شركـة توزيع الكهرباء المساهمة العامـة
**Electricity Distribution Company**

| | |
|---|---|
| الرقــم : 13548/5/4/3 | Ref : |
| التاريخ : 2023/08/23 | Date : |

**السادة / هيئة الاوراق المالية المحترمين**

**الموضوع : البيانات المالية باللغة الانجليزية لعام 2022**

**تحية طيبة وبعد،،**

بالإشارة الى الموضوع اعلاه و كتابكم رقم 23/02247/3/2 بتاريخ 2023/7/25 بخصوص طلب تزويدكم بالبيانات المالية للشركة لعام 2022 باللغة الانجليزية .

تجدون بطيه البيانات المالية لعام 2022 باللغة الانجليزيه وحسب كتابكم المذكور اعلاه .

نرجو من هيئتكم الموقره بالعمل على استلام البيانات الماليه وازالة التنبيه والمخالفة التي قيدت في سجلاتنا لدى هيئتكم الموقرة واعلامنا لطفا .

**شاكرين حسن تعاونكم**

**وتفضلوا بقبول فائق الاحترام**

**المدير العام**

**م. ريم حمدان**

FQp18-02

**هاتف : 5331330 (6-962+) الناسوخ 5341213 (6-962+)**
**ص.ب: 830878 عمان 11183 الأردن**
**Tel. : (+962-6) 5331330 – Fax. : (+962-6) 5341213**
**P.O. Box 830878 Amman 11183 Jordan.**

**ELECTRICITY DISTRIBUTION COMPANY**
**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

Building a better working world

**ERNST & YOUNG JORDAN**
P.O. Box 1140
Building No. 300
King Abdullah Street
Amman 11118
Hashemite Kingdom of Jordan

Tel: +962 6 552 6111
+962 6 552 7666
Fax: +962 6 553 8300
amman@jo.ey.com
ey.com
C.C.R. No. 101

**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of Electricity Distribution Company- Public Shareholding Company**
**Amman – Hashemite Kingdom of Jordan**

## Report on the Audit of the Consolidated Financial Statements

### Qualified Opinion

We have audited the consolidated financial statements of Electricity Distribution Company - Public Shareholding Company (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion

As disclosed in note (13) to the consolidated financial statements, the Group has not implemented the requirements of International Financial Reporting Standards 9 (IFRS 9) regarding the expected credit loss related to accounts receivables.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 qualified opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our qualified audit opinion on the accompanying consolidated financial statements.

| **Key audit matter: Revenue recognition (Tariff)**<br><br>Disclosures on revenue recognition are included in note (32) to the consolidated financial statements. | |
|---|---|
| **Key audit matter**<br><br>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 2022 were amounted to JD 583,919,087. | **How the key audit matter was addressed in the audit**<br><br>Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable International Financial Reporting Standards. In addition to that, we have tested the Group's internal controls over the completeness, measurement and occurrence of revenue recognized including reconciliations between sales and cash receipts and testing the billing system controls. We selected a representative sample of transactions and tested proper revenues recording and recognition. In addition, we selected a sample before and after the cutoff period to check proper recognition. Additionally, we performed substantive analytical procedures for the gross margin and sales revenues on a monthly basis. |

**Other information included in the Company's 2022 annual report**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statement.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements, taking into consideration the matter described in the basis of qualified opinion paragraph.

For and on behalf of Ernst & Young – Jordan.

Waddah Barkawi
License No. 591

ERNST & YOUNG
Amman - Jordan

Amman – Jordan
21 March 2023

## ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2022

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | JD | JD |
| **NON-CURRENT ASSETS-** | | | |
| Property and equipment | 3 | 225,856,370 | 219,869,510 |
| Subscribers' and rural fils contributions assets | 4 | 202,040,555 | 201,928,056 |
| Projects in progress | 5 | 21,852,438 | 18,157,582 |
| Dispute lawsuits payments | 6 | 44,417 | 46,365 |
| Long-term loan receivable | 7 | 1,343,855 | 1,262,588 |
| Deferred tax assets | 8 | 3,642,764 | 3,063,200 |
| Strategic inventory | 12 | 17,317,012 | 14,357,726 |
| Intangible assets | 9 | 17,157,351 | 18,698,044 |
| Investment in an associate | 10 | 951,450 | 903,208 |
| Right-of-use assets | 11 | 335,055 | 435,570 |
| | | 490,541,267 | 478,721,849 |
| **CURRENT ASSETS** | | | |
| Inventory | 12 | 9,045,574 | 6,810,969 |
| Accounts receivable | 13 | 262,303,421 | 394,574,066 |
| Other current assets | 14 | 16,230,686 | 16,880,931 |
| Cash and bank balances | 15 | 38,559,674 | 196,509 |
| | | 326,139,355 | 418,462,475 |
| **TOTAL ASSETS** | | 816,680,622 | 897,184,324 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY-** | 16 | | |
| Paid in capital | | 12,000,000 | 12,000,000 |
| Statutory reserve | | 3,000,000 | 3,000,000 |
| Voluntary reserve | | 698,677 | 698,677 |
| Retained earnings | | 27,754,124 | 16,312,672 |
| **Total equity - attributable to shareholders** | | 43,452,801 | 32,011,349 |
| Non-controlling interest | 34 | 23,974,590 | 18,100,359 |
| **Total equity** | | 67,427,391 | 50,111,708 |
| **LIABILITIES -** | | | |
| **NON-CURRENT LIABILITIES -** | | | |
| Subscribers and rural fils contributions liabilities | 4 | 202,040,555 | 201,928,056 |
| Lease liabilities | 11 | 244,907 | 333,106 |
| Advances from subscribers | 17 | 22,550,455 | 18,940,444 |
| Provision for end-of-service indemnity | 18 | 22,154,565 | 18,508,216 |
| Excess of subscribers' contribution | 19 | 3,916,196 | 4,723,815 |
| Unearned revenues | | 3,360,831 | 3,079,269 |
| Subscribers' deposits | 20 | 85,455,957 | 79,158,844 |
| Long-term loans | 21 | 27,111,115 | 32,666,670 |
| | | 366,834,581 | 359,338,420 |
| **CURRENT LIABILITIES -** | | | |
| Current portion of long-term loans | 21 | 7,555,555 | 6,000,000 |
| Short-term loans | 21 | 31,000,000 | 6,000,000 |
| Current portion of lease liabilities | 11 | 111,909 | 124,902 |
| Due to banks | 22 | 39,321,329 | 81,311,947 |
| Accounts payable | 23 | 272,136,721 | 365,932,959 |
| Accrued expenses and other current liabilities | 24 | 20,228,015 | 19,884,819 |
| Excess of subscribers' contributions | 19 | 807,619 | 885,741 |
| Other provisions | 25 | 2,683,068 | 2,842,838 |
| Income tax provision | 8 | 8,574,434 | 4,750,990 |
| | | 382,418,650 | 487,734,196 |
| **Total Liabilities** | | 749,253,231 | 847,072,616 |
| **TOTAL EQUITY AND LIABILITIES** | | 816,680,622 | 897,184,324 |

The attached notes from 1 to 39 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Notes | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| Electricity power sales | | 583,919,087 | 563,276,576 |
| Cost of electricity power | | (461,839,171) | (464,925,436) |
| **Gross Profit** | 27 | 122,079,916 | 98,351,140 |
| Other operating revenues, net | 28 | 1,884,477 | 760,889 |
| General and administrative expenses | 29 | (63,277,576) | (57,193,639) |
| Depreciation | 3 | (20,655,638) | (20,428,024) |
| Amortization of dispute lawsuits payments | 6 | (18,371) | (19,357) |
| Provision for expected credit losses and doubtful debts | 13,14 | (2,685,099) | (3,280,257) |
| Provision for slow moving inventories | 12 | (1,042,856) | (823,684) |
| **Operating profit from core activities** | | 36,284,853 | 17,367,068 |
| Revenue from non-core activities | 30 | 9,678,478 | 7,790,774 |
| Finance income | | 430,582 | 6,744 |
| Interest income on late payments | | 9,804,871 | 22,380,874 |
| Group’s share of an associate’s profits (losses) | 10 | 48,242 | (87,835) |
| Licenses amortization | 9 | (1,540,693) | (1,540,693) |
| Non-core activities expenses | 31 | (2,124,834) | (1,538,421) |
| Finance and Murabaha cost | | (6,213,264) | (6,779,727) |
| Interest expense on late payments | | (9,433,852) | (22,489,626) |
| **Profit (loss) from non-core activities** | | 649,530 | (2,257,910) |
| **Profit before income tax** | | 36,934,383 | 15,109,158 |
| Income tax expense | 8 | (9,446,300) | (5,314,887) |
| **Profit for the year** | | 27,488,083 | 9,794,271 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 27,488,083 | 9,794,271 |
| **Profit for the year and total comprehensive income for the year attributable to:** | | | |
| Shareholders | | 18,941,452 | 7,425,328 |
| Non-controlling interest | 34 | 8,546,631 | 2,368,943 |
| | | 27,488,083 | 9,794,271 |
| | | JD / Fils | JD / Fils |
| Basic and diluted earnings per share attributable to shareholders | 26 | 1/58 | 0/62 |

The attached notes from 1 to 39 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Attributable to shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Paid-in capital | Statutory Reserve | Voluntary reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| | JD | JD | JD | JD | JD | JD | JD |
| **2022 -** | | | | | | | |
| **Balance at 1 January 2022** | 12,000,000 | 3,000,000 | 698,677 | 16,312,672 | 32,011,349 | 18,100,359 | 50,111,708 |
| Total comprehensive income for the year | - | - | - | 18,941,452 | 18,941,452 | 8,546,631 | 27,488,083 |
| Dividends paid to non-controlling interest (note 16) | - | - | - | - | - | (2,672,400) | (2,672,400) |
| Dividends paid to shareholders (note 16) | - | - | - | (7,500,000) | (7,500,000) | - | (7,500,000) |
| **Balance at 31 December 2022** | 12,000,000 | 3,000,000 | 698,677 | 27,754,124 | 43,452,801 | 23,974,590 | 67,427,391 |
| | | | | | | | |
| **2021 -** | | | | | | | |
| **Balance at 1 January 2021** | 10,000,000 | 2,500,000 | 698,677 | 17,387,344 | 30,586,021 | 17,513,016 | 48,099,037 |
| Total comprehensive income for the year | - | - | - | 7,425,328 | 7,425,328 | 2,368,943 | 9,794,271 |
| Capital increase | 2,000,000 | - | - | (2,000,000) | - | - | - |
| Transferred to statutory reserve | - | 500,000 | - | (500,000) | - | - | - |
| Dividends paid to non-controlling interest (note 16) | - | - | - | - | - | (1,781,600) | (1,781,600) |
| Dividends paid to shareholders (note 16) | - | - | - | (6,000,000) | (6,000,000) | - | (6,000,000) |
| **Balance at 31 December 2021** | 12,000,000 | 3,000,000 | 698,677 | 16,312,672 | 32,011,349 | 18,100,359 | 50,111,708 |

The attached notes from 1 to 39 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Notes | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | 36,934,383 | 15,109,158 |
| | | | |
| **Adjustments for:** | | | |
| License amortization | | 1,540,693 | 1,540,693 |
| Depreciation and amortization | 3 | 21,008,533 | 20,654,747 |
| Gain on sale of property and equipment | | (55,369) | (292,356) |
| Interest income | | (430,582) | (6,744) |
| Interest income from late payment of energy bills | | (9,804,871) | (22,380,874) |
| Finance and Murabaha cost | | 6,213,264 | 6,779,727 |
| Interest expense from late payment of energy bills | | 9,433,852 | 22,489,626 |
| End-of-service indemnity provision | | 5,212,431 | 4,529,658 |
| Provision for expected credit losses and doubtful debts | | 2,685,099 | 3,280,257 |
| Group’s share of an associate’s (profit) loss | 10 | (48,242) | 87,835 |
| Other provisions | | 423,927 | 287,759 |
| Amortization profit of excess of subscribers’ contributions | | (885,741) | (1,078,304) |
| Provision for slow-moving inventories | | 1,042,856 | 823,684 |
| Depreciation of right of use asset | | 100,515 | 100,515 |
| Finance cost of leases | | 30,808 | 38,563 |
| | | | |
| **Working capital changes:** | | | |
| Inventory | | (6,236,747) | (373,448) |
| Accounts receivable and other current assets | | 141,333,272 | (94,288,480) |
| Accounts payable, accrued expenses and other current liabilities | | (97,910,386) | 57,254,750 |
| Advances from subscribers | | 3,610,011 | 18,605,755 |
| Subscribers’ deposits | | 6,297,113 | 5,125,163 |
| Deferred revenues | | 281,562 | 476,844 |
| End-of-service indemnity provision paid | 18 | (1,566,082) | (2,271,758) |
| Other provisions paid | | (583,697) | (247,630) |
| Income tax paid | 8 | (6,202,420) | (4,854,442) |
| **Net cash flows from operating activities** | | 112,424,182 | 31,390,698 |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Projects in progress | | (19,150,664) | (11,097,220) |
| Purchase of property and equipment. | 3 | (17,905,368) | (17,271,445) |
| Proceeds from sale of property and equipment | | 61,968 | 314,405 |
| Interest income received | | 430,582 | 6,744 |
| Dispute lawsuits payments | 6 | (16,423) | (24,364) |
| **Net cash flows used in investing activities** | | (36,579,905) | (28,071,880) |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Repayment of loans, net | | 21,000,000 | (4,000,000) |
| Interest expense paid | | (6,186,094) | (6,792,223) |
| Dividends paid to non-controlling interest | | (2,672,400) | (1,065,188) |
| Dividends paid | | (7,500,000) | (6,000,000) |
| Lease liability and finance cost paid | | (132,000) | (132,000) |
| **Net cash flows from (used in) financing activities** | | 4,509,506 | (17,989,411) |
| **Net increase (decrease) in cash and cash equivalents** | | 80,353,783 | (14,670,593) |
| Cash and cash equivalents at 1 January | | (81,115,438) | (66,444,845) |
| **Cash and cash equivalents at 31 December** | 15 | (761,655) | (81,115,438) |

The attached notes from 1 to 39 form an integral part of these consolidated financial statements

## (1) GENERAL

Electricity Distribution Company Public Shareholding Company ("the Company") was established on 12 February 1998 as a public shareholding company in implementation of the Council of Ministers' resolution dated 4 October 1997 regarding establishment of a separate company from the National Electricity Company to undertake the distribution of electric power in the following areas: Aqaba, Ma'an, Karak,Tafylleh, Jordan valley and Eastern area, and to be 75% owned by the Government and 25% by National Electricity Company until privatization, in which all distributing activities in National Electricity Company will revert to it. On 2 July 2008, the Company underwent privatization when Kingdom For Energy Investment ( Kingdom Electricity Company) acquired both the Government's share and the National Electricity Company's shares, resulting in the ownership of 100% of the company shares.

The Company commenced its industrial and commercial activities on 1 January 1999.

The Company was registered in Aqaba Special Economic Authority under registration No. 1101103002 on 30 October 2001 in accordance with the regulations, and instructions of the Aqaba Special Economic Zone Law No. 32 for the year 2000.

The principal activities of the Company are to purchase and distribute electric power in the area mentioned above in accordance with the distribution license that the Company was granted in 30 June 2008 and its valid for 25 years from that date.

According to the distribution and supplies retail license granted to the Company on 30 June 2008 by the Energy and Minerals Regulatory Commission (EMRC), the annual return from core activities has been determined based on an average of 10.97% off assets according to the weighted average cost of capital agreed upon with the Energy and Minerals Regulatory Commission. The Company computed the actual realized return from core activities, where by the net deficit of this return over the average return determined in the license for the period from the license date to 31 December 2022 reached an amount of JD 5,824,191 ,with calculating the loss percentage fine for the year 2022 at JD 1,887,322 knowing that this amount is negotiable and subject to review and adjustment by the Energy and Minerals Regulatory Commission in accordance with the license.

According to the distribution and supplies license granted to the Group 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's management calculated the above return, as it was surplus to the rate of return specified in the license for the year 2022 in the amount of JD 12,732,470, thus the accumulated value became a net deficit of JD 2,739,276 up to the end of 2022. 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.

The consolidated financial statements have been approved by the Board of Directors in their meeting held on 9 March 2023. The consolidated financial statements require approval of the Company's General Assembly.

These financial statements are consolidated with the Ultimate Parent Company, Social Security Corporation Investment Fund.

## (2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements for the Group have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements are presented in Jordanian Dinars which represent the functional currency of the Group.

### 2.2 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary (Irbid District Electricity Company) as at 31 December 2022:

| | Year of incorporation | Paid-in-capital | Nature of Activity | Ownership |
|---|---|---|---|---|
| | | JD | | % |
| Irbid District Electricity Company | 1957 | 10,000,000 | Electricity distribution | 55.46 |

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including :

- Contractual agreements with shareholders that have voting rights in the investee
- Rights resulting from other contractual arrangements; and
- The Group’s current and future voting rights in the investee

The Group reassesses its control over the investee when circumstances and factors exist that lead to the change in one or more of the three factors listed above.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group gains control, and continues to do so until the date when such control ceases. The subsidiaries revenues and expenses are consolidated in the consolidated statement of comprehensive income from the date the Group gains control over the subsidiaries until that control ceases.

Profits, losses, and all other comprehensive income items are attributed to the shareholders' equity of the parent company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

## 2.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021 except for that the Group adopted these changes starting from 1 January 2022:

**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.

These amendments had no impact on the consolidated financial statements of the Group.

**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.

These amendments had no impact on the consolidated financial statements of the Group.

**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.

These amendments had no impact on the consolidated financial statements of the Group.

**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.

These amendments had no impact on the consolidated financial statements of the Group.

**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.

These amendments had no impact on the consolidated financial statements of the Group.

**IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group.

## 2- 4 Significant Accounting Polices

### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. 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 are met. Repair and maintenance expenses are recognized in the consolidated statement of comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (expect for land) using annual percentages as follows:

| | % |
|---|---|
| Buildings and constructions | 2 |
| Underground cables | 3 |
| Transformation stations and network | 5 – 7 |
| Subscribers' meters | 7 |
| Telecommunication equipment | 12 |
| Computers | 20 |
| Vehicles | 15 |
| Laboratory equipment | 9 – 20 |
| Operating equipment | 9 – 20 |
| Tools | 20 |
| Other equipment | 9 – 20 |
| Furniture and office equipment | 9 – 20 |

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

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, and relocated in the consolidated statement of comprehensive income.

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 gain or loss arising on derecognition of the asset is included in the consolidated statement of comprehensive income when the asset is derecognised.

**Subscribers' contributions Assets and Liabilities**

These assets are stated separately based on the Energy and Mineral Regulatory Commission 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, thus it does not affect the consolidated statement of comprehensive income.

**Rural Fils assets**

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

Rural fils assets are depreciated on a straight-line basis at 4% annually, and the liability is amortized using the same rate, thus it does not affect the consolidated statement of comprehensive income.

**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 Energy and Mineral Regulatory Commission regulations.

**Intangible assets**

Intangible assets are classified on the basis of their useful life as definite and indefinite useful lives. Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date, impairment is recorded in the consolidated statement of comprehensive income.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of comprehensive income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent years.

**Business combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in consolidated statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

**Projects in progress**

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

**Investment in an associate**

An associate is an entity in which the Company has significant influence, and which is neither a subsidiary nor a joint venture. The Group's investment in its associate is accounted for using the equity method of accounting Under the equity method.

The investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

**Inventories**

Inventories are valued at cost (weighted average costing) and net realizable value which is lower. 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 the original invoice amount less amounts estimated to be uncollectible. An estimate for doubtful debts is made when collection is no longer probable. Bad debts are written off when there is no possibility of recovery.

**Cash and cash equivalents**

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

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

**Loans**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (‘EIR’) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of comprehensive income.

**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 Group to pay end of service indemnity to employees. Group is committed only when there is a separate and detailed plan. Provision is calculated based on the number of employees at the consolidated financial statements date and in accordance with the internal policies and IAS 19.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## Provisions

Provisions are recognized when the Group 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

Income tax expense represents current year income tax and deferred income tax.

Accrued tax expenses are calculated based on taxable income, which may be different from accounting income as it may include tax-exempt income, non-deductible expenses in the current year that are deductible in subsequent years, tax-accepted accumulated losses or tax-deductible items.

Current income tax is calculated based on the tax rates and laws that are applicable at the consolidated statement of financial position date and according to IAS 12.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated financial statement date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the financial position date. The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position 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 step 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**

**Group as a lessee**

The Group 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 Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group 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 Group 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 Group 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 Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

**Impairment of non-financial assets**

The Group 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 Group 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 of disposal and its value in use. The 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 groups 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

**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 Group.

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 Group 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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date.

All differences are taken to the consolidated statement of comprehensive income.

**Segments information**

For the purpose of reporting to management and the decision makers in the Group, 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**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 consolidated 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 consolidated financial statements but are disclosed when an inflow of economic benefit is possible.

### 2.5 Significant Accounting Judgment, Estimates and Assumptions

The preparation of the consolidated 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.

Judgments, estimates and assumptions in the consolidated financial statements are detailed below:

- A provision is booked for accounts receivable based on basis and assumptions approved by the Group’s management to estimate the required provision.

- 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 depreciation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Impairment losses of property and equipment are recognized in the consolidated 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 three years.

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

- A provision will be established against court litigations where the Group is the defendant based on a legal study provided by the Group’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

| | Land | Buildings and constructions | Underground cables | Transformation stations and network | Subscribers' meters | Telecommunication equipment | Computers | Vehicles | Laboratory equipment | Operating equipment | Tools | Other equipment | Furniture and other equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost -** | | | | | | | | | | | | | | |
| At 1 January 2022 | 4,270,840 | 15,285,575 | 56,663,332 | 247,901,612 | 42,567,062 | 17,711,782 | 16,943,227 | 14,637,835 | 3,099 | 10,504,879 | 4,265,150 | 3,488,645 | 2,888,370 | 437,131,408 |
| Additions | 8,000 | 68,953 | 2,181,813 | 7,801,365 | 6,315,622 | 189,646 | 533,027 | 353,427 | - | 201,755 | 112,937 | 21,274 | 117,549 | 17,905,368 |
| Transferred from projects in progress (note 5) | 17,651 | 601,516 | 1,895,087 | 6,418,177 | 1,199,251 | - | - | - | - | - | - | 320,448 | - | 10,452,130 |
| Disposals | - | - | (299,074) | (1,237,762) | (1,249,216) | (1,176) | (90,947) | - | - | (362,391) | - | (5,804) | (17,287) | (3,263,657) |
| At 31 December 2022 | 4,296,491 | 15,956,044 | 60,441,158 | 260,883,392 | 48,832,719 | 17,900,252 | 17,385,307 | 14,991,262 | 3,099 | 10,344,243 | 4,378,087 | 3,824,563 | 2,988,632 | 462,225,249 |
| **Accumulated Depreciation -** | | | | | | | | | | | | | | |
| At 1 January 2022 | - | 3,811,117 | 14,824,158 | 125,499,816 | 24,752,307 | 6,469,112 | 13,061,944 | 12,378,771 | 3,097 | 8,296,085 | 3,520,787 | 2,454,582 | 2,190,122 | 217,261,898 |
| Depreciation for the year * | - | 389,610 | 1,585,462 | 8,723,905 | 4,438,027 | 2,053,623 | 1,541,450 | 957,351 | - | 713,814 | 102,979 | 341,077 | 142,864 | 20,990,162 |
| Disposals | - | - | (73,524) | (740,671) | (668,373) | (1,143) | (84,684) | - | - | (299,815) | - | (3,478) | (11,493) | (1,883,181) |
| At 31 December 2022 | - | 4,200,727 | 16,336,096 | 133,483,050 | 28,521,961 | 8,521,592 | 14,518,710 | 13,336,122 | 3,097 | 8,710,084 | 3,623,766 | 2,792,181 | 2,321,493 | 236,368,879 |
| **Net book value -** At 31 December 2022 | 4,296,491 | 11,755,317 | 44,105,062 | 127,400,342 | 20,310,758 | 9,378,660 | 2,866,597 | 1,655,140 | 2 | 1,634,159 | 754,321 | 1,032,382 | 667,139 | 225,856,370 |

| | Land | Buildings and constructions | Underground cables | Transformation stations and network | Subscribers' meters | Telecommunication equipment | Computers | Vehicles | Laboratory equipment | Operating equipment | Tools | Other equipment | Furniture and other equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost -** | | | | | | | | | | | | | | |
| At 1 January 2021 | 4,270,840 | 12,501,643 | 52,650,060 | 239,056,595 | 38,223,271 | 17,685,982 | 16,394,029 | 14,650,685 | 3,099 | 10,414,677 | 4,173,753 | 3,362,247 | 2,827,955 | 416,214,836 |
| Additions | - | 2,878,224 | 626,871 | 8,817,957 | 3,475,791 | 46,817 | 592,389 | 30,451 | - | 100,942 | 404,689 | 134,962 | 162,352 | 17,271,445 |
| Transferred from projects in progress (note 5) | - | 106,117 | 3,520,454 | 2,303,481 | 1,290,910 | - | 4,475 | - | - | - | 58,326 | 3,835 | 4,157 | 7,291,755 |
| Disposals | - | (200,409) | (134,053) | (2,276,421) | (422,910) | (21,017) | (47,666) | (43,301) | - | (10,740) | (371,618) | (12,399) | (106,094) | (3,646,628) |
| At 31 December 2021 | 4,270,840 | 15,285,575 | 56,663,332 | 247,901,612 | 42,567,062 | 17,711,782 | 16,943,227 | 14,637,835 | 3,099 | 10,504,879 | 4,265,150 | 3,488,645 | 2,888,370 | 437,131,408 |
| **Accumulated Depreciation -** | | | | | | | | | | | | | | |
| At 1 January 2021 | - | 3,711,883 | 13,320,012 | 115,737,369 | 23,333,998 | 4,433,319 | 11,484,270 | 11,209,747 | 3,097 | 7,643,553 | 3,666,685 | 2,134,560 | 2,091,557 | 198,770,050 |
| Depreciation for the year * | - | 297,055 | 1,540,004 | 10,857,220 | 1,642,749 | 2,056,764 | 1,713,478 | 1,200,097 | - | 660,860 | 207,915 | 327,988 | 150,617 | 20,654,747 |
| Disposals | - | (197,821) | (35,858) | (1,094,773) | (224,440) | (20,971) | (135,804) | (31,073) | - | (8,328) | (353,813) | (7,966) | (52,052) | (2,162,899) |
| At 31 December 2021 | - | 3,811,117 | 14,824,158 | 125,499,816 | 24,752,307 | 6,469,112 | 13,061,944 | 12,378,771 | 3,097 | 8,296,085 | 3,520,787 | 2,454,582 | 2,190,122 | 217,261,898 |
| **Net book value -** | | | | | | | | | | | | | | |
| At 31 December 2021 | 4,270,840 | 11,474,458 | 41,839,174 | 122,401,796 | 17,814,755 | 11,242,670 | 3,881,283 | 2,259,064 | 2 | 2,208,794 | 744,363 | 1,034,063 | 698,248 | 219,869,510 |

* Depreciation for the year is distributed as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Depreciation in the consolidated statement of comprehensive income | 20,655,638 | 20,428,024 |
| Depreciation of non-core activities (note 31) | 334,524 | 226,723 |
| | 20,990,162 | 20,654,747 |

## (4) SUBSCRIBERS' AND RURAL FILS CONTRIBUTION ASSETS

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| **Cost -** | | |
| At 1 January | 397,650,872 | 381,923,531 |
| Transferred from project in progress (note 5) | 15,542,544 | 15,727,341 |
| At 31 December | 413,193,416 | 397,650,872 |
| | | |
| **Accumulated depreciation -** | | |
| At 1 January | 195,722,816 | 180,769,918 |
| Depreciation for the year * | 15,430,045 | 14,952,898 |
| At 31 December | 211,152,861 | 195,722,816 |
| | | |
| **Net book value -** | | |
| At 31 December | 202,040,555 | 201,928,056 |

This item represents the infrastructure constructed by the Group to connect customers and rural areas with electricity. The cost of the infrastructure is paid by the customers and the Jordanian Rural Fils Fund Project and is recognised as an asset and a liability in the Group's consolidated statement of financial position.

* Subscribers' and rural fils contribution assets are depreciated at 4% annually and Subscribers and rural fils contributions liabilities are amortized at the same rate, accordingly there is no effect on the consolidated statement of financial position. Details of subscribers and rural fils contributions liabilities are as follows as of 31 December:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Subscribers' contributions liabilities | 147,794,148 | 148,083,819 |
| Rural fils contributions liabilities | 54,246,407 | 53,844,237 |
| | 202,040,555 | 201,928,056 |

## (5) PROJECTS IN PROGRESS

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Self-funded projects | 6,044,314 | 9,370,004 |
| Subscribers' contributions projects | 7,755,997 | 7,222,321 |
| Rural fils contributions projects | 8,052,127 | 1,565,257 |
| | 21,852,438 | 18,157,582 |

Movement on the project in progress is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 18,157,582 | 19,581,814 |
| Additions (issuances from stores) | 19,150,664 | 11,097,220 |
| Capitalized expenses* | 10,538,866 | 10,497,644 |
| Transferred to property and equipment (note 3) | (10,452,130) | (7,291,755) |
| Transferred to subscribers and rural fils contributions assets (note 4) | (15,542,544) | (15,727,341) |
| At 31 December | 21,852,438 | 18,157,582 |

* Details of capitalized expenses on project in progress are as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Salaries and other benefits | 8,511,474 | 8,527,127 |
| End-of-service indemnity (note 18) | 979,753 | 859,606 |
| Electricity | 46,365 | 44,511 |
| Water | 7,645 | 3,827 |
| Heating | 1,588 | 1,138 |
| Telecommunications | 45,165 | 39,274 |
| Hospitality | 4,996 | 6,845 |
| Perdiem | 14,790 | 14,610 |
| Stationary | 29,199 | 33,472 |
| Cleaning | 31,186 | 36,208 |
| Computer Expenses | 41,841 | 46,340 |
| Vehicles expenses | 403,875 | 416,939 |
| Rent | 20,870 | 26,077 |
| Insurance | 12,374 | 12,978 |
| Others | 387,745 | 428,692 |
| | 10,538,866 | 10,497,644 |

The cost of completing the remaining parts of projects in progress is estimated at JD 18,444,310 as of 31 December 2022 (2021: JD 15,544,584).

## (6) DISPUTE LAWSUITS PAYMENTS

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| **Cost -** | | |
| At 1 January | 8,318,070 | 8,293,706 |
| Payments during the year | 16,423 | 24,364 |
| At 31 December | 8,334,493 | 8,318,070 |
| **Accumulated amortization -** | | |
| At 1 January | 8,271,705 | 8,252,348 |
| Amortization for the year | 18,371 | 19,357 |
| At 31 December | 8,290,076 | 8,271,705 |
| **Net book value -** | | |
| At 31 December | 44,417 | 46,365 |

## (7) LONG- TERM LOAN RECEIVABLE

This item represents housing loan granted to the Housing Fund employees at Murabaha rate of 2% annually calculated based on Islamic Murabaha. The number of employees who have borrowed are 98 employees up to 31 December 2022 (2021: 90 employees).

## (8) INCOME TAX

**Deferred tax assets -**

This item represents deferred tax assets resulted from the accumulated losses of all areas (except Aqaba), and end-of-service indemnity provision and other provisions.

Movements on deferred tax assets are as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 3,063,200 | 2,611,393 |
| Additions for the year | 579,564 | 451,807 |
| At 31 December | 3,642,764 | 3,063,200 |

**Income tax provision –**

Movement on income tax provision is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 4,750,990 | 3,838,738 |
| Income tax for the year | 10,025,864 | 5,766,694 |
| Income tax paid | (6,202,420) | (4,854,442) |
| At 31 December | 8,574,434 | 4,750,990 |

The income tax for the year appearing in the consolidated statement of comprehensive income consists of the following:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Income tax for the year | 10,025,864 | 5,766,694 |
| Additions from the deferred tax assets | (579,564) | (451,807) |
| | 9,446,300 | 5,314,887 |

The table below shows the reconciliation between the accounting profit before income tax and taxable income:

| | 2022 | | | | | 2021 |
|---|---|---|---|---|---|---|
| | Irbid | EDCO | Aqaba | Eliminations | Total | Total |
| | JD | JD | JD | JD | JD | JD |
| Accounting profit (loss) | 28,884,836 | (2,934,077) | 15,946,530 | (4,962,906) | 36,934,383 | 15,109,158 |
| Non-taxable revenues | (1,581,942) | (3,128,616) | (988,684) | - | (5,699,242) | (5,235,241) |
| Non–deductible expenses | 5,151,744 | 3,075,494 | 831,052 | - | 9,058,290 | 9,667,802 |
| **Taxable profit (loss)** | 32,454,638 | (2,987,199) | 15,788,898 | (4,962,906) | 40,293,431 | 19,541,719 |
| Income tax expense for the year | 8,762,752 | - | 1,263,112 | - | 10,025,864 | 5,766,694 |
| Deduct: Deferred tax assets movements | (579,564) | - | - | - | (579,564) | (451,807) |
| Deduct: Recoveries of prior years' income | - | - | - | - | - | - |
| **Income tax expense for the year** | 8,183,188 | - | 1,263,112 | - | 9,446,300 | 5,314,887 |
| **Statutory income tax rate** | 27% | 27% | 8% | 8% - 27% | 27% | 27% |
| **Effective income tax rate** | 28.33% | - | 7.92% | - | 25.58% | 35.18% |

Income tax provision was calculated for the years ended 31 December 2022 and 2021 in accordance with the income tax law no. (34) for the year 2014 which was implemented on 1 January 2019. The Group is subject to a statutory income tax rate of 24% in addition to a 3% national contribution tax in all the Group's areas except for Aqaba where the income tax was calculated in accordance with Aqaba Special Zone Law with a statutory income tax rate of 5% in addition to a 3% national contribution tax.

**Tax Clearance:**

**Electricity Distribution Company**
The Company has obtained the final clearance from Income Tax Department for all years up to 2020. The Company has submitted its tax declaration till 2021. The Income and Sales Tax Department has not reviewed the Company's records up to the date of the consolidated financial statements.

**Electricity Distribution Company - Aqaba**
The Company has obtained the final clearance from Income Tax Department for all years up to 2017. The Company has submitted its tax declaration for the years 2018, 2019, 2020, and 2021. which have not been reviewed by the Income Tax Department up to the date of preparation of the consolidated financial statements.

**Irbid District Electricity Company**
The Company has obtained the final clearance from Income Tax Department for all years up to 2020. The Company has submitted its tax declaration till 2021. The Income and Sales Tax Department has not reviewed the Company's records up to the date of the consolidated financial statements

## (9) INTANGIBLE ASSETS

**Impairment test for intangible assets and indefinite goodwill**

During 2009, the Group has purchased 55.46% share of Irbid District Electricity Company – Public Shareholding Company (the "Subsidiary") which resulted in intangible assets representing the distribution licence which was granted to the Subsidiary to distribute electricity power within the specific assigned area by the licence for 25 years, in the Company's management opinion the licence is renewable based on specific conditions and The Energy and Minerals Regulatory Commission approval. The Company amortizes the license over 17.5 years. Also, goodwill which represents the excess in the amount paid over the fair value of the Subsidiary's assets and liability including distribution licence, for the purpose of impairment test the power distributions was defined as cash generating unit.

Intangible assets represent the following:

| | 2022 | | | 2021 |
|---|---|---|---|---|
| | Electricity power distribution licence | Goodwill* | Total | Total |
| | JD | JD | JD | JD |
| **Cost:** | | | | |
| As at 1 January | 26,962,131 | 980,071 | 27,942,202 | 27,942,202 |
| As at 31 December | 26,962,131 | 980,071 | 27,942,202 | 27,942,202 |
| **Accumulated amortization** | | | | |
| As at 1 January | 9,244,158 | - | 9,244,158 | 7,703,465 |
| Amortization during the year | 1,540,693 | - | 1,540,693 | 1,540,693 |
| As at 31 December | 10,784,851 | - | 10,784,851 | 9,244,158 |
| **Net book value** | 16,177,280 | 980,071 | 17,157,351 | 18,698,044 |

***Impairment test**

As of 31 December 2022, the Group has performed impairment test by calculating the recoverable amount based on the expected cash flows for the next five years which were set out in the estimated financial budgets that prepared by the Group's subsidiary and approved by senior management.

**Key assumptions used**

Key financial assumptions used by management to determine the cash inflows were as follows:

1. Power electricity distribution revenues: revenue from sale of electricity power is projected by management to decrease by a percentage from 2% to 4% in the next five years as a result of the increase in the demand on the renewable energy.

2. Cost of power distributions: based on distribution agreement, the cost of power purchased is linked to revenue since any changes to the purchase price is often reflected on the selling price. Therefore, management expected that cost of electricity distribution constitutes 80% of revenues, which represents the trend in the historical years.

3. General and administrative expense: general and administrative expenses are projected by the management to increase from 6% to 7% based on historical trends.

**Discount rate**

The management has applied the discounted cash flow (DCF) method for the next five years, using a weighted average cost of capital (WACC) as the discount rate. The WACC includes both pre-tax cost of debt and cost of equity, resulting in an after-tax WACC of 12%.

**Conclusions**

Based on the impairment test, the recoverable amount was determined at higher than the book value. Accordingly, no impairment was recorded during the year ended 31 December 2022.

**Sensitivity analysis**

Group's management is not expecting changes on the basic assumptions which were used in determine of value and leads to impairment in the recoverable amount below book value.

## (10) INVESTMENT IN AN ASSOCIATE

This item represents the Group's ownership in the shares of capital of Electricity Equipment Industries Company LLC, direct ownership by the Company is 12.03%, and ownership through subsidiary is 11.47%.

| **Unquoted shares – Local** | Activity | Country | Percentage of ownership | 2022 | 2021 |
|---|---|---|---|---|---|
| | | | % | JD | JD |
| Electricity Equipment Industries Company LLC | Manufacturing spare parts for machines and Electricity transformers | Jordan | 18.3 | 951,450 | 903,208 |

Movement on investment in an associate account is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 903,208 | 991,043 |
| Group's share from associate's profit (loss) | 48,242 | (87,835) |
| At 31 December | 951,450 | 903,208 |

The below shows summary of Electrical Equipment's Industries Company financial statements:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Current assets | 4,415,013 | 3,944,737 |
| Non-current assets | 608,726 | 681,374 |
| Current liabilities | (975,015) | (782,672) |
| Owners' equity | 4,048,724 | 3,843,439 |
| Group ownership percentage % | 23,5% | 23,5% |
| Actual group ownership percentage % | 18,3% | 18,3% |
| Investment carrying amount | 951,450 | 903,208 |
| Revenue | 6,079,406 | 1,719,263 |
| Cost of sales | (5,506,425) | (1,841,198) |
| Other income, net | 3,671 | 106,655 |
| Administrative expenses | (326,394) | (342,547) |
| Finance costs | (44,973) | (9,234) |
| **Profit (loss) before tax** | 205,285 | (367,061) |
| Income tax expense | - | (6,702) |
| **Profit (loss) for the year** | 205,285 | (373,763) |
| **Group's share of profit (loss) for the year** | 48,242 | (87,835) |

## (11) RIGHT OF USE AND LEASE CONTRACTS LIABILITIES

Set out below are the carrying amounts for the right-of-use assets and lease contracts liabilities during the year:

| | Right of use assets | Lease contracts liabilities* |
|---|---|---|
| | JD | JD |
| **At 1 January 2022** | 435,570 | 458,008 |
| Depreciation for the year | (100,515) | - |
| Finance costs | - | 30,808 |
| Lease payments | - | (132,000) |
| **At 31 December 2022** | 335,055 | 356,816 |

| | Right of use assets | Lease contracts liabilities* |
|---|---|---|
| | JD | JD |
| **At 1 January 2021** | 536,085 | 551,445 |
| Depreciation for the year | (100,515) | - |
| Finance costs | - | 38,563 |
| Lease payments | - | (132,000) |
| **At 31 December 2021** | 435,570 | 458,008 |

* Details of lease contracts liabilities as at 31 December 2022

| | Short term | Long term | Total |
|---|---|---|---|
| | JD | JD | JD |
| 2022 | 111,909 | 244,907 | 356,816 |
| 2021 | 124,902 | 333,106 | 458,008 |

The Group recognised rent expense from short-term leases and of low-value assets in the consolidated statement of comprehensive income of JD 1,184,037 for the year ended 31 December 2022 (2021: JD 1,144,345).

## (12) INVENTORY

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Medium and low voltage electrical tools and subscribers' accessories | 23,286,844 | 19,334,644 |
| Tools and vehicles spare parts | 298,017 | 283,276 |
| Stationary, furniture and computers equipment | 516,248 | 223,964 |
| Returned and damaged materials* | 4,812,386 | 3,866,912 |
| | 28,913,495 | 23,708,796 |
| Deduct: provision for slow moving inventories* | (3,676,566) | (3,123,606) |
| | 25,236,929 | 20,585,190 |
| Add: letter of credit and tenders' expenses | 1,125,657 | 583,505 |
| | 26,362,586 | 21,168,695 |
| | | |
| Strategic inventory** | 17,317,012 | 14,357,726 |
| Inventory | 9,045,574 | 6,810,969 |
| | 26,362,586 | 21,168,695 |

* The provision for slow moving inventories includes the value of all returned and damaged materials at 31 December.

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 3,123,606 | 2,325,905 |
| Provision for the year | 1,042,856 | 823,684 |
| Items written-off during the year | (238,860) | (25,983) |
| Reversal of provision no longer needed | (251,036) | - |
| At 31 December | 3,676,566 | 3,123,606 |

** Strategic inventory consists of medium and low voltage material and other parts used in the Company's projects, maintenance operations, and replacements.

## (13) ACCOUNTS RECEIVABLE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Normal subscribers' receivables | 170,314,023 | 146,632,202 |
| Water Authority and Meyahuna receivables | 66,367,020 | 147,023,820 |
| Governmental departments receivables | 26,769,424 | 52,604,008 |
| Municipality receivables – Street lighting | 11,097,157 | 29,866,926 |
| Rural fils electricity project | 64,373 | 158,022 |
| Late interest receivables * | 10,484,279 | 38,688,416 |
| | 285,096,276 | 414,973,394 |
| Provision for excepted credit losses/ Allowance for doubtful debts | (22,792,855) | (20,399,328) |
| | 262,303,421 | 394,574,066 |

* This amount represents interest on subscribers (Government and large companies) for power electricity sold and not collected, in accordance with electricity tariff. Interest is calculated on accrued amount for more than 30 days from issuing the bill at 1% monthly with cap of 9% yearly on the due amount.

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

| | | Past due but not impaired | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired | 1-90 days | 91 – 120 days | > 120 days | Total |
| | JD | JD | JD | JD | JD |
| 2022 | 92,238,335 | 41,062,375 | 9,703,192 | 119,299,519 | 262,303,421 |
| 2021 | 85,764,719 | 48,210,731 | 14,879,419 | 245,719,197 | 394,574,066 |

Based on the group's management estimations, unimpaired receivables are expected to be fully recoverable. The Group obtains cash margins against these receivables.

Movement on the expected credit losses/ allowance for doubtful accounts is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 20,399,328 | 17,463,590 |
| Provision for the year ** | 2,393,890 | 2,935,738 |
| Written – off during the year | (363) | - |
| At 31 December | 22,792,855 | 20,399,328 |

** The Company has not applied International Financial Reporting Standard No. (9) with regard to the requirements of recording expected credit losses on the Company's receivables that are applicable starting from 1 January 2018, since the Electricity Distribution Company operates under a license issued by the Energy & Minerals Regulatory Commission (EMRC), and accordingly, the EMRC is the authority authorized to approve the operating and capital expenditure allocations for the Company, considering these expenditures are the basis for determining the electric tariff, whether the tariff for purchasing energy from the National Electric Power Company or the tariff for selling to the final consumer. Management of the Electricity Distribution Company requested the EMRC to calculate the value of the increase resulting from the application of the standard to be added to the allowance for doubtful accounts, and to consider that expense within the electric tariff accounts, but the EMRC in its letter No. (3/11/10669) dated 21 November 2019 exempted the Company from applying IFRS 9 from the date of application until 2022, provided that this standard is applied after the end of the aforementioned period.

## (14) OTHER CURRENT ASSETS

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Cheques under collection | 5,039,599 | 6,210,816 |
| Debit balances – Funds | 3,931,183 | 3,496,326 |
| Receivables – Housing Fund | 161,957 | 157,769 |
| Prepaid expenses | 1,212,724 | 969,674 |
| Refundable checks | 3,138,959 | 3,166,190 |
| Others | 5,126,213 | 4,973,396 |
| | 18,610,635 | 18,974,171 |
| Provision for doubtful debts | (2,379,949) | (2,093,240) |
| | 16,230,686 | 16,880,931 |

Movement on the provision for doubtful debts is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 2,093,240 | 1,824,519 |
| Provision for the year | 291,209 | 344,519 |
| Recovered from provision during the year | (4,500) | (75,798) |
| At 31 December | 2,379,949 | 2,093,240 |

## (15) CASH AND BANK BALANCES

Cash and bank balances in the consolidated statement of financial position comprise of the following:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Cash on hand | 56,888 | 18,420 |
| Current accounts at banks | 18,502,786 | 178,089 |
| Short-term deposits with maturity 3-months to year* | 20,000,000 | - |
| | 38,559,674 | 196,509 |

*This item represents deposits with Capital Bank in Jordanian dinars maturing over a period of more than three months and up to a year and with an interest rate of 6,25%.

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Cash on hand and at banks | 38,559,674 | 196,509 |
| Due to banks (note 22) | (39,321,329) | (81,311,947) |
| | (761,655) | (81,115,438) |

## (16) OWNERS EQUITY

**Paid-in capital -**

The Company's authorized, subscribed and, paid-in-capital consist of 12,000,000 shares with JD 1 par value per share.

**Statutory reserve -**

As required by the Jordanian Companies Law, 10% of the annual profit before income tax is to be transferred to statutory reserve. The reserve is not available for distribution to shareholders. The Company may stop transferring to statutory reserve when its balance reaches 25% of the authorized share capital.

**Voluntary reserve -**

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before income tax. This reserve is available for distribution to shareholders.

**Dividends -**

**2022-**

The General Assembly approved in its ordinary meeting held on 17 April 2022 the recommendation of the Board of Directors to distribute an amount of JD 7,500,000 as dividends to shareholders for the profits of 2021 representing 62.5% of the Company's share capital on the meeting date.

The General Assembly of the subsidiary (Irbid District Electricity Company) approved in its ordinary meeting held on 10 April 2022 to distribute an amount of JD 6,000,000 as dividends to shareholders for the profits of 2021 representing 60% of the Company's share capital on the meeting date, and the share of non-controlling interest amounted to JD 2,672,400.

**2021-**

The General Assembly approved in its ordinary meeting held on 26 April 2021 the recommendation of the Board of Directors to distribute an amount of JD 6,000,000 as dividends to shareholders for the profits of 2020 representing 60% of the Company's share capital on the meeting date.

The General Assembly of the subsidiary (Irbid District Electricity Company) approved in its ordinary meeting held on 25 April 2021 to distribute an amount of JD 4,000,000 as dividends to shareholders for the profits of 2020 representing 50% of the Company's share capital on the meeting date, and the share of non-controlling interest amounted to JD 1,781,600.

## (17) ADVANCES FROM SUBSCRIBERS

This item represents advances received from subscribers' projects; upon completion of the project the Group settles these advances into subscribers' contribution liabilities and deferred revenues.

## (18) PROVISION FOR END-OF-SERVICE INDEMNITY

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| At 1 January | 18,508,216 | 16,250,316 |
| Charged for the year (note 29) | 4,172,180 | 3,611,486 |
| Capitalized on projects in progress (note 5) | 979,753 | 859,606 |
| Expenses allocated to factory of poles | 60,498 | 58,566 |
| End-of- service indemnity paid | (1,566,082) | (2,271,758) |
| At 31 December | 22,154,565 | 18,508,216 |

The details for the end of service indemnity provision charged for the year and capitalized to projects under progress is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Interest on obligations | 2,174,753 | 1,737,580 |
| Current service costs | 3,037,677 | 2,792,078 |
| | 5,212,430 | 4,529,658 |

End-of-service indemnity was distributed as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| General and administrative expenses | 4,172,180 | 3,611,486 |
| Capitalized on projects in progress (note 5) | 979,753 | 859,606 |
| Transferred to poles factory costs | 60,497 | 58,566 |
| | 5,212,430 | 4,529,658 |

The principal actuarial assumptions used to determine the end-of-service indemnity provision is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Discount rate | 5% | 5% |
| Mortality rate | 0.19% | 0.19% |
| Annual increase in salaries rate | 6٪ | 6٪ |
| Resignation rate | 2٪ | 3٪ |
| Company social security contribution rate | 8٪ | 8٪ |

The following schedule illustrates the possible changes in the current end-of-service indemnity value as of 31 December, due to changes by 1% in the discount rate, the salaries increase rate and resignation rate:

| Increase by 1% in the rate | Effect on the current value of the end of service indemnity provision | |
|---|---|---|
| | 2022 | 2021 |
| | JD | JD |
| Discount | (1,096,342) | (1,253,848) |
| Increase in salaries | 1,567,905 | 1,669,135 |
| Resignations | 528,504 | 486,365 |

| Decrease by 1% in the rate | Effect on the current value of the end of service indemnity provision | |
|---|---|---|
| | 2022 | 2021 |
| | JD | JD |
| Discount | 1,344,805 | 1,533,658 |
| Increase in salaries | (1,229,870) | (1,317,950) |
| Resignations | (528,504) | (486,365) |

## (19) EXCESS OF SUBSCRIBERS CONTRIBUTION

This item represents the difference between the amount received from subscribers, contributions and the actual cost incurred to complete these projects. The Group amortizes this amount at 4% annually. Movement on this item is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| **Excess of subscribers' contribution -** | | |
| At 1 January | 24,621,089 | 24,621,089 |
| At 31 December | 24,621,089 | 24,621,089 |
| **Accumulated amortization of excess of subscribers' contribution -** | | |
| At 1 January | 19,011,533 | 17,933,230 |
| Amortization for the year * | 885,741 | 1,078,303 |
| At 31 December | 19,897,274 | 19,011,533 |
| **Net book value** | | |
| At 31 December | 4,723,815 | 5,609,556 |
| Current portion of subscription contribution | 807,619 | 885,741 |
| Non-current subscription contribution | 3,916,196 | 4,723,815 |
| | 4,723,815 | 5,609,556 |

* Excess of subscribers' contribution amortization (transferred to revenues from non-core activities).

## (20) SUBSCRIBERS' DEPOSITS

This item represents the amount received from the subscribers as cash deposits for electricity power supply based on Energy and Minerals Regulator Commission regulations.

## (21) LOANS

This item represents long term loans granted from the following banks:

| | | Loan instalments | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2022 | | | 2021 | | |
| | Currency | Short Term | Long Term | Total | Short Term | Long Term | Total |
| | | JD | JD | JD | JD | JD | JD |
| Housing bank | JOD | 6,000,000 | 10,000,000 | 16,000,000 | 6,000,000 | 14,000,000 | 20,000,000 |
| Jordan Kuwait bank | JOD | 1,555,555 | 17,111,115 | 18,666,670 | - | 18,666,670 | 18,666,670 |
| Short term loans | JOD | 31,000,000 | - | 31,000,000 | 6,000,000 | - | 6,000,000 |
| | | 38,555,555 | 27,111,115 | 65,666,670 | 12,000,000 | 32,666,670 | 44,666,670 |

### Housing bank - JOD

On 24 November 2015, Electricity Distribution Company singed a loan agreement with the Housing Bank for Trade and Finance for JD 40,000,000 including a grace period of one year. This loan bears an interest rate ranging from 5% to 5.4% or Prime Lending Rate (PLR) minus 3%, whichever is less for the first five years of the loan term and PLR minus 3% and a minimum of 5.25% per annum from the sixth year of the loan term until the end of the repayment period. The loan is repayable over 20 equal semi-annual instalments, in which the first instalment was due on 31 December 2016. Interest is paid every six months, the interest rate has been adjusted to 5.75% with a fixed interest rate for a period of one year from 1 September 2022, noting that the above-mentioned interest rate will be reinstated in 1 September 2023. The aggregate amounts and maturities of the loans are as follows:

| Year | JD |
|---|---|
| 2024 | 4,000,000 |
| 2025-2027 | 6,000,000 |
| | 10,000,000 |

### Jordan Kuwait bank – JOD

During May 2015, Irbid District Electricity Company (subsidiary) 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 Group 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, Irbid District Electricity Company (subsidiary) 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, whereby the first instalment will be due on 3 December 2023. A fixed rate interest of 5% per annum was applied for the first year, which was later adjusted to become 4.75% starting from 6 June 2022 till 4 December 2022, and on 5 December 2022 the interest rate increased to become 6,50% after which a variable interest rate similar to the interest rate applicable from 4 June 2023 on the Central Bank of Jordan deposits plus 2.5% margin ratio with a minimum gross interest rate of 4.75% per annum.

The aggregate amounts and maturities of the loans are as follows:

| Year | JD |
|---|---|
| 2023 | 1,555,555 |
| 2024 | 3,111,110 |
| 2025 | 3,111,110 |
| 2026-2029 | 10,888,895 |
| | 18,666,670 |

**Short-term loans**

**Jordan Islamic Bank – JOD**
The Electricity Distribution Company has entered into an electric power supply agreement with the Jordan Islamic Bank to finance the cost of electric power. This agreement allows the Company to pay a portion of the electric power purchase bill from the National Electricity Company, with a credit limit of JD 25,000,000. The financing is provided through a Murabaha arrangement, which includes a profit rate of 4.3% per annum (or 4.9% in 2021). The entire loan amount is scheduled to be repaid during the year 2023.

**Safwa Islamic Bank – JOD**
The Electricity Distribution Company entered into an electric power supply agreement with Safwa Islamic Bank on 26th July 2022 to finance the cost of electric power. This agreement allows the Company to cover a portion of its electric power purchase bill from the National Electricity Company, with a credit limit of JD 6,000,000. The financing arrangement includes an agreed annual profit rate of 4.5%. The entire loan amount is scheduled to be repaid during the year 2023.

## (22) DUE TO BANKS

This item refers to the credit facilities provided to the Group by several local banks, with a maximum credit limit of JD 119,000,000 and an average annual interest rate of 6% (in 2021, the credit facilities granted to the Group by several local banks had a maximum limit of JD 104,600,000 with an average annual interest rate of 4.77%).

## (23) ACCOUNTS PAYABLE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| National Electricity Power Company - energy purchased | 220,935,391 | 296,142,578 |
| National Electricity Power Company - interests on late payment | 6,601,580 | 35,093,959 |
| Rural Fils deposits | 6,068,256 | 6,358,304 |
| Central Electricity Generating Company | 153,450 | 154,330 |
| Television fees deposits | 5,667,096 | 5,303,469 |
| Garbage deposits | 11,329,089 | 10,302,424 |
| Suppliers payables | 17,106,301 | 9,454,691 |
| Others | 4,275,558 | 3,123,204 |
| | 272,136,721 | 365,932,959 |

## (24) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Governmental and other deposits | 2,989,600 | 4,142,012 |
| Energy price received in advance | 38,683 | 35,723 |
| Notes payable | 1,024,208 | 1,100,011 |
| Accrued expenses | 6,042,309 | 5,275,260 |
| Accrued bank interest | 1,021,862 | 730,814 |
| Contractors' retentions | 503,295 | 434,319 |
| Dividends payable | 689,131 | 716,412 |
| Board of directors' remuneration | 88,333 | 90,000 |
| Payables – Funds | 7,469,492 | 3,496,326 |
| Others | 361,102 | 3,863,942 |
| | 20,228,015 | 19,884,819 |

## (25) OTHER PROVISIONS

Provisions included in the consolidated statement of financial position are as follows:

| | 2022 | | | | 2021 |
|---|---|---|---|---|---|
| | Vacation provision | Social services provision | Lawsuits provision | Total | Total |
| | JD | JD | JD | JD | JD |
| At 1 January | 2,121,035 | 1,769 | 720,034 | 2,842,838 | 2,802,709 |
| Charged during the year | 246,261 | - | 177,666 | 423,927 | 287,759 |
| Paid during the year | (123,229) | (1,509) | (458,959) | (583,697) | (247,630) |
| At 31 December | 2,244,067 | 260 | 438,741 | 2,683,068 | 2,842,838 |

## (26) BASIC AND DILUTED EARNINGS PER SHARE

| | 2022 | 2021 |
|---|---|---|
| Profit attributable to the owners of the parent (JD) | 18,941,452 | 7,425,328 |
| Weighted average number of shares (Share) | 12,000,000 | 12,000,000 |
| | JD/ Fils | JD/ Fils |
| Basic earnings per share attributable to owners of the parent | 1/578 | 0/619 |

The basic and diluted earnings per share are equal.

## (27) GROSS PROFIT

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

The sale tariff price is determined by the Energy & Minerals Regulatory Commission (EMRC), where a subsidized electricity tariff has been introduced to apply to home sector subscribers, and a non-subsidized electricity tariff has been introduced for the home sector, and the tariff for production, agriculture, hotels, hospitals and radio & tv sectors has been decreased from 1 April 2022 for the Electricity Distribution Company and the tariff for all water pumps sector has been decreased from August 2022 for Irbid District Electricity Company (a subsidiary).

Electricity power is purchased by the National Electricity Company and renewable energy sources and the purchase tariff for the Electricity Distribution Company is determined by the energy and minerals sector regulatory authority, where the purchase tariff has been decreased from 1 May 2022, the authority also reduced the purchase tariff for the months of August and September of 2022, and as of 1 October 2022 the Company returned to the tariff approved on 1 May 2022.

The purchase tariff for Irbid District Electricity Company (a subsidiary) has been decreased during the month of May for the year 2022 retroactively from the beginning of the year, as the new tariff for the year 2022 was fully implemented**.**

## (28) OTHER OPERATING REVENUE, NET

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Electricity power subscription and connection fees | 2,172,669 | 2,156,791 |
| Meters fees | 2,913,574 | 2,707,690 |
| Loss from rural electrification projects | (1,874,594) | (1,432,938) |
| Amortization of deferred revenues after 2 July 2008 | (3,149,247) | (3,322,491) |
| Grid service fees / renewable energy | 1,167,905 | - |
| Others | 654,170 | 651,837 |
| | 1,884,477 | 760,889 |

## (29) GENERAL AND ADMINISTRATIVE EXPENSE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Salaries, wages and others | 36,287,048 | 29,980,086 |
| Employees' benefits | 7,536,527 | 9,314,361 |
| End-of-service indemnity (note 18) | 4,172,180 | 3,611,486 |
| Subscribers' services expense | 1,274,109 | 1,210,274 |
| Employees' vacation provisions | 207,682 | 235,650 |
| Electricity, water and heating expense | 632,259 | 531,744 |
| Vehicles expense | 2,296,301 | 2,395,251 |
| Mail, phone and fax expense | 576,857 | 384,290 |
| Hospitality and cleaning expense | 421,487 | 378,529 |
| Per diem and transportation expense | 862,635 | 200,523 |
| Stationary and printing | 519,626 | 200,475 |
| Stamps | 592,702 | 593,831 |
| Licenses and Government fees | 1,126,243 | 1,368,739 |
| Remuneration and incentives for different committees | 1,060,753 | 1,903,167 |
| Professional fees | 1,458,460 | 427,059 |
| Guardianship expense | 1,043,849 | 799,344 |
| Training expense | 138,519 | 51,631 |
| Computer expense | 723,983 | 596,680 |
| Insurance expense | 559,027 | 379,988 |
| Maintenance expense | 1,657,086 | 1,420,093 |
| Others | 836,297 | 1,840,769 |
| Transferred to non-core activities in accordance with tariff (note 31) | (706,054) | (630,331) |
| | 63,277,576 | 57,193,639 |

## (30) REVENUE FROM NON – CORE ACTIVITIES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Poles factory net revenue | 1,907,531 | 1,246,147 |
| Amortization of deferred revenue up to 2 July 2008 | 885,741 | 1,078,304 |
| Revenues from television fees collections | 486,171 | 473,949 |
| Revenues from garbage fees collections | 2,263,862 | 2,208,987 |
| Tenders' revenue | 72,075 | 59,125 |
| Late payment penalties revenues | 493,413 | 146,222 |
| Poles leases revenues | 1,143,966 | 627,541 |
| Gain on sale of damaged goods (property and equipment) | 37,065 | 169,076 |
| Damage compensation revenue received | 223,157 | 260,993 |
| Others | 2,165,497 | 1,520,430 |
| | 9,678,478 | 7,790,774 |

## (31) COST OF NON – CORE ACTIVITIES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Loss on sale of property and equipment | 1,351 | 314 |
| Street lighting maintenance | 12,531 | 9,820 |
| Non-core activities in accordance with tariff (note 29) | 706,054 | 630,331 |
| Board of directors' remuneration | 35,000 | 35,000 |
| Board of directors' expenses | 253,598 | 261,400 |
| Non-core activities incentives | 90,000 | 49,736 |
| Depreciation of non-core activities assets (note 3) | 334,524 | 226,723 |
| Others | 691,776 | 325,097 |
| | 2,124,834 | 1,538,421 |

## (32) SEGMENTATION REPORTS

The main segments were classified and presented based on their substantial influence on the Group's risks and benefits. Each segment is treated as an independent unit and managed separately, aligned with the specific nature of the services provided. Measurement of these segments is performed using reports utilised by the Group's CEO and decision-makers.

| For the year ended 31 December 2022 | Jordan Valley | Tafyleh | Al-Karak | Ma'an | Aqaba | Poles Factory | Irbid Energy | Unallocated | Total | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Revenues-** | | | | | | | | | | | |
| Electricity power sales | 109,213,460 | 14,432,316 | 51,520,044 | 47,280,424 | 78,584,437 | - | 282,888,406 | - | 583,919,087 | - | 583,919,087 |
| Other operating revenue | 121,265 | (138,344) | (54,515) | (10,637) | 328,325 | - | 1,638,383 | - | 1,884,477 | - | 1,884,477 |
| Other non- operating revenue | 310,563 | 29,071 | 103,029 | 109,147 | 1,546,572 | 1,907,531 | 4,999,441 | 4,143,578 | 13,148,932 | (3,470,454) | 9,678,478 |
| **Total revenue** | 109,645,288 | 14,323,043 | 51,568,558 | 47,378,934 | 80,459,334 | 1,907,531 | 289,526,230 | 4,143,578 | 598,952,496 | (3,470,454) | 595,482,042 |
| **Operation result -** | | | | | | | | | | | |
| Segment profit (loss) | 4,861,213 | (321,502) | 2,108,520 | 707,338 | 14,683,418 | 1,907,531 | 20,701,648 | (12,197,177) | 32,450,989 | (4,962,906) | 27,488,083 |
| **Other information -** | | | | | | | | | | | |
| Depreciation and amortization | 1,733,696 | 767,939 | 1,470,594 | 1,102,593 | 1,473,895 | - | 11,604,370 | 2,520,922 | 20,674,009 | - | 20,674,009 |
| Provision for expected credit losses and doubtful debts | - | - | - | - | 523,274 | - | 656,905 | 1,504,920 | 2,685,099 | - | 2,685,099 |
| Interest expenses and interest expense on late payment | - | - | - | - | 2,140,169 | - | 7,351,888 | 6,155,059 | 15,647,116 | - | 15,647,116 |
| Interest income and interest income on late payment | - | - | - | - | 1,301,984 | - | 5,157,437 | 3,776,032 | 10,235,453 | - | 10,235,453 |
| Group’s share from an associate’s profit | - | - | - | - | - | - | - | 48,242 | 48,242 | - | 48,242 |
| **As of 31 December 2022** | | | | | | | | | | | |
| **Segment's assets and liability -** | | | | | | | | | | | |
| Segment assets | 57,571,509 | 20,056,105 | 34,385,783 | 31,997,918 | 56,054,328 | 5,151,300 | 395,678,017 | 222,919,300 | 823,814,260 | (7,133,638) | 816,680,622 |
| Segment liabilities | 47,091,041 | 12,954,436 | 25,165,312 | 23,272,935 | 57,811,227 | - | 358,539,311 | 225,113,458 | 749,947,720 | (694,489) | 749,253,231 |
| Investment in an associate | - | - | - | - | - | - | 286,719 | 300,781 | 587,500 | 363,950 | 951,450 |

| For the year ended 31 December 2021 | Jordan Valley | Tafyleh | Al-Karak | Ma'an | Aqaba | Poles Factory | Irbid Energy | Unallocated | Total | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Revenues-** | | | | | | | | | | | |
| Electricity power sales | 116,186,091 | 11,824,347 | 43,092,008 | 43,864,489 | 81,618,864 | - | 266,690,777 | - | 563,276,576 | - | 563,276,576 |
| Other operating revenue | 221,785 | (156,347) | 175,365 | (10,766) | 66,831 | - | 464,021 | - | 760,889 | - | 760,889 |
| Other non- operating revenue | 310,563 | 29,071 | 103,029 | 109,147 | 470,056 | 5,392,378 | 3,313,806 | 350,430 | 10,078,480 | (2,287,706) | 7,790,774 |
| **Total revenue** | 116,718,439 | 11,697,071 | 43,370,402 | 43,962,870 | 82,155,751 | 5,392,378 | 270,468,604 | 350,430 | 574,115,945 | (2,287,706) | 571,828,239 |
| **Operation result -** | | | | | | | | | | | |
| Segment profit (loss) | 7,095,135 | (1,338,073) | (4,934,557) | 1,099,319 | 15,811,888 | 1,315,453 | 6,902,243 | (12,328,738) | 13,622,670 | (3,828,399) | 9,794,271 |
| **Other information -** | | | | | | | | | | | |
| Depreciation and amortization | 1,716,120 | 745,210 | 1,432,133 | 1,106,592 | 1,501,496 | - | 11,423,951 | 2,729,245 | 20,654,747 | - | 20,654,747 |
| Provision for expected credit losses and doubtful debts | - | - | - | - | - | - | 1,182,430 | 2,097,827 | 3,280,257 | - | 3,280,257 |
| Interest expenses and interest expense on late payment | - | - | - | - | - | - | 8,217,348 | 21,052,005 | 29,269,353 | - | 29,269,353 |
| Interest income and interest income on late payment | - | - | - | - | - | - | 4,529,592 | 17,858,026 | 22,387,618 | - | 22,387,618 |
| Group’s share from an associate’s loss | - | - | - | - | - | - | - | (87,835) | (87,835) | - | (87,835) |
| **As of 31 December 2021** | | | | | | | | | | | |
| **Segment's assets and liability -** | | | | | | | | | | | |
| Segment assets | 56,590,242 | 19,538,649 | 33,808,816 | 30,744,502 | 56,213,019 | 5,249,654 | 375,409,935 | 321,991,431 | 899,546,248 | (2,361,924) | 897,184,324 |
| Segment liabilities | 46,708,085 | 12,624,874 | 24,260,538 | 22,436,758 | 56,554,824 | - | 352,972,875 | 332,209,151 | 847,767,105 | (694,489) | 847,072,616 |
| Investment in an associate | - | - | - | - | - | - | 286,719 | 300,781 | 587,500 | 315,708 | 903,208 |

## (33) RELATED PARTIES TRANSACTIONS

The consolidated financial statements consist of the financial statements of the Company and the following subsidiary:

| | Paid in capital | Principal activities | Ownership |
|---|---|---|---|
| | JD | | % |
| Irbid District Electricity Company PSC | 10,000,000 | Electricity power distributions | 55.46 |

Related parties represent subsidiaries, major shareholders, key management personnel of the Group, and associate.

Related parties' transactions included in the consolidated statement of financial position:

**Amount due to a related party:**

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Electricity Equipment Industries Company (Associate) | 145,269 | - |

The following represents transactions with related parties included in the consolidated statement of comprehensive income:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Purchases from Electricity Equipment Industries Company (Associate) | 1,114,083 | 1,038,995 |

Following is a summary of the benefits (salaries, bonuses and other benefits) of the group's senior executive management:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Salaries and other benefits | 1,377,843 | 1,392,525 |
| Board of Directors transportations and remuneration | 496,400 | 500,400 |

## (34) PARTIALLY OWNED SUBSIDIARIES

Below are the financial statements for Irbid Electricity Distribution Company before the elimination transactions and balances between the Company's entities which includes non – controlling interest:

| | 2022 | 2021 |
|---|---|---|
| **Group ownership percentage** | 55.46% | 55.46% |
| **Country of incorporation and operation** | Jordan | Jordan |

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| **Cumulative non – controlling interest balance** | 23,974,590 | 18,100,359 |
| **Non – controlling interest share of profit** | 8,546,631 | 2,368,943 |
| **Summary statement of financial position:** | | |
| Current assets | 147,590,938 | 140,205,825 |
| Non-current assets | 248,087,082 | 235,204,110 |
| Current liabilities | (176,422,440) | (177,940,414) |
| Non-current liabilities | (182,116,872) | (175,032,461) |
| **Owners' equity** | 37,138,708 | 22,437,060 |
| **Attributable to:** | | |
| Parent shareholders | 20,597,128 | 12,443,593 |
| Non-controlling interests | 16,541,580 | 9,993,467 |
| **Summary of statement of comprehensive income:** | | |
| Revenues | 282,888,406 | 266,690,777 |
| Expenses | (215,826,056) | (217,102,549) |
| Other revenues | 11,795,261 | 8,307,380 |
| Other expenses | (49,972,775) | (47,419,326) |
| Profit before tax | 28,884,836 | 10,476,282 |
| Income tax expense | (8,183,188) | (3,574,039) |
| Profit of the year | 20,701,648 | 6,902,243 |
| **Total comprehensive income** | 20,701,648 | 6,902,243 |
| Attributable to non – controlling interests | 8,546,631 | 2,368,943 |
| **Dividends distributed to non – controlling interests** | (2,672,400) | (1,781,600) |
| **Summary of statement of cash flow:** | | |
| Operating activities | 103,828,857 | 17,674,393 |
| Investing activities | (48,500,494) | (23,238,951) |
| Financing activities | (8,981,718) | (7,687,328) |
| **Net increase (decrease) in cash and cash equivalent** | 46,346,645 | (13,251,886) |

## (35) CONTINGENT LIABILITIES

**Bank guarantees and letters of credit -**

As of the date the consolidated financial statements, the Group had outstanding bank guarantees and letters of credit of JD 3,544,087 (2021: JD 4,755,859).

**Lawsuits-**

The Group is a defendant in a number of lawsuits in the ordinary course of business represents lawsuits and legal claims amounting to JOD 1,114,676 (2021:1,623,585). The Group's management and its legal advisor believe that the provision taken against these claims is adequate to meet any obligations that may arise and there is no need to book an additional provision.

**Irbid District Electricity Company (a subsidiary) dispute with the National Electricity Company.**

The National Electricity Company, has requested Irbid District Electricity Company (a subsidiary) to pay an amount of JD 717,357. This amount represents the interest charged on late payments. Irbid District Electricity Company, along with its legal counsel, is of the opinion that they have no obligations regarding this amount, as it adheres to the electricity Tariff (Wholesale Tariff) issued by the Energy & Minerals Regulatory Commission (EMRC), which should be applicable to both parties.

**Capital Commitments –**

The cost to finish the uncompleted part of the projects in progress is estimated to be JD 18,444,310 as of 31 December 2022. (2021: JD 15,544,584).

## (36) RISK MANAGEMENT

**Interest rate risk**

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities such as loan receivable, bank deposits, due to banks and loans.

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

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

| **2022 -** | Increase in Interest Rate (Basis Points) | Effect on profit for the year JD |
|---|---|---|
| JD | 50 | (418,221) |

| **2021 -** | Increase in Interest Rate (Basis Points) | Effect on profit for the year JD |
|---|---|---|
| JD | 50 | (623,580) |

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 may result from the failure or inability of debtors and other parties to meet their obligations towards the Group.

The Group believes that it is not highly exposed to credit risk as it sets a credit limit for customers while monitoring outstanding receivables on an ongoing basis. The Group also maintains balances and deposits with leading banking institutions.

Government receivables represents 44% of total receivables as of 31 December 2022 (2021: 65%). The Group provides services to a large volume of customers.

## Liquidity risk

Liquidity risk represents the inability of the Group to pay its liabilities when accrued.

The Group limits its liquidity risk by ensuring bank facilities are available.

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

| **At 31 December 2022** | On demand | 1 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Due to banks | 41,680,609 | - | - | - | 41,680,609 |
| Accounts payable | - | 272,136,721 | - | - | 272,136,721 |
| Accrued and other liabilities | - | 20,228,015 | - | - | 20,228,015 |
| Subscribers' deposits | 85,455,957 | - | - | - | 85,455,957 |
| Loans | - | 40,976,598 | 29,606,208 | 1,693,751 | 72,276,557 |
| Lease Liabilities | - | 132,000 | 264,000 | - | 396,000 |
| **Total** | 127,136,566 | 333,473,334 | 29,870,208 | 1,693,751 | 492,173,859 |

| **At 31 December 2021** | On demand | 1 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Due to banks | 85,189,748 | - | - | - | 85,189,748 |
| Accounts payable | - | 365,932,959 | - | - | 365,932,959 |
| Accrued and other liabilities | - | 19,884,819 | - | - | 19,884,819 |
| Subscribers' deposits | 79,158,844 | - | - | - | 79,158,844 |
| Loans | - | 14,440,782 | 30,320,426 | 8,211,397 | 52,972,605 |
| Lease Liabilities | - | 155,710 | 372,290 | - | 528,000 |
| **Total** | 164,348,592 | 400,414,270 | 30,692,716 | 8,211,397 | 603,666,975 |

## Currency risk

Most of the Group's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against USD (US$ 1.41 for JD 1), so the impact of currency risk is not material to the consolidated financial statements.

## (37) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash, bank deposits and bank balances, accounts receivable and some other current assets. Financial liabilities consist of accounts payable, loans, due to banks, leases, and some other current liabilities.

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

## (38) CAPITAL MANAGEMENT

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

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

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 43,452,801 as of 31 December 2022 (2021: JD 32,011,349).

## (39) 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 Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance Contracts**
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 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. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided 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,
- That a 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,
- 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 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.