	6,001,940
Excess of subscribers' contributions		-	78,122
Provision for end-of-service indemnity		5,659,213	4,853,868
Long-term loan	4	18,666,670	15,555,560
Subscribers' deposits		53,205,142	51,752,452
		<u>170,592,063</u>	<u>164,430,059</u>
CURRENT LIABILITIES			
Accounts payable		103,529,363	92,729,780
Current portion from long-term loan	4	-	3,111,110
Accrued expenses		2,266,385	2,228,849
Short-term lease liability		107,002	138,139
Other current liabilities		6,237,140	6,538,938
Bank overdrafts	7	54,768,073	39,682,671
Excess of subscribers' contributions		213,465	270,685
Other provisions		2,138,181	1,893,659
Income tax provision		1,367,922	3,422,773
		<u>170,627,531</u>	<u>150,016,604</u>
Total Liabilities		<u>341,219,594</u>	<u>314,446,663</u>
Total Equity and Liabilities		<u>358,354,021</u>	<u>333,981,480</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 AND SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

	Notes	For the three months ended		For the six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		JD	JD	JD	JD
Electricity power sales		63,043,288	56,831,301	125,794,942	119,468,953
Cost of electricity power sales		(47,692,832)	(48,314,982)	(103,372,194)	(103,126,229)
Gross profit		15,350,456	8,516,319	22,422,748	16,342,724
Other operating (expenses) revenues		(215,452)	82,851	275,556	576,200
General and administrative expenses		(6,111,329)	(5,410,657)	(12,524,366)	(11,353,246)
Depreciation and amortization		(2,797,086)	(2,605,288)	(5,644,435)	(5,204,113)
Expected credit losses provision		(55,216)	349,710	(830,381)	(737,041)
Provision for slow moving inventory		(389,258)	-	(520,505)	-
Operating profit (loss) from core activities		5,782,115	932,935	3,178,617	(375,476)
Revenue from non-core activities		871,456	766,008	1,612,313	1,499,363
Interest income on late payments		1,122,753	1,836,678	2,070,404	3,252,098
Non-core activities expenses		(174,715)	(425,256)	(331,244)	(583,524)
Finance costs		(904,763)	(725,939)	(1,757,621)	(1,602,838)
Interest expense on late payments		(1,168,152)	(2,470,920)	(2,100,946)	(4,203,301)
Loss from non-core activities		(253,421)	(1,019,429)	(507,094)	(1,638,202)
Profit (loss) before income tax expense		5,528,694	(86,494)	2,671,523	(2,013,678)
Income tax expense	5	(1,071,913)	-	(1,071,913)	-
Profit (loss) for the period		4,456,781	(86,494)	1,599,610	(2,013,678)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		4,456,781	(86,494)	1,599,610	(2,013,678)
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings per share from profit (loss) for the period	10	0/557	(0/011)	0/200	(0/252)

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 SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

	Paid in capital	Statutory reserve	Voluntary reserve	Retained earnings (Accumulated losses)	Total
	JD	JD	JD	JD	JD
2021 -					
Balance at 1 January 2021	8,000,000	2,210,264	638,778	8,685,775	19,534,817
Total comprehensive income for the period	-	-	-	1,599,610	1,599,610
Dividends distribution (Note 11)	-	-	-	(4,000,000)	(4,000,000)
Balance at 30 June 2021	8,000,000	2,210,264	638,778	6,285,385	17,134,427
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	-	-	-	(2,013,678)	(2,013,678)
Dividends distribution (Note 11)	-	-	-	(3,600,000)	(3,600,000)
Balance at 30 June 2020	8,000,000	2,210,264	638,778	(1,083,139)	9,765,903

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 CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021 (UNAUDITED)

	For the six months ended 30	
	June	
	2021	2020
Notes	JD	JD
<u>OPERATING ACTIVITIES</u>		
Profit (loss) before income tax	2,671,523	(2,013,678)
Adjustments for:		
Gain from sale of property and equipment	(8,568)	(4,098)
Interest income on late payments	(2,070,404)	(3,252,098)
Interest expense on late payments	2,100,946	4,203,301
End-of-service indemnity	1,185,872	750,000
Depreciation and amortization	5,644,435	5,204,113
Depreciation portion related to non-core activities	63,829	57,935
Right of use assets depreciation	50,258	50,258
Lease liability finance cost	20,663	23,883
Interest expense	1,757,621	1,602,838
Amortization of excess of subscribers' contributions	(135,342)	(135,342)
Other provisions	264,214	72,100
Provision for slow moving inventory	520,505	-
Expected credit losses provision	830,381	737,041
Working capital changes:		
Inventories	(2,586,188)	58,404
Accounts receivable	(19,922,231)	(30,238,970)
Other current assets	(200,452)	24,435
Advances from subscribers	4,196,071	3,038,843
Subscribers' deposits	1,452,690	1,235,850
Provisions paid	(44,948)	(40,322)
Accounts payable	8,698,637	27,927,591
Accrued expenses and other current liabilities	(372,312)	2,123,099
End-of-service indemnity paid	(530,945)	(586,236)
Income tax paid	(3,408,216)	(880,158)
Net cash flows from operating activities	178,039	9,958,789
<u>INVESTING ACTIVITIES</u>		
Projects in progress	(4,536,267)	(3,797,076)
Dispute lawsuits payments	(4,009)	(2,903)
Proceeds from sale of property and equipment	8,568	5,338
Purchase of property and equipment	3 (6,258,481)	(3,832,659)
Net cash flows used in investing activities	(10,790,189)	(7,627,300)
<u>FINANCING ACTIVITIES</u>		
Dividends paid	(3,884,848)	(1,042,545)
Repayment of long-term loan	-	(1,555,555)
Interest paid	(1,764,724)	(1,622,982)
Lease liability and finance cost payments	(132,000)	(121,000)
Net cash flows used in financing activities	(5,781,572)	(4,342,082)
Net decrease in cash and cash equivalents	(16,393,722)	(2,010,593)
Cash and cash equivalents at beginning of the period	(38,275,989)	(37,239,168)
Cash and cash equivalents at end of the period	7 (54,669,711)	(39,249,761)

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
30 JUNE 2021 (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 Company).

The interim condensed financial statements have been approved by the Board of Directors in their meeting held on 28 July 2021.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed financial statements for the six-month period to 30 June 2021 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 2020. In addition, results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 except for the adoption of new standard effective as of 1 January 2021 shown below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

(3) PROPERTY AND EQUIPMENT

The Company purchased property and equipment amounted to JD 6,258,481 for the six months ended 30 June 2021 (30 June 2020: JD 3,832,659).

(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. 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.

During 2021, the Company signed a loan restructuring agreement whereby the Company was given a grace period of three years for instalments only without interest starting from 17 January 2021. The loan is repayable over 12 semi-annual instalments of JD 1,555,555 each, except for the last instalment of JD 1,555,565. A fixed rate interest of 5% per annum shall be applied for the first year, after which a variable interest rate similar to the interest rate applicable on the Central Bank of Jordan deposits plus 2.65% margin ratio shall be applied, with a minimum gross interest rate of 5% per annum.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2021 (UNAUDITED)

(5) INCOME TAX

Income tax provision was calculated for the period ended 30 June 2021 in accordance with the Income Tax Law No. (34) of 2014 and its amendments, no income tax provision was calculated for the period ended 30 June 2020 due to the excess of deductible expenses over taxable revenue, in accordance with the Income Tax Law No. (34) of 2014 and its amendments. 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. (34) of 2014 amended by law No. (38) of the year 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 Company submitted the income tax returns for the years 2020 and 2019 which has not been reviewed by The Income and Sales Tax Department up to the date of these interim condensed financial statements.

(6) EQUITY

Paid-in capital -

The Company's authorized, subscribed and paid-in share capital is 8,000,000 shares at 1 JD par value per share.

Statutory reserve -

The Company did not deduct statutory reserve according to the Companies' Law, since these financial statements are interim condensed financial statements.

(7) CASH AND CASH EQUIVALENTS

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

	For the six months ended 30 June	
	2021	2020
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	98,362	112,510
Banks overdrafts*	(54,768,073)	(39,362,271)
	<u>(54,669,711)</u>	<u>(39,249,761)</u>

* This item represents the credit facilities granted to the Company from several local banks with a ceiling of JD 74,600,000, bearing an average interest rate of 4.985% annum.

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2021 (UNAUDITED)

(8) RELATED PARTIES

Related parties represent major shareholders, Parent Company, Board of Directors, key management personnel of the Company and companies where the company is a major shareholder. Such pricing policies and transactions' terms are approved by the Company's management.

Related parties' balances included in the interim condensed statement of financial position are as follow:

	30 June 2021	31 December 2020
	JD (Unaudited)	JD (Audited)
Amounts due from Electrical Equipment Industries Company LLC (Sister Company)	<u>8,383</u>	<u>6,213</u>
Amounts due to Electricity Distribution Company – Public Shareholding Company (Parent Company)	<u>349,697</u>	<u>250,644</u>

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

	For the six months ended 30 June	
	2021	2020
	JD (Unaudited)	JD (Unaudited)
Purchases from Electricity Distribution Company (Parent Company)	931,024	22,505
Purchases from Electrical Equipment Industries Company (Sister Company)	143,916	116,522

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

	For the six months ended 30 June	
	2021	2020
	JD (Unaudited)	JD (Unaudited)
Salaries and other benefits	284,874	180,300
Transportation and remuneration of Board of Directors	179,200	179,200
	<u>464,074</u>	<u>359,500</u>

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2021 (UNAUDITED)

(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 JD 955,860 (31 December 2020: JD 1,967,562).

Litigations -

The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 1,002,777. The Company's management and its legal advisor believe that the provision taken against these claims in the amount of JD 972,836 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 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.

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit (loss) for the period (JD)	1,599,610	(2,013,678)
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 profit (loss) of the period	<u>0/200</u>	<u>(0/252)</u>

(11) DIVIDENDS DISTRIBUTION

The General Assembly approved in its' ordinary meeting, held on 25 April 2021, to distribute an amount of JD 4,000,000 (2020: JD 3,600,000) as dividends to the shareholders for the profits of 2020 representing 50% of the Company's share capital (2020: 45%).

(12) THE SPREAD OF CORONA VIRUS (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. The management monitors Company's operations and risks that the Company is exposed to continuously, specifically maintaining the necessary liquidity to resume its business. There was no material impact on the Company's activities resulted from Coronavirus pandemic as the subscribers' electricity consumption had not been significantly impacted nor their consumption patterns.