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التاريخ : 2019/ 03 / 24

السادة / هيئة الاوراق المالية

الموضوع : افصح

عملاً بتعليمات الأفاضل ، مرفق طيه البيانات المالية السنوية المدققة باللغة العربية والإنجليزية لشركة كهرباء محافظة إربد المساهمة العامة المحدودة للسنة المنتهية في 2018/12/31 .

واقبلوا الاحترام


المهندس احمد ذينات
المدير العام

9

هيئة الأوراق المالية
الدائرة الإدارية / الديوان

٢٤ آذار ٢٠١٩

الرقم المتسلسل ٣١٤٧٤
الجهة المختصة مديرية الزراعة

 **كهرباء إربد**
Irbid Electricity
شركة كهرباء محافظة إربد م.ع.م.

نسخة/ مدير الدائرة المالية /

نسخه / قسم المساهمين /

نسخة/ رئيس قسم التخطيط المالي والموازنه/

نسخة/ رئيس قسم الإدارة النقدية والتقارير بالوكالة/

IRBID DISTRICT ELECTRICITY COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Irbid District Electricity Company - Public Shareholding Company
Irbid – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Irbid District Electricity Company - Public Shareholding Company (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

1. Revenue recognition (Tariff)

Disclosures on revenue recognition are included in Note 31 to the financial statements.

Key Audit matter

We identified electricity power sales revenue as a key audit matter due to high volume of sales revenue originated from electricity power sales to subscribers. The significant risks associated with the measurement and accuracy of recognized revenues are related to billing systems. Total revenues recognized during the year 2018 amounted to JD 254,975,102.

How the key audit matter was addressed in the audit

Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable accounting standards. We have tested the Company's internal controls over the completeness, measurement and occurrence of revenue recognized including reconciliations between sales, cash receipts and testing the billing system controls. We obtained a representative sample of transactions and tested proper recording and recognition. In addition, we selected a sample at the cutoff period to check proper recognition. Additionally, we performed substantive analytical procedures for the gross margin and sales revenues on a monthly basis.

2. Provision of Expected Credit Losses

Disclosures on provision of Expected Credit Losses are included in note 9 to the financial statements.

Key Audit matter

Judgment is required to assess the appropriate level of provisioning for expected credit losses. The Company has large number of diversified subscribers, households and companies, which increases the risk of collectability for these receivables. The Company implements the simplified approach of the IFRS 9 to estimate Expected Credit Losses (ECL). The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors and the economic environment.

How the key audit matter was addressed in the audit

The audit procedures included the following:

- Obtaining from management the calculation of ECL as at year end and reviewing it.
- Testing the inputs and other information used in calculating ECL.
- Assessing the reasonableness of the ECL calculation prepared by management in compliance with the simplified approach of IFRS 9.

3. Provision for employees' end-of-service indemnity

Disclosures on the provision for end-of-service indemnity are included in note 14 to the financial statements.

Key Audit matter

Judgment is required to assess the appropriate level of provisioning for employees' end-of-service indemnity. This area was important to our audit because of the magnitude of the amount, the judgment involved and technical expertise required to determine the provision for employees' end-of-service indemnity amount.

How the key audit matter was addressed in the audit

Our procedures included, evaluating the actuarial assumptions and valuation methodologies used by the actuarial to assess the Company's end-of-service obligations. We also assessed whether the key actuarial assumptions are reasonable including the adequacy of provision for end-of-service indemnity. We evaluated the competency and objectivity of the actuarial expert appointed by management.

Other information included in The Company's 2018 Annual Report

Other information consists of the information included in The Company's 2018 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The partner in charge of the audit resulting in this auditor's report was Mohammad Al-Karaki; license number 882.

Amman – Jordan
18 March 2019



IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
ASSETS			
NON-CURRENT ASSETS -			
Property and equipment	3	115,336,750	108,696,396
Subscribers' and rural files contributions assets	4	74,647,656	72,331,248
Dispute lawsuits payments	5	69,671	82,963
Projects in progress	6	16,791,323	9,654,672
Strategic inventories	8	4,352,185	4,479,445
Deferred tax assets	21	1,310,070	968,810
Financial assets at fair value through other comprehensive income	7	286,719	286,719
		<u>212,794,374</u>	<u>196,500,253</u>
CURRENT ASSETS -			
Accounts receivable	9	186,686,483	132,566,224
Other current assets		7,272,627	4,718,381
Inventories	8	3,624,123	2,758,086
Cash and bank balances	10	302,895	38,763
		<u>197,886,128</u>	<u>140,081,454</u>
TOTAL ASSETS		<u>410,680,502</u>	<u>336,581,707</u>
EQUITY AND LIABILITIES			
EQUITY -			
	11		
Paid in capital		8,000,000	8,000,000
Statutory reserve		2,210,264	2,210,264
Voluntary reserve		638,778	638,778
Retained earnings		6,978,008	6,898,005
Total equity		<u>17,827,050</u>	<u>17,747,047</u>
LIABILITIES -			
NON-CURRENT LIABILITIES			
Subscribers' and rural files contributions liabilities	4	74,647,656	72,331,248
Advances from subscribers	12	9,348,598	8,380,292
Excess of subscribers contributions	13	619,491	890,176
Provision for end-of-service indemnity	14	4,122,095	2,871,729
Long term loan	15	21,777,780	24,888,890
Subscribers' deposits	16	45,578,997	41,319,954
		<u>156,094,617</u>	<u>150,682,289</u>
CURRENT LIABILITIES			
Accounts payable	17	187,048,440	123,328,351
Current portion from long term loan	15	3,111,110	3,111,110
Accrued expenses		1,582,769	1,419,530
Other current liabilities	18	8,430,440	8,608,829
Bank overdrafts	19	32,404,823	28,252,910
Excess of subscribers contributions	13	270,685	270,685
Other provisions	20	1,383,618	1,197,991
Provision for income tax	21	2,526,950	1,962,965
		<u>236,758,835</u>	<u>168,152,371</u>
Total Liabilities		<u>392,853,452</u>	<u>318,834,660</u>
TOTAL EQUITY AND LIABILITIES		<u>410,680,502</u>	<u>336,581,707</u>

The attached notes from 1 to 36 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Electricity power sales		254,975,102	260,234,306
Cost of electricity power sales		(212,631,240)	(223,844,257)
Gross profit	23	42,343,862	36,390,049
Other operating revenues, net	24	2,219,817	1,790,125
General and administrative expenses	25	(23,476,106)	(20,988,360)
Depreciation and amortization	26	(9,160,171)	(8,260,704)
Provision for slow moving inventories	8	(930,839)	(826,401)
Operating profit from core activities		10,996,563	8,104,709
Revenue from non-core activities	28	3,935,979	3,628,379
Interest income on late payments		7,526,844	5,162,964
Costs of non-core activities	29	(1,173,069)	(858,495)
Finance costs		(3,281,020)	(2,857,176)
Interest expense on late payments		(10,008,214)	(5,200,288)
Loss from non-core activities		(2,999,480)	(124,616)
Profit before income tax expense		7,997,083	7,980,093
Income tax expense	21	(2,317,080)	(2,390,084)
Profit for the year		5,680,003	5,590,009
Other comprehensive income		-	-
Total comprehensive income for the year		5,680,003	5,590,009
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share from profit for the year	30	<u>0/710</u>	<u>0/699</u>

The attached notes from 1 to 36 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid-in capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
	JD	JD	JD	JD	JD
2018 -					
Balance at 1 January 2018	8,000,000	2,210,264	638,778	6,898,005	17,747,047
Total comprehensive income for the year	-	-	-	5,680,003	5,680,003
Dividends distribution (note 11)	-	-	-	(5,600,000)	(5,600,000)
Balance at 31 December 2018	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>6,978,008</u>	<u>17,827,050</u>
2017 -					
Balance at 1 January 2017	8,000,000	2,210,264	638,778	9,307,996	20,157,038
Total comprehensive income for the year	-	-	-	5,590,009	5,590,009
Dividends distribution (note 11)	-	-	-	(8,000,000)	(8,000,000)
Balance at 31 December 2017	<u>8,000,000</u>	<u>2,210,264</u>	<u>638,778</u>	<u>6,898,005</u>	<u>17,747,047</u>

The attached notes from 1 to 36 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 JD	2017 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		7,997,083	7,980,093
Adjustments for:			
Gain on disposal of property and equipment		(7,514)	(67,502)
Interest income		(27)	(1,202)
Interest income on late payments		(7,526,844)	(5,162,964)
Dividends income		-	(43,008)
Interest expense		3,281,020	2,857,176
Interest expense on late payments		10,008,214	5,200,288
Provision for end-of- service indemnity		1,394,819	162,841
Depreciation and amortization		9,271,712	8,352,085
Provision for slow moving inventories		930,839	826,401
Provision for expected credit losses and doubtful accounts		1,445,950	1,365,409
Excess of subscribers contributions		(270,685)	(270,685)
Other provisions		173,204	94,556
Working capital changes:			
Inventories		1,719,392	3,675,331
Accounts receivable		(48,039,366)	(23,232,973)
Other current assets		(2,554,246)	(1,961,672)
Advances from subscribers		8,556,181	8,419,716
Subscribers' deposits		4,259,043	3,981,857
Accounts payable		53,711,875	31,933,524
Accrued expenses and other current liabilities		(5,642)	(229,653)
End-of-service indemnity paid		(529,333)	(566,262)
Other provisions paid		(34,106)	(1,148,501)
Income tax paid		(2,094,355)	(2,900,868)
Net cash flows from operating activities		41,687,214	39,263,987
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment		(19,446,203)	(23,420,631)
Dispute lawsuits payments		(17,149)	(13,984)
Projects in progress		(14,293,117)	(13,783,770)
Proceeds from sale of property and equipment		183,084	104,170
Interest received		27	1,202
Dividends received		-	43,008
Net cash flows used in investing activities		(33,573,358)	(37,070,005)
<u>FINANCING ACTIVITIES</u>			
Repayments of long term loan		(3,111,110)	-
Dividends paid		(5,617,587)	(7,773,768)
Interest paid		(3,272,940)	(2,865,420)
Net cash flows used in financing activities		(12,001,637)	(10,639,188)
Net decrease in cash and cash equivalents		(3,887,781)	(8,445,206)
Cash and cash equivalents at beginning of the year		(28,214,147)	(19,768,941)
Cash and cash equivalents at end of the year	10	(32,101,928)	(28,214,147)

The attached notes from 1 to 36 form an integral part of these financial statements

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(1) GENERAL

Irbid District Electricity Company (the "Company") was established in 1957 as a public shareholding company and registered in the Ministry of Industry and Trade under the registration number (17) on 27 February 1964.

During 2008 and under the privatization initiative of the electric sector, the government of the Hashemite Kingdom of Jordan has resolved to sell its entire ownership of 55.4% in the Company's capital to Kingdom Electricity Company. During 2009, Kingdom Electricity Company sold its 55.4% share in the Company's capital to Electricity Distribution Company Public Shareholding Company.

The main activities of the Company are to distribute electric power and to provide it to retail consumers who live in the north of Jordan (Irbid, Jerash, Ajloun and Mafrq), in accordance with the distribution license granted to the Company on 30 June 2008 for 25 years.

The Company's financial statements are consolidated with the financial statements of Electricity Distribution Company, Public Shareholding Company (parent company) and with Social Security Corporation (ultimate parent).

The financial statements have been approved by the Board of Directors in their meeting held on 14 March 2018. The financial statements require the approval of Company's General Assembly.

(2-1) BASIS OF PREPARATION

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

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

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

(2-2) Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017 except for that the company adopted these changes starting from 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

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

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

The impact of adopting IFRS 15 is not material. The Company's policy for revenue recognition is detailed below:

Power sales

The Company has concluded that revenue from sale of electricity should be recognized at the point in time when the electricity is transferred to the customer through the electricity network then, the revenue is recognized based on the meters' readings of the amount of electricity consumed. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

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

IFRS 9 Financial Instruments

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

The Company had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

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

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

Impairment

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

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis.

The effect of adopting the expected credit loss model did not have a material impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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

Amendments to IAS 40 Transfers of Investment Property

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

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

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

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

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 insurance contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

- (a) the investment entity associate or joint venture is initially recognized.
- (b) the associate or joint venture becomes an investment entity.
- (c) the investment entity associate or joint venture first becomes a parent.

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

(2-3) Significant Accounting Policies

Property and equipment

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

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

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

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

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

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

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

Subscribers' contributions assets and liabilities

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

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

IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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Rural fils assets

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

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

Dispute lawsuits payments

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

Projects in progress

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

Financial assets at fair value through other comprehensive income

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

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

Fair value

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Inventories

Inventories are valued at the lower of cost (weighted average costing) and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Accounts Receivable

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Borrowing costs

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

End-of-service indemnity provision

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

Accounts payable and accruals

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

Provisions

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

Income taxes and deferred taxes

The income tax provision is calculated in accordance with the Income Tax Law No.34 of 2014.

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

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

Revenue recognition

Revenue is recognized in accordance with IFRS 15, which includes the 5 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 fills 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.

Operating lease

Company as a lessee -

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Company as a lessor -

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

Foreign currency

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

Segments information

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

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

Offsetting of financial instruments

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

Contingencies

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

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

(2-4) Significant Accounting Judgment, Estimates and Assumptions

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

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

- Allowance for expected credit loss on receivables is reviewed in accordance with the simplified approach and under the principles and assumptions approved by the Company's management to estimate the allowance amount in accordance with IFRS requirements.
- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IFRS. Deferred tax assets and liabilities and income tax provision is calculated accordingly.
- The management periodically reviews the useful lives of property and equipment in order to calculate the annual depreciation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Any impairment losses of property and equipment are recognized in the statement of comprehensive income.
- Management derecognises property and equipment based on estimating the net book value of disposed assets.
- Provision for slow moving items is recognized for inventory items that are not expected to be used for more than two years.
- End of services indemnity is calculated based on the Company's internal policies and actuarial studies.
- A provision will be established against court litigations where the Company is the defendant based on a legal study provided by the Company's legal advisor which will determine the risk that may occur. These studies are reviewed periodically and the provision is adjusted accordingly.

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(3) PROPERTY AND EQUIPMENT

	Lands	Buildings	Hangers	Vehicles parking shade covers	Buildings improvements	Underground cables	Air networks	Meters and transformers	Tools and equipment	Vehicles fixtures	Furniture and air conditioners	Communication tools	Computers equipment and systems	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018														
Cost -														
At 1 January	638,309	2,342,522	135,061	9,067	233,791	22,209,022	87,142,763	47,704,041	5,595,370	8,038,248	783,476	143,513	302,080	181,489,709
Additions	-	75,793	14,864	2,407	20,821	2,696,979	10,185,763	4,476,631	618,688	891,302	59,062	20,250	1,230	19,446,203
Disposals	-	-	-	-	(2,545)	(671,449)	(2,193,094)	(1,957,452)	(109,601)	(195,846)	(13,261)	(2,461)	(25)	(5,250,453)
At 31 December	638,309	2,418,315	149,925	11,474	252,067	24,234,552	95,135,432	50,223,220	6,104,457	8,733,704	829,277	161,302	303,285	195,685,459
Accumulated depreciation -														
At 1 January	-	860,174	45,725	6,403	163,441	3,373,845	38,077,115	15,707,716	4,521,071	4,570,836	487,966	77,067	189,070	72,793,313
Additions	-	47,045	4,397	810	35,013	630,808	3,646,964	2,869,745	492,001	829,561	53,247	13,774	24,424	9,241,271
Disposals	-	-	-	-	(2,544)	(78,515)	(589,615)	(674,993)	(73,352)	(195,624)	(8,395)	(1,720)	(25)	(1,685,875)
At 31 December	-	907,219	50,122	7,213	195,910	3,926,138	41,134,464	17,902,468	4,935,720	5,204,772	532,818	89,121	213,469	80,348,709
Net book value -														
At 31 December	638,309	1,511,096	99,803	4,261	56,157	20,308,414	54,000,968	32,320,752	1,164,737	3,528,932	296,459	72,181	89,816	115,336,750

The cost of fully depreciated property and equipment as at 31 December 2018 is JD 39,160,681 (2017: JD 36,071,909).

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	Lands		Buildings		Hangers	Vehicles		Buildings		Underground	Air	Meters and	Tools and	Vehicles	Furniture		Elevators		Communication		Computers	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017																						
Cost -																						
At 1 January	638,309	2,158,053	135,061	9,067	189,280	17,471,117	79,115,275	41,441,549	5,216,322	6,878,933	731,764	130,868	285,851	5,357,080	159,758,529							
Additions	-	184,469	-	-	44,511	5,368,692	10,134,321	5,104,777	447,326	1,159,315	66,320	16,890	19,333	874,677	23,420,631							
Transfers from project in progress	-	-	-	-	-	-	-	2,992,778	-	-	-	-	-	-	2,992,778							
Disposals	-	-	-	-	-	(630,787)	(2,106,833)	(1,835,063)	(68,278)	-	(14,608)	(4,245)	(3,104)	(19,311)	(4,682,225)							
At 31 December	638,309	2,342,522	135,061	9,067	233,791	22,209,022	87,142,763	47,704,041	5,595,370	8,038,248	783,476	143,513	302,080	6,212,446	181,489,709							
Accumulated depreciation -																						
At 1 January	-	816,169	41,703	5,748	128,195	2,887,983	35,292,090	13,827,280	4,066,942	3,880,597	447,300	67,237	169,562	4,171,013	65,801,819							
Additions	-	44,005	4,022	655	35,246	581,461	3,316,983	2,483,473	503,470	690,238	48,937	12,681	22,595	557,936	8,311,712							
Disposals	-	-	-	-	-	(95,599)	(531,968)	(613,037)	(49,341)	-	(8,271)	(2,851)	(3,087)	(16,064)	(1,320,218)							
At 31 December	-	860,174	45,725	6,403	163,441	3,373,845	38,077,115	15,707,716	4,521,071	4,570,835	487,966	77,067	189,070	4,712,885	72,793,313							
Net book value -																						
At 31 December	638,309	1,482,348	89,336	2,664	70,350	18,835,177	49,065,648	31,996,325	1,074,299	3,467,413	295,510	66,446	113,010	1,498,561	108,696,396							

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(4) SUBSCRIBERS' AND RURAL FILS CONTRIBUTION ASSETS

	<u>2018</u>	<u>2017</u>
	JD	JD
Cost -		
At 1 January	129,737,303	121,901,188
Transfers from projects in progress	7,587,875	7,836,115
At 31 December	<u>137,325,178</u>	<u>129,737,303</u>
Accumulated depreciation -		
At 1 January	57,406,055	52,397,801
Depreciation for the year	5,271,467	5,008,254
At 31 December	<u>62,677,522</u>	<u>57,406,055</u>
Net book value -		
At 31 December	<u>74,647,656</u>	<u>72,331,248</u>

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

	<u>2018</u>	<u>2017</u>
	JD	JD
Subscribers contributions liabilities	47,707,934	47,265,257
Rural fils contributions liabilities	26,939,722	25,065,991
	<u>74,647,656</u>	<u>72,331,248</u>

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(5) DISPUTE LAWSUITS PAYMENTS

	2018	2017
	JD	JD
Cost -		
At 1 January	1,366,036	1,352,052
Payments during the year	17,149	13,984
At 31 December	1,383,185	1,366,036
Accumulated amortization -		
At 1 January	1,283,073	1,242,700
Amortization for the year	30,441	40,373
At 31 December	1,313,514	1,283,073
Net book value -		
At 31 December	69,671	82,963

(6) PROJECTS IN PROGRESS

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

	2018	2017
	JD	JD
Self-funded projects	7,005,868	1,270,757
Subscribers contributions projects	9,484,510	8,053,995
Rural fils contributions projects	300,945	329,920
	16,791,323	9,654,672

Movement on the projects in progress is as follows:

	2018	2017
	JD	JD
Beginning balance	9,654,672	6,618,631
Additions during the year	8,804,185	8,822,212
Capitalized expenses	5,920,341	5,042,722
Transferred to property and equipment	-	(2,992,778)
Transferred to subscribers and rural fils contributions assets	(7,587,875)	(7,836,115)
Ending balance	16,791,323	9,654,672

The estimated cost to complete the above projects is JD 15,113,413 as at 31 December 2018 (2017: JD 13,227,847).

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

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

	Ownership percentage	2018	2017
	%	JD	JD
Unquoted shares- Jordan			
Electrical Equipment Industries Company LLC	11.47	286,719	286,719

(8) INVENTORIES

	2018	2017
	JD	JD
Medium and low pressure electrical tools and subscribers' accessories	6,222,260	5,943,156
Tools and cars' spare parts	368,521	357,876
Stationery, furniture and computers equipment	18,540	23,464
Spare parts	17,355	21,381
Returned materials	3,118,594	2,242,702
	9,745,270	8,588,579
Less: allowance for slow moving inventories	(1,870,075)	(1,463,711)
	7,875,195	7,124,868
Add: letter of credit and tenders expenses	101,113	112,663
	7,976,308	7,237,531
Strategic inventories*	4,352,185	4,479,445
Inventories	3,624,123	2,758,086
	7,976,308	7,237,531

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

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

	2018	2017
	JD	JD
Beginning balance	1,463,711	796,857
Provision for the year	930,839	826,401
Less: written off during the year	(524,475)	(159,547)
Ending balance	1,870,075	1,463,711

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(9) ACCOUNTS RECEIVABLE

	2018	2017
	JD	JD
Normal subscribers – Housing	26,228,723	21,583,217
Normal subscribers – Non housing	113,749	123,274
Governmental departments	12,828,902	9,541,245
Employees receivables – Housing	65,954	44,031
Commercial sector	8,338,745	6,901,486
Temporary meters	226,783	200,954
Telecommunication sector	1,569,324	1,569,730
Banking sector	108,747	70,122
Television sector	37,488	34,746
Hotels sector	24,805	13,320
Manufacturing sector / Small	1,570,402	1,284,134
Manufacturing sector / Medium	3,667,736	3,429,411
Water authority	70,744,490	45,604,674
Agricultural sector	3,417,893	2,431,773
Street lighting	12,358,300	7,471,642
Agricultural / Commercial	157,391	157,180
Army departments	18,589,374	12,334,064
Agricultural / Trio tariff	1,591,718	940,139
Subscribers receivables electric charging cars	4,579	3,318
Subscribers receivables private hospitals	49,503	-
Total receivables of subscribers	161,694,606	113,738,460
Delay interest receivables	27,258,970	19,815,745
Other receivables	294,828	329,838
Governmental – other lighting projects	2,329,725	2,110,592
Municipalities	-	1,268
Employee receivables	178,542	194,559
	191,756,671	136,190,462
Less: expected credit losses / allowance for doubtful accounts	(5,070,188)	(3,624,238)
	186,686,483	132,566,224

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

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

	2018	2017
	JD	JD
Beginning balance	3,624,238	2,258,829
Provision for the year	1,445,950	1,365,409
	5,070,188	3,624,238

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

	<u>Not past due</u>	<u>1 – 60 days</u>	<u>61 – 90 days</u>	<u>> 90 days</u>	<u>Total</u>
	JD	JD	JD	JD	JD
2018	45,936,447	12,905,286	10,168,870	117,675,880	186,686,483
2017	40,369,013	9,141,192	7,046,693	76,009,326	132,566,224

(10) CASH AND BANK BALANCES

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

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand	31,634	27,898
Banks accounts	271,261	10,865
	<u>302,895</u>	<u>38,763</u>

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

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand and at banks	302,895	38,763
Bank overdrafts	(32,404,823)	(28,252,910)
	<u>(32,101,928)</u>	<u>(28,214,147)</u>

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(11) EQUITY

Paid-in capital -

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

Statutory reserve -

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

Voluntary reserve -

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

Dividends -

In its ordinary meeting held on 10 April 2018, the General Assembly approved the Board of Directors recommendations to distribute 70% of its capital as cash dividends amounted to JD 5,600,000.

In its ordinary meeting held on 9 April 2017, the General Assembly approved the Board of Directors recommendations to distribute 100% of its capital as dividends amounted to JD 8,000,000.

(12) ADVANCES FROM SUBSCRIBERS

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

(13) EXCESS OF SUBSCRIBERS CONTRIBUTIONS

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

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(14) Provision for end- of- service indemnity

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

	2018	2017
	JD	JD
Beginning balance	2,871,729	3,223,349
Charge for the year	1,779,699	214,642
Paid during the year	(529,333)	(566,262)
Ending balance	4,122,095	2,871,729

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

	2018	2017
	JD	JD
Interest on obligation	252,415	196,624
Current service costs	1,527,284	18,018
Ending balance	1,779,699	214,642

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

	2018	2017
	JD	JD
General and administrative expenses	1,394,819	162,841
Capitalized on projects in progress	384,880	51,801
	1,779,699	214,642

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

	2018	2017
Discount rate*	7.2%	6.1%
Mortality rate	0.12%	0.12%
Annual salaries increase rate	5%	5%
Resignation rate	7%	7%
Company's contribution to social security deducted from employees' end of service indemnify	8%	8%

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

Increase in rate by 1 %	Effect on end- of-service benefits
	JD
	(925,961)
Discount	1,234,456
Salaries increase	3,518
Resignation	
Decrease In rate by 1 %	Effect on end- of-service benefits
	JD
	1,218,460
Discount	(950,295)
Salaries increase	(3,518)
Resignation	

(15) LONG TERM LOANS

During May 2015, the Company has signed a loan agreement with Jordan Kuwaiti Bank amounting to JD 28,000,000 including a grace period of three years from the date of first withdrawal for the purpose of financing the Company's working capital and its operations. The entire loan was utilized during 2015.

The loan is repayable over 18 semi-annual instalments of JD 1,555,555 each except for the last instalment amounting to JD 1,555,565 including accrued interest. The loan bears an interest rate similar to interest rate applicable on the Central Bank of Jordan deposits plus 2.65% with a minimum interest rate of 5.3% per annum.

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

Year	Amount
	JD
2020	3,111,110
2021	3,111,110
2022	3,111,110
2023	3,111,110
2024 - 2027	9,333,340
	<u>21,777,780</u>

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(16) SUBSCRIBERS' DEPOSITS

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

(17) ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
	JD	JD
National Electricity Power Company – energy purchases	132,658,284	91,192,190
National Electricity Power Company – interest on late payments	29,417,138	19,408,924
Al Badya for Energy Company- renewable energy purchases	317,124	369,564
National Electricity Power Company – fuel price differences	15,007,948	1,235,339
Green Sources Company – Electricity power purchases	137,610	-
Suppliers	3,445,143	4,942,363
Municipalities – garbage fees	4,255,414	3,941,160
Ministry of finance – television fees	1,727,468	1,674,187
Rural fils	-	492,128
Others	82,311	72,496
	<u>187,048,440</u>	<u>123,328,351</u>

(18) OTHER CURRENT LIABILITIES

	<u>2018</u>	<u>2017</u>
	JD	JD
Deposits – subscription requests	28,912	28,321
Deposits – renewable energy connections	168,400	93,453
Advances from customers – connection fees	312,256	285,346
General deposits	119,113	823,395
Subscribers deposits	1,242,364	2,130,768
Post offices deposits	156,247	69,900
Governmental deposits – projects	44,810	44,778
Due to sales tax	46,723	47,516
Board of directors remuneration	55,000	55,000
Health insurance fund	2,490,645	2,125,680
Contractors retentions	839,288	1,053,212
Dividends payable	1,404,630	1,422,217
Damaged inventories deposit	995,055	112
Others	526,997	429,131
	<u>8,430,440</u>	<u>8,608,829</u>

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(19) BANKS OVERDRAFTS

This item represents the credit facilities granted to the Company from local banks with a ceiling of JD 54,000,000, bearing an average interest rate of 6.63% per annum (2017: 5.98%).

(20) Other Provisions

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

	2018				2017
	Vacations	Takaful	Social Services	Lawsuits	Total
	JD	JD	JD	JD	JD
Beginning balance	741,644	1,056	31,955	423,336	1,197,991
Charge for the year*	219,733	-	15,135	-	234,868
Employees contribution	-	-	-	-	-
Paid during the year	(48,185)	(1,056)	-	-	(49,241)
Ending balance	913,192	-	47,090	423,336	1,383,618

* The charge for the year includes capitalized expenses amounted to JD 46,529 (2017: JD 29,363).

(21) PROVISION FOR INCOME TAX

Deferred tax assets-

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

Movement on deferred tax assets is as follows:

	2018	2017
	JD	JD
Beginning balance	968,810	1,034,316
Change during the year	341,260	(65,506)
Ending balance	1,310,070	968,810

Income tax provision -

Movement on provision for income tax is as follows:

	2018	2017
	JD	JD
Beginning balance	1,962,965	2,539,255
Income tax for the year	2,658,340	2,324,578
Income tax paid	(2,094,355)	(2,900,868)
Ending balance	2,526,950	1,962,965

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

	2018 JD	2017 JD
Accounting profit before tax	7,997,083	7,980,093
Non-taxable revenues	(1,373,232)	(903,961)
Non-deductible expenses	4,452,564	2,609,608
Taxable income	11,076,415	9,685,740
Income tax for the year	2,658,340	2,324,578
Deferred tax during the year	(341,260)	65,506
Income tax for the year	2,317,080	2,390,084
Statutory income tax rate*	24%	24%
Effective income tax rate	28.98%	29.95%

Income tax provision was calculated for the year ended 31 December 2018 in accordance with the Income Tax Law No. (34) of 2014.

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

During 2018, the court of first instance appointed an expert on the matter of objection, the experts opinion was in favour of the Company's position. The court of first instance, issued a decision in accepting the experts report where the differences became JD 2,755. The courts decision was appealed and a final decision was not issued up to the date of the financial statement.

The Income and Sales Tax Department has not reviewed the Company's records for the years 2017 and 2016 up to the date of these financial statements.

- * Jordanian Income Tax Law No. (34) of 2014 has been amended (law No. 38 for the year 2018) and the tax percentage will become 27% (24% + 3% national contribution) and the new law will be effective as of 1 January 2019.

(22) RELATED PARTIES

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

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Related parties transactions included in the statement of financial position are as follow:

	2018 JD	2017 JD
Due to Electrical Equipment Industries Company LLC (sister company)	249,322	-
Due to Electricity Distribution Company (parent company)	249	178,075
	<u>249,571</u>	<u>178,075</u>
Due from Electrical Equipment Industries Company LLC (sister company)	-	60,806
Purchases from Electricity Distribution Company (parent company)	240,335	308,090
Purchases from Electrical Equipment Industries Company (sister company)	466,148	-

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

	2018 JD	2017 JD
Transportation and remuneration of Board of Directors	317,905	312,436
Dividends from Electrical Equipment Industries Company	-	43,008

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

	2018 JD	2017 JD
Salaries and benefits	546,334	515,697

(23) Gross Profit

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

Sales tariff is determined by the EMRC, the tariff has been increased in February 2017.

Electricity power is purchased from National Electricity Power Company and purchase tariff is determined by the EMRC, the tariff has been increased in January and February 2018, and decreased in October 2018.

(24) OTHER OPERATING REVENUES, NET

	2018 JD	2017 JD
Subscribers connection fees	1,162,084	1,226,850
Municipalities connection fees	8,047	3,089
Meters fees	1,515,366	1,344,294
Miscellaneous fees	150,790	120,708
Workshops fees	43,357	46,524
Net losses from rural files projects	(354,515)	(777,262)
Net losses from subscribers contributions projects	(704,230)	(592,908)
Electricity reconnection fees	372,394	400,416
Meters replacement fees	14,587	14,990
Others	11,937	3,424
	<u>2,219,817</u>	<u>1,790,125</u>

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(25) ADMINISTRATIVE EXPENSE

	2018	2017
	JD	JD
Salaries and related benefits	17,494,652	16,268,784
Employees' benefits	1,796,787	1,934,713
End-of-service indemnity	1,779,699	214,642
Social employees services	-	10,482
Employees vacations	219,733	113,437
Maintenance expenses	491,741	568,217
Vehicles rent expense	1,345,747	1,112,086
Stationery, printing and advertising	284,843	230,482
Stamps	381,333	342,321
Compensations	434,664	332,663
Connection expenses	721,075	600,078
Insurance expenses	337,924	329,781
Vehicles expense	536,202	499,679
Postage and telephone expenses	177,023	198,334
Board of Directors remuneration and transportations	39,600	39,588
Security and cleaning expenses	465,485	413,884
Electricity, water and heating	152,132	157,073
Legal fees	413,483	436,724
Professional fees	23,048	43,891
Subscriptions, conferences and seminars	48,641	41,782
License and governmental fees	30,542	29,197
Distribution license fee	302,738	305,107
Rent	190,075	175,290
Computers expenses	54,782	58,476
Hospitality expenses	56,341	61,584
Employee meals	7,795	12,955
Collection commission- post offices	371,220	285,751
Provision of expected credit losses and doubtful accounts	1,445,950	1,365,409
Social activities and donations	6,350	11,500
Others	84,038	78,491
	<u>29,693,643</u>	<u>26,272,401</u>
Less: Capitalization of salaries and related benefits	(4,424,694)	(4,018,368)
Capitalization of-end-of service indemnity	(384,880)	(51,801)
Capitalization of social employee's services expenses	-	(2,351)
Capitalization of administrative expenses	(1,064,238)	(943,190)
Capitalization of employees vacation expenses	(46,529)	(27,012)
Total capitalized expenses on project in progress*	<u>(5,920,341)</u>	<u>(5,042,722)</u>
Transfers to cost of non-core activities	<u>(297,196)</u>	<u>(241,319)</u>
	<u>23,476,106</u>	<u>20,988,360</u>

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

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(26) DEPRECIATION AND AMORTIZATION

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

	2018	2017
	JD	JD
Property and equipment depreciation (note 3)	9,241,271	8,311,712
Lawsuits payments amortization (note 5)	30,441	40,373
Depreciation of subscribers and rural fils contributions assets (note 4)	5,271,467	5,008,254
Less: amortization of subscribers and rural fils contributions liabilities	(5,271,467)	(5,008,254)
Depreciation and amortization	<u>9,271,712</u>	<u>8,352,085</u>

The depreciation and amortization are distributed as follows:

	2018	2017
	JD	JD
Depreciation and amortization in the statement of comprehensive income	9,160,171	8,260,704
Depreciation of non-core activities	111,541	91,381
	<u>9,271,712</u>	<u>8,352,085</u>

(27) PROFIT FROM CORE ACTIVITIES

According to the distribution and supplies license granted to the Company on 30 June 2008 from Energy and Mineral Regulatory Commission (EMRC), the annual return from core activities before tax is determined based on the Regulatory Asset Base set by EMRC. The Company computed the annual return for the core activities which resulted in a deficit from the annual return as determined in the license by JD 2,296,554,108 for the year 2018, as a result, the net cumulative amount up to the end of 2018 became a deficit of JD 9,474,495. 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.

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(28) REVENUE FROM NON-CORE ACTIVITIES

	2018	2017
	JD	JD
Television fees collection revenue	308,525	294,089
Garbage fees collection revenue	1,562,024	1,469,440
Street lighting maintenance revenue	246,071	189,314
Compensations revenue	499,598	457,908
Rent revenue	1,024	1,024
Biddings revenue	33,115	40,680
Late payments penalties revenue	205,047	159,626
Proceeds from sale of damaged goods (property and equipment)	183,084	104,170
Electricity poles rental revenue	208,395	216,825
Dividends revenue	-	43,008
Late postal deposit interest revenue	78,846	116,124
Foreign currency exchange gains	14,288	3,222
Revenue from amortization of deferred revenues until 2 July 2008	270,685	270,685
Revenue from renewable energy sources consulting	298,986	254,612
Others	26,291	7,652
	<u>3,935,979</u>	<u>3,628,379</u>

(29) COST OF NON-CORE ACTIVITIES

	2018	2017
	JD	JD
Loss on sale of property and equipment	223	7,355
Maintenance of street lights	114,319	92,478
Cost of damaged goods sales (property and equipment)	175,347	29,313
Donations	96,876	65,684
Foreign currency exchange losses	25,897	19,590
Board of Directors remuneration	277,265	271,291
Incentives for non-core activities	74,004	-
Others	401	40,084
	<u>764,332</u>	<u>525,795</u>
Add: non-core activities share of common expenses	297,196	241,319
non-core activities share of depreciation expense	111,541	91,381
	<u>1,173,069</u>	<u>858,495</u>

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(30) EARNINGS PER SHARE

	2018	2017
Profit for the year (JD)	5,680,003	5,590,009
Weighted average number of shares (share)	8,000,000	8,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share from profit for the year	0/710	0/699

The basic and diluted earnings per share are equal.

(31) SEGMENT INFORMATION

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

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

	2018 JD	2017 JD
Normal subscribers – Housing	85,236,347	89,055,016
Normal Subscribers – Non housing	1,208,379	1,702,353
Government departments	22,217,593	26,785,032
Normal subscribers – Employee housing	226,486	280,286
Commercial sector	33,061,950	32,697,540
Temporary meters	519,493	582,969
Telecommunication sector	8,600,910	8,645,497
Banking sector	1,938,168	2,064,941
Television sector	206,091	208,961
Hotels sector	146,654	169,529
Manufacturing sector / Small	6,893,556	7,171,299
Manufacturing sector / Medium	17,595,239	17,236,735
Water authority	25,847,016	22,256,766
Agricultural sector	17,165,494	18,338,427
Street lighting	16,235,463	15,395,757
Commercial / Agricultural	749,397	1,004,990
Army department	8,995,080	9,420,831
Consumption differences	1,337,361	1,350,185
Agricultural / Trio tariff	6,550,704	5,850,561
Private hospitals	203,563	-
Electric charging cars	40,158	16,631
	254,975,102	260,234,306

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

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

(32) CONTINGENT LIABILITIES

Guarantees and letters of credit -

As at the date of the financial statements, the Company has outstanding bank guarantees and letters of credit of JD 1,038,635 (2017: JD 3,019,774).

Litigations -

The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 147,321. The Company's management and its legal advisor believe that the provision taken against these claims of JD 423,336 (2017: JD 423,336) is adequate to meet any obligations that may arise.

Dispute with National Electricity Power Company –

National Electricity Power Company (Company's energy provider) claiming an amount of JD 772,913 which is mainly represent a difference of interest on late payments. The Company and its legal advisor believe that the Company will not have any obligation as per the electricity tariff (Wholesale Tariff) issued by EMRC.

Operating lease commitments-

Company as a lessee –

On 1 May 2011, the Company signed a 15 year rent agreement for JD 110,000 per annum for the company's offices and an increase of 10% every five years. In addition, the Company rents some offices when needed for a short period of time. The minimum payments for future rental expenses as it 31 December are as follows:

	2018	2017
	JD	JD
Within one year	180,507	189,924
1 to 5 years	700,761	726,900
More than 5 years	539,444	702,778
	<u>1,420,712</u>	<u>1,619,602</u>

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Company as a lessor -

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

	<u>2018</u>	<u>2017</u>
	JD	JD
Within one year	<u>1,025</u>	<u>1,025</u>

(33) RISK MANAGEMENT

Interest rate risk

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

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

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

	<u>Increase in interest rate (BASIS POINTS)</u>	<u>Effect on profit before tax JD</u>
2018 -		
JD	50	(284,954)
	<u>Increase in interest rate (BASIS POINTS)</u>	<u>Effect on profit before tax JD</u>
2017 -		
JD	50	(281,265)

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

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Credit risk

Credit risk is the risk that one party to a financial instrument will not meet its obligations and cause the other party to incur a financial loss. The Company believes that it is exposed to credit risk.

The Company seeks to limit its credit risk with respect to banks by dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Government receivables represent more than 75% of accounts receivable as at 31 December 2018.

Liquidity risk

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

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

	On demand	1 to 12 months	1to 5 years	More than 5 years	Total
	JD	JD	JD	JD	JD
<u>At 31 December 2018</u>					
Accounts payable	-	187,048,440	-	-	187,048,440
Accrued expenses and other payables	-	6,117,934	-	-	6,117,934
Long term loan	-	4,658,369	20,263,700	6,692,355	31,614,424
Due to banks	32,404,823	-	-	-	32,404,823
Total	<u>32,404,823</u>	<u>197,824,743</u>	<u>20,263,700</u>	<u>6,692,355</u>	<u>257,185,621</u>
<u>At 31 December 2017</u>					
Accounts payable	-	124,843,937	-	-	124,843,937
Accrued expenses and other payables	-	6,480,463	-	-	6,480,463
Long term loan	-	4,551,597	20,291,526	10,168,778	35,011,901
Due to banks	28,252,910	-	-	-	28,252,910
Total	<u>28,252,910</u>	<u>135,875,997</u>	<u>20,291,526</u>	<u>10,168,778</u>	<u>194,589,211</u>

Currency risk

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

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(34) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

(35) CAPITAL MANAGEMENT

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

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

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 17,827,050 as at 31 December 2018 (2017: JD 17,747,047).

(36) STANDARD ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Company has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company will adopt IFRS 16 using the modified retrospective approach. During 2018, the Company has performed a detailed impact assessment of IFRS 16. The Company does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 16.

IFRS 17 Insurance Contracts

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

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.