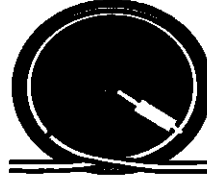


THE JORDANIAN ELECTRIC POWER COMPANY LIMITED

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ZIP CODE 11118
AMMAN- JORDAN

Our Ref.: 6/3/2/4355
Date: 14/5/2017

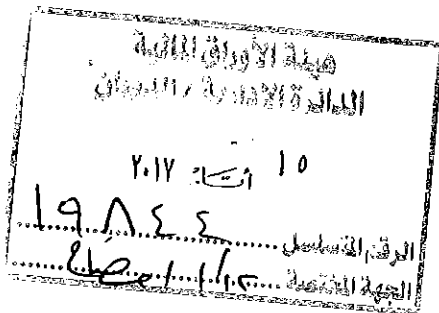
**To: Jordan Securities Commission
Amman Stock Exchange**

**Subject: Audited Financial Statements
for the fiscal year ended 31/12/2016**

**Attached the Audited Financial Statements of THE
JORDANIAN ELECTRIC POWER COMPANY LIMITED for
the fiscal year ended 31/12/2016.**

Kindly accept our high appreciation and respect

**The Jordanian Electric Power
Company Limited**



**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT**

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

For the Year Ended December 31, 2016

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Independent Auditors' Report on the Financial Statements

**To the General Assembly
Jordan Electricity Power Company
(A Public Shareholding Company)
Amman – Jordan**

Opinion

We have audited the financial statements of Jordan Electricity Power Company ("The Company"), which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the instructions of Prime Ministers Council and Energy and Mineral Regulatory Commission.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with International Ethics Standards Board for Accountants Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 of the current period. 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.



1- Infrastructure and other fixed assets

Description of Key Audit matter

The Company own Infrastructure and other fixed assets with carrying amounts of JOD 323,133,336 as of December 31, 2016 which represents 34,8% of the Company's total assets. In accordance with the requirements of IFRS, the Company should measure if there is any indication of impairment in its value, such matter requires significant judgments and estimates from management to determine the fair value or value in use as management exercise judgment and estimates over the inputs used to determine the fair value/impairment including expert valuator. Accordingly, the determination of fair value/impairment of these assets by management is considered a key audit matter.

The accounting policies and critical judgments relative to Infrastructure and other fixed assets are summarized respectively in Notes 2, 3 and 6 to the financial statements.

How the Matter was Addressed in Our Audit

Our audit procedures include the assessment of the Company's internal controls for the method used to determine the fair value or value in use of Infrastructure and other fixed assets and compare the fair value to the carrying amount for the purpose of identify impairment, in addition to the assessment of the estimates used by management to determine the fair value/impairment over Infrastructure and other fixed assets. We have compared these estimates with the requirements of IFRS and discussed with management based on the available information.

Furthermore, our audit procedures include the assessment of the methodology used, the acceptability of the measurement models and the inputs used. To determine the fair value/impairment of the Infrastructure and other fixed assets. Review the relevancy of the key inputs used through the review of the valuation performed by external independent valuator and the reasonability of depreciation rates on these assets and other inputs. Also we assessed the sufficiency of disclosures made by management over Infrastructure and other fixed assets.

2- Accounts Receivables

Description of Key Audit matter

The impairment loss for accounts receivables is considered one of the matters that have an impact over the Company's results and require a significant judgment and estimates from management to determine the default and accordingly the existence of impairment. Following the requirements of IFRS, management exercise judgment and estimates over the inputs and to determine the impairment including the date of default, the financial position of the customers and the position of the legal cases held against these customers. Accordingly, the accounts receivables consider a key audit matter.

The Company had subscribers' receivables in the amount of JOD 372,394,188 as of December 31, 2016, and the Company recorded a provision for doubtful debts in the amount of JOD 8,243,846 as of December 31, 2016.

How the Matter was Addressed in Our Audit

Our audit procedures includes the assessment of the Company's internal controls over the collection processes for receivables; testing the receipt of cash after the year end, testing the sufficiency of the Company's provisions against receivables and testing the position of the legal cases held by the Company by assessing the management's assumptions, taking account of externally available data on credit exposures and our own knowledge of recent bad debt experience. We have also considered the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the provision and the disclosures over the amounts of doubtful debts provision.



3- Legal Cases and Contingent Liabilities

Description of Key Audit matter

In the normal course of business, contingent liabilities may arise from legal cases held against the Company or from contingent commitments from signed contracts. The amounts involved may be potentially significant and the application of IFRS to determine the amount, if any, to be provided as a liability, require from management judgments and estimates, accordingly the determination of liabilities is considered a key audit matter.

The disclosures relative to legal and contingent liabilities are summarized respectively in Note (35) to the financial statements.

How the Matter was Addressed in Our Audit

Our audit procedures includes the assessment of the Company's internal controls to determine the liabilities and the review of correspondence with the regulatory parties and the Company's external legal consultants on all significant legal cases and discussions with the Company's external legal consultant when necessary. In addition, we obtained formal confirmations from the Company's external legal consultants for all significant litigation, analyzed correspondence with regulators, and monitored the procedures followed to obtain information from third parties. We also assessed the disclosures made by the Company.

Other Information

Management is responsible for the other information. The other information does not include the financial statements and our auditors' report on the financial statements.

Our opinion on the 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 financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We were not provided with the annual report of the group or any other information as it relates to this paragraph until the date of this report.

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 IFRS, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 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 auditors' 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records. The accompanying financial statements are, in all material aspects, in agreement with the Company's accounting records, and we recommend that the Company's General Assembly approves these financial statements.

KPMG Kawasmy and Partners

Hatem Kawasmy
License no. (656)



Amman - Jordan
March 20, 2017

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

STATEMENT OF FINANCIAL POSITION

In Jordanian Dinar

	Note	As of December 31,	
		2016	2015
Assets			
Infrastructure and other fixed assets	6	323,133,336	309,870,225
Intangible assets	7	29,471,826	31,165,879
Subscriber's contributions - assets	8	151,625,374	141,831,341
Rural fils - assets	9	21,616,312	22,807,981
Project under construction		5,662,753	4,773,552
Investments in associate	10	1,320,624	1,218,464
Deferred tax assets	11	5,872,302	5,464,302
Total non - current assets		538,702,527	517,131,744
Inventory	12	676,126	772,197
Financial assets through profit or loss	13	2,030,300	2,121,579
Due from a related party	14	608,736	-
Subscribers receivables	15	364,150,342	353,657,297
Receivables	16	20,158,977	25,322,450
Other debit balances	17	1,543,659	1,890,539
Cash and cash equivalents	18	309,979	3,010,382
Total current assets		389,478,119	386,774,444
Total assets		928,180,646	903,906,188
Equity and Liabilities			
Equity			
Paid up capital	1	77,490,000	75,600,000
Statutory reserve	19	20,853,900	18,900,000
Retained earnings		16,267,067	14,937,320
Total equity		114,610,967	109,437,320
Liabilities			
Subscriber's contributions - deposits	8	151,625,374	141,831,341
Rural fils - deposits	9	21,616,312	22,807,981
License Obligation / Government - Long term	7	36,428,779	38,359,980
Loans - long term	21	54,625,000	10,875,000
Subscribers' refundable deposits	22	100,330,408	93,127,734
End - of - service provision	23	19,354,127	19,154,127
Employees funds	24	16,451,698	16,321,483
Total non - current liabilities		400,431,698	342,477,646
Payables	25	170,380,917	261,386,863
Due to a related party	14	-	562,632
Loans - short term	21	6,500,000	6,500,000
License Obligation / Government - Short term	7	5,000,000	-
Income tax provision	11	5,939,744	3,922,615
Other credit balances	26	6,003,696	4,411,712
Due to Banks	18	219,313,624	175,207,400
Total current liabilities		413,137,981	451,991,222
Total liabilities		813,569,679	794,468,868
Total Equity and liabilities		928,180,646	903,906,188

The accompanying notes from (9) to (44) are integral parts of these financial statements and should be read with them and with the independent auditor report.
The financial statements were approved from page (9) to (44) from financial and administrative committee commissioned by the Board of Directors and approved by:

Chief Financial Officer

Chief Executive Officer

Chairman of board of Directors

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<i>In Jordanian Dinar</i>	Note	For the Year Ended December 31,	
		2016	2015
Revenues from sale of energy	27	996,440,791	989,378,659
Cost of energy purchased	28	(877,131,748)	(868,797,520)
Gross profit from sales of energy		119,309,043	120,581,139
Revenues from other core operations	29	5,144,278	4,628,147
General, operating and subscribers' services	30	(72,000,366)	(68,282,382)
Depreciation	6	(21,141,628)	(19,958,075)
Inventory depreciation		(113,353)	(19,851)
Total revenues and expenses from core operations		(88,111,069)	(83,632,161)
Profit from core operations		31,197,974	36,948,978
Revenues from non - core operations	31	5,131,502	11,597,236
Bank interest revenues		346	1,771
Late payments interest revenues		7,652,494	6,825,809
Expenses from non core operations	32	(468,894)	(902,874)
Amortization	7	(1,694,053)	(1,694,053)
Finance cost	33	(16,884,652)	(18,182,199)
Late power payments interest expense		(5,445,717)	(6,644,451)
(Loss) from non core operations		(11,708,974)	(8,998,761)
Profit for the year before income tax		19,489,000	27,950,217
Income tax (expense)	11	(6,755,353)	(5,141,156)
Profit for the Year		12,733,647	22,809,061
Total Other Comprehensive Income		12,733,647	22,809,061
Basic and Diluted Earnings per Share from Profit for the Year	34	0,164	0,29

The accompanying notes from (9) to (44) are integral parts of these financial statements and should be read with them and with the independent auditor report.

Chief Financial Officer

Chief Executive Officer

Chairman of board of Directors

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

STATEMENT OF CHANGES IN EQUITY

<i>In Jordanian Dinar</i>	<u>Paid up Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings**</u>	<u>Total Equity</u>
For the Year Ended December 31, 2016				
Balance at January 1 st , 2016	75,600,000	18,900,000	14,937,320	109,437,320
Total comprehensive income for the year	-	-	12,733,647	12,733,647
Capital increase*	1,890,000	-	(1,890,000)	-
Distributed dividends – (Note 20)	-	-	(7,560,000)	(7,560,000)
Transferred to statutory reserve	-	1,953,900	(1,953,900)	-
Balance at 31 December 2016	<u>77,490,000</u>	<u>20,853,900</u>	<u>16,267,067</u>	<u>114,610,967</u>
For the Year Ended December 31, 2015				
Balance at January 1 st , 2015	75,600,000	14,372,433	(1,144,213)	88,828,220
Total comprehensive income for the year	-	-	22,809,061	22,809,061
Distributed dividends – (Note 20)	-	(2,199,961)	-	(2,199,961)
Paid to statutory reserve	-	7,869,961	(7,869,961)	-
Transferred from statutory reserve	-	(1,142,433)	1,142,433	-
Balance at 31 December 2015	<u>75,600,000</u>	<u>18,900,000</u>	<u>14,937,320</u>	<u>109,437,320</u>

* The General Assembly approved in their extraordinary meeting held on April 21, 2016 to increase the authorized capital to reach JOD 100 million instead of JOD 75.6 million, moreover its approved to increased its paid up capital through capitalized JOD 1,890,000 from retained earnings to reach JOD 77,490,000, and distribute this increases on shareholders each per ownership. The legal procedures over the capital increase has been completed on May 15, 2016.

** Retained earnings includes deferred tax assets in the amount of JOD 5,872,302 as of December 31, 2016 (5,464,302: as of December 31, 2015 which restricted for use according to the instructions of Jordanian Security Exchange Commission.

The companying notes from (9) to (44) are integral parts of these financial statements and should be read with them and with the independent auditor report.

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN
STATEMENT OF CASH FLOWS**

<i>In Jordanian Dinar</i>	Note	For the period ended December 31,	
		2016	2015
Profit for the year before income tax		19,489,000	27,950,217
Adjustments for:			
Depreciation and amortization	7/6	23,056,529	21,904,674
Company's share of investment in associate	10	(102,160)	(27,459)
Loss (gain) from the valuation of financial assets at fair value through profit or loss	31	91,279	(22,562)
Provision for end-of-service indemnity	23	2,651,372	4,474,615
Allowance for doubtful receivables	30/d	1,500,000	1,250,000
Finance expenses		16,884,652	18,182,199
Interest revenues		(7,652,840)	(6,827,580)
Late power payment interest expense		5,445,717	6,644,451
(Gain) from sale of property and equipment		-	(6,160,200)
License obligation expenses / Government		3,068,799	2,841,479
		64,432,348	70,209,834
Changes in working capital items:			
Inventory		96,071	(108,774)
Subscribers receivable		(10,493,045)	(61,737,463)
Receivable		5,163,473	(938,507)
Other debit balances		346,880	(304,992)
Due from a related party		(608,736)	841,303
Payment for end-of-service indemnity		(2,451,372)	(3,689,411)
Accounts payable		(91,005,946)	33,205,274
Subscribers' refundable deposits		7,202,674	6,086,201
Due to a related party		(562,632)	562,632
Other credit balances		1,591,984	(789,372)
Employees funds		130,215	(1,007,522)
		(26,158,086)	42,329,203
Income tax paid	11	(3,922,365)	(50,030)
Net cash flow (used in) from operating activities		(30,080,451)	42,279,173
Cash flow from investing activities :			
Acquisition of property, equipment and construction under process – Net		(34,956,323)	(36,738,375)
Proceed from sales of property and equipment		-	7,591,800
Net cash flow (used in) investing activities		(34,956,323)	(29,146,575)
Cash flow from financing activities:			
Loans		43,750,000	(2,500,000)
Distributed dividends	20	(7,323,635)	(2,756,382)
Finance expenses paid		(18,196,218)	(24,324,248)
Net cash flow from (used in) financing activities		18,230,147	(29,580,630)
Net (decrease) in cash and cash equivalents		(46,806,627)	(16,448,032)
Cash and cash equivalents at beginning of the year		(172,197,018)	(155,748,986)
Cash and Cash Equivalents at End of the Year	17	(219,003,645)	(172,197,018)

The companying notes from (9) to (44) are integral parts of these financial statements and should be read with them and with the independent auditor report.

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL

Jordan Electric Power Company (the Company) was incorporated on January 1st, 1938 as a public shareholding company with registration number (2). The Company has signed with the Jordanian Government a concession agreement for 50 years to distribute electricity for the concession area that includes: Amman, Zarqa, Madaba and Salt. The concession agreement expired on November 22, 2012 which was extended by temporary license until May 22, 2014.

On May 29, 2014 the Company signed a settlement agreement with the Jordanian Government under which the Company had obtained a license to distribute the electricity for 20 years instead of the expired concession and temporary licenses in May 22, 2014. The settlement gives the right to the Company to exercise other activities and control over the infrastructure assets.

The general assembly approved in its extraordinary meeting held on November 20, 2012 to increase the authorized capital to JOD 100 million and to cover the new increase in authorized capital through capitalizing the retained earnings or the statutory reserve or both according to the Company's need within the period stated in Companies Law. However, this decision was cancelled by obsolescence in accordance to Companies Law. On the other hand the General assembly approved on April 21, 2016 to increase the paid up capital through capitalizing JOD 1,890,000 from retained earnings to reach JOD 77,490,000, the legal procedures over the increase in capital has been completed on May 15, 2016.

The general assembly decided in its extraordinary meeting held on April 21, 2016 to establish a new subsidiary under the name of "Thunder Gate for Cloud Services Company" that specializes in providing and adoption of (ERP) system using cloud services. Given that the legal requirements for the establishment has been completed on January 24, 2017.

The Company's objectives are limited to transmission and distribution, purchase and sale of electricity to ensure the needs of all consumers in the license area and any other area covered by the expanded area under the license agreement.

The Company's head office location is the Mecca Street - Amman - Jordan.

- The financial statements were approved by the Financial and Administrative Committee through the delegation granted by the Board of Directors on March 19, 2017, and it is subject to the approval of the General Assembly.

2) BASIS OF PREPARATION

a) Statement of compliance

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the instructions issued by the Prime Minister's Board and the Electricity Regulatory Commission instructions.
- The main differences between IFRS as applicable and the Prime Ministers Council and the Energy and Mineral Regulatory Commission are as follows:
 - The assets and liabilities of the subscribers' contribution (Note 8) and the assets and liabilities for rural fils (Note 9) are presented on a gross basis in the statement of financial position, the related depreciation and amortization relating to the asset and liabilities respectively are offsetted.
 - The subscribers' contributions assets (Note 8) and rural fils - assets (Note 9) are depreciated over a period of 25 years and not in accordance with international financial reporting standards which require these to be depreciated over their useful life.

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

NOTES TO THE FINANCIAL STATEMENTS

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial assets measured at the fair value through the statement of profit or loss which is measured at fair value. And in accordance with going concern assumption.

c) Functional and presentation currency

The financial statements are presented in Jordanian Dinar, which is the Company's functional and presentation currency.

d) Use of estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives for infrastructure assets and intangible assets under the license agreement based on the general condition of these assets and the expectation for their useful economic lives in the future.
- The infrastructure assets has been depreciated and these assets has been considered as property and equipment, given that the Jordanian government had the control over these assets previously through the purchase option and the determination of sale tariff. However, and according to the management estimates, the government may not exercise the right to purchase, thus there is uncertainty over the possibility of recognizing the residual value, and therefore the Company continue to depreciate the infrastructure assets.

On May 22, 2014 the government has released its control over the infrastructure assets after reaching to a final settlement with the Company which gave the Company the right to exercise control over these assets, which lead to change the nature of these assets to become property and equipment and will continue depreciating these assets.

The management believes based on the achievement of its expectations about the non-practice of government right for the purchase option in addition to the possibility to use the infrastructure in other services and activities without government control, this has been confirmed in the license and settlement mentioned above and it was confirmed by the letter received from Energy and Minerals Regulatory Commission dated February 1st, 2015 number 20/13/899 stating that it had the right to use the Company's infrastructure in other activities during the concession period, therefore comparative figures will not be modified and depreciation on these assets considered correct.

- Management frequently reviews the lawsuits raised against the Company based on a legal study prepared by the Company's legal advisors. This study highlights potential risks that the Company may incurred in the future.
- A provision for doubtful debts is taken in the statement of profit or loss on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRS).
- A provision against the end-of-service indemnity obligations in the statement of profit or loss. Moreover, the actuarial gains or losses are recorded in the statement of other comprehensive income in the year of the estimation.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.

**JORDAN ELECTRIC POWER COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN- JORDAN**

NOTES TO THE FINANCIAL STATEMENTS

- Management estimated the recoverable amount of the other financial assets to determine whether there was any impairment in its value.
- Management estimates the provision for income tax in accordance with the prevailing laws and regulations.
- The Company uses the stage of completion method in accounting for its fixed price construction contracts. Use of the stage of completion method requires the management to estimate the services performed to date as a proportion of the total services to be performed.
- **Fair value hierarchy:**

The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Management believes that its estimates and judgments are reasonable and adequate.

3) Significant Accounting Policies

The accounting policies applied by the Company in these financial statements for the year ended December 31, 2016 are the same as those applied by the Company in its financial statements for the year ended December 31, 2015, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2016:

New Currently Effective Requirements

	<u>Standards</u>	<u>Effective Date</u>
Amendments to IFRS 10, IFRS 12, and IAS 28 Investment Entities: Applying the Consolidation Exception		January 1st, 2016
Amendments to IFRS 11, Accounting for Acquisition of Interests in Joint Operations		January 1st, 2016
Amendment to IAS 1 Disclosures Initiatives		January 1st, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization		January 1st, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants		January 1st, 2016
Amendments to IAS 27 Separate Financial Statements		January 1st, 2016
Annual Improvements to IFRSs 2012- 2014 Cycle		January 1st, 2016
IFRS 14 Regulatory Deferral Accounts		January 1st, 2016

The application of these amended standards did not have a significant effect on the Company's financial statements.

The following are the significant accounting policies adopted by the Company:

a) Investment in associates and Jointly controlled entities

- Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.
- Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

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- The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

b) Financial instruments

i- Financial Assets at Amortized Cost (Early Adoption of IFRS 9 as of January 1, 2011)

- The Company initially recognizes financial assets at amortized cost on the date that they are originated. The financial assets held within the Company management whose objective is to hold these assets in order to collect contractual cash flows, which represent payments of principal and interest on the principal amount outstanding.
- When purchasing these assets they are recognized at cost plus acquisition costs, where premium / discount are amortized using the effective interest method, recording or to the interest account, where any provisions resulted from the impairment in its amount leads to the inability to recover the principal or part of it are deducted, any impairment in its amount to be recognized at the statement of profit or loss.
- The impairment amount in the value of these assets represents the difference between the value recorded at the books and the present value of the expected discounted cash flows at the original effective interest rate.
- Financial assets should not be reclassified from / to this item except in specified cases by the International Financial Reporting Standards. In case of sale of any of these assets before its due date where the sales result should be recorded at the statement of comprehensive income in a separate line and to be disclosed in accordance to the international financial reporting standards requirements.
- Financial assets at amortized cost include trade receivables, due from related parties and cash and cash equivalents.

ii- Financial Assets at Fair Value Through Statement of profit or loss

- A financial asset is classified as at fair value through statement of profit or loss if it is classified as held-for-trading or is designated as such on initial recognition.
- Represent financial assets acquired by the Company for the objective of resale in the near future and to make profits from short-term markets prices fluctuations or margin trading profits.
- When purchasing these assets they are recognized at fair value (acquisition expenses are recognized at the income statement when purchasing) to be re-evaluated later at fair value, the change in fair value appears in the statement of profit or loss including the change in fair value resulting from the differences in conversion of non-monetary assets items in foreign currencies, in the case of selling such assets or part thereof profits or losses to be recorded in the profit or loss.
- Dividends or interests earned are recognized in the statement of profit or loss.
- Financial assets should not be reclassified from / to this item except in specified cases by the international financial reporting standards. Financial assets that do not have prices at active markets and no active trading should not be reclassified at this item, active trading means that these instruments should be quoted within three months from the date of acquisition.

c) Infrastructure Assets and other Fixed Assets

(i) Infrastructure assets

• Recognition and measurement

- Items of infrastructure assets are measured at cost less accumulated depreciation and accumulated impairment losses. These consist of assets which are both under license agreement and owned by the Company (Note 6).
- Cost includes expenditures that are directly attributable to the acquisition of the infrastructure assets.

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- Borrowing costs related to the acquisition or constructions of qualifying assets are capitalized as incurred.
- When parts of an item of infrastructure assets have different useful lives, they are accounted for as separated items.
- Gains and losses on disposal of an item of infrastructure assets are determined by comparing the proceeds from disposal with the carrying amount of infrastructure assets and are recognized net within the profit or loss.

Subsequent costs

- The cost of replacing part of an item of infrastructure assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.
- Ongoing costs of repair and maintenance of infrastructure assets are expensed in the statement of income as incurred.

Depreciation

- Items of infrastructure assets are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.
- Items of infrastructure assets are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.
- The estimated useful lives of infrastructure assets for the current and previous year are as follows:

	<u>Category</u>	<u>Useful Lives</u>
Buildings	Infrastructure and other	50
Transformers	Infrastructure	14
Overhead air networks	Infrastructure	20
Ground cables	Infrastructure	33,3
Leased meters	Infrastructure	14
Furniture & Office equipment	Other	5 – 11
Vehicles	Other	7.69
Other	Other	5 - 20

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- **Subscribers assets and deposits**
This amount was presented in compliance with the Prime Ministers Council and Energy and Minerals Regulatory Commission which stated to present these assets in non-current assets under the name of "Subscribers' contribution-assets" and had in the liability side "Subscribers' contribution-deposits" with the same amount. Subscribers contribution-assets are depreciated at a rate of 4% annually and the Subscribers contribution-liabilities are amortized with the same rate as it will not affect the financial position of the Company
- **Rural fils assets and deposits**
This item represents the infrastructure assets to extend the electricity grid to rural areas which is presented in non-current assets under the name "Rural Fils-assets" and had in the liability side "Rural Fils-Deposits" with the same amount in compliance with the Prime Ministers Council and Energy and Minerals Regulatory Commission. the assets is to depreciated at a rate of 4% annually and the liability is amortize over the same period so it will not affect the financial position of the Company.
- d) **Inventories**
 - Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.
 - Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.
- e) **Construction in progress**
Construction under progress presented at cost and it is include cost of construction, equipment's and direct cost. The constructions under progress do not depreciated until the assets related to it will be ready and available to use.
- f) **Revenues recognition and expenses realization**
 - Revenue recognition and expenses realization are recognized based on accrual basis.
 - Revenue from the sale of power in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of adjustments and trade discounts. The sales prices are based on the Tariff regulated by the Energy and Minerals Regulatory Commission. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer.
 - Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.
- g) **Impairment**
Financial Assets
 - A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.
 - A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
 - An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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- All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of profit or loss.

Non-Financial Assets:

- The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
- An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.
- Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
- All impairment losses are recognized in the statement of profit or loss.
- An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Foreign Currency Transactions

- Transactions in foreign currencies during the year are translated at exchange rates at the dates of the transactions.
- Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jordanian Dinar at the exchange rate at that date.
- The foreign currency gain (loss) on monetary items is the difference between amortized cost in Jordanian Dinar at the beginning of the year, adjusted for effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Jordanian Dinar at the exchange rate at the date that the fair value was determined.
- Foreign currency differences arising on retranslation are recognized in the statement of income.
- Foreign currency differences arising on revaluation of old foreign currency been are recognized as assets and amortized over 25 years.

i) Fair value

- Fair values represent the amount with which an asset could be exchanged, or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction.
- The closing prices (purchase of assets \ sale of liabilities) on financial statements date in effective markets, represents the fair value of financial assets and liabilities that have market prices.
- In the absence of quoted prices or lack of active trading of some financial assets or the in absence of an active market, fair value is determined by comparing with current market value of financial instrument, or by using the discounted future cash flows discounted at the rate of similar financial instrument or by use the net assets value method of investments.

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- j) **End-of-service indemnity**
This item represents expenses and related legal and constructive liabilities in respect of employees' end-of-service as financial statements' date according to the accrual basis.
- k) **Offsetting of financial assets**
Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.
- l) **Date of recognition of financial assets**
Purchase and sell of financial assets are recognized on the trading date (date when company commitment to sell or buy financial assets)
- m) **Provisions**
A provision is recognized if, as a result of a past event, the Company has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability
- n) **Finance expenses**
Finance expenses comprise interest expense on borrowings. All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of income using the effective interest method.
- o) **Subscribers refundable deposits**
The Company collect from subscriber at the time of couching the electricity incompliance with the services cost instructions for the services provided by the electricity companies licensed _to distribute electricity to its subscribers.
- p) **Subscribers' refundable deposits**
The Company collect from each subscriber at the time of connecting the electricity in compliance with the service cost instructions for the services provided by the electricity companies licensed to distribute electricity to its subscribers.
- q) **Income tax**
- Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.
 - Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
 - Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
 - Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
 - Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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- A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.
- Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
- Current tax payable is calculated at the tax rate of 24% in accordance with prevailing income tax law in Jordan.

r) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

4) New standards and interpretations not yet adopted

The following new and revised IFRSs have been issued but are not effective yet, the Company has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

New Standards

- International Financial Reporting Standards (9): Financial Instruments (effective on January 1st, 2018 except for Insurance Companies which will be effective on January 1st, 2021 with earlier application permitted).
- International Financial Reporting Standards (15): Revenue from Contracts with Customers (effective on January 1st, 2018 with earlier application permitted).
- International Financial Reporting Standards (16): Leases (effective on January 1st, 2019 with earlier application permitted).

Amendments to Standards:

- IFRS (2): Classification and Measurements of Share-Based Payments (effective on January 1st, 2018 with earlier application permitted).
- IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. (date to be determined).
- IAS (7): Disclosure Initiative (effective on January 1st, 2017 with earlier application permitted).
- IAS (12): Recognition of Deferred Tax Assets for Unrealized Losses (effective on January 1st, 2017 with earlier application permitted).
- IAS (40): Clarify Transfers of Property to, or from, Investment Property (effective on January 1st, 2018)
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 12 disclosure of interest of other entities (effective on January 1st, 2017).
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 1 First-Time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures (effective on January 1st, 2018)

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Management anticipates that these new standards, interpretations and amendments will be adopted in the dates shown above, which may have no material impact on the financial statements of the Company except for the application of IFRS 9, IFRS 15 and IFRS 16. Management anticipates that these standards will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 for IFRS 9 and IFRS 10 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019. The application of these standards may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Bank's consolidated financial statements in respect of its leases, though it is not practical to present a reasonable report for the consequences of applying those standards until the Company reviews the impact.

5) Operating Segment

The Company has a single reporting segment and all services with their related revenues and balances are domiciled in the region of Jordan. The revenues derived from government and semi government entities amounted to JOD 109,941,750 (2015: JOD 108,807,352).

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6) Infrastructure Assets and Other Fixed Assets

In Jordanian Dinar	Infrastructure Assets						Other Fixed Assets						
	Lands	*Buildings	Transformers	Air networks	Ground cables	Leased Meters	Total infrastructure assets	Lands	Buildings	Furniture	Vehicles	Others	Total
Cost													
Balance as of January 1 st , 2015	1,505,106	18,012,276	163,215,103	117,151,485	177,525,612	29,599,546	507,009,128	5,882,678	4,009,997	12,850,457	6,136,385	18,532,304	554,420,949
Additions for the year	824,953	1,070,947	14,714,885	9,167,571	13,101,058	2,374,435	41,253,849	-	204,856	571,048	322,248	802,944	43,154,945
Disposal for the year	-	-	-	-	-	-	-	(1,431,600)	-	-	-	-	(1,431,600)
Spare parts transferred to projects	-	-	(3,470,743)	(2,133,450)	(3,401,210)	(820,839)	(9,826,242)	-	-	-	-	-	(9,826,242)
Balance at December 31, 2015	2,330,059	19,083,223	174,459,245	124,185,606	187,225,460	31,153,142	538,436,735	4,451,078	4,214,853	13,421,505	6,458,633	19,335,248	586,318,052
Balance as of January 1 st , 2016	2,330,059	19,083,223	174,459,245	124,185,606	187,225,460	31,153,142	538,436,735	4,451,078	4,214,853	13,421,505	6,458,633	19,335,248	586,318,052
Additions for the year	620,014	1,307,186	14,191,265	8,809,989	15,274,214	3,392,103	43,594,771	-	343,332	308,132	659,208	1,131,569	46,037,012
Disposal for the year	-	-	-	-	-	-	-	-	-	-	(257,830)	-	(257,830)
Spare parts transferred to projects	-	-	(4,410,591)	(2,594,514)	(3,506,834)	(899,486)	(11,411,425)	-	-	-	-	-	(11,411,425)
Balance at December 31, 2016	2,950,073	20,390,409	184,239,919	130,401,081	198,992,840	33,645,759	570,620,081	4,451,078	4,558,185	13,729,637	6,860,011	20,466,817	620,685,809
Accumulated depreciation													
Balance as of January 1 st , 2015	-	4,348,793	87,874,031	63,359,328	53,453,314	15,614,817	224,650,283	-	801,809	9,988,197	5,276,543	15,520,374	256,237,206
Depreciation for the year	-	370,895	7,755,671	4,083,068	5,053,622	1,485,873	18,749,129	-	82,248	540,857	288,345	550,042	20,210,621
Disposal for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2015	-	4,719,688	95,629,702	67,442,396	58,506,936	17,100,690	243,399,412	-	884,057	10,529,054	5,564,888	16,070,416	276,447,827
Balance as of January 1 st , 2016	-	4,719,688	95,629,702	67,442,396	58,506,936	17,100,690	243,399,412	-	884,057	10,529,054	5,564,888	16,070,416	276,447,827
Depreciation for the year	-	394,677	8,300,010	4,290,978	5,303,033	1,558,414	19,847,112	-	87,730	178,159	254,132	995,343	21,362,476
Disposal for the year	-	-	-	-	-	-	-	-	-	-	(257,830)	-	(257,830)
Balance at December 31, 2016	-	5,114,365	103,929,712	71,733,374	63,809,969	18,659,104	263,246,524	-	971,787	10,707,213	5,561,190	17,065,759	297,552,473
Net Book value													
As of December 31, 2015	2,330,059	14,363,535	78,829,543	56,743,210	128,718,524	14,052,452	295,037,323	4,451,078	3,330,796	2,892,451	893,745	3,264,832	309,870,225
As of December 31, 2016	2,950,073	15,276,044	80,310,207	58,667,707	135,182,871	14,986,655	307,373,557	4,451,078	3,586,398	3,022,424	1,298,821	3,401,058	323,133,336

- Some of the Company's buildings constructed on lands owned by subscribers.
- Total fully depreciated assets amount to JD 140,112,667 as of December 31, 2016.

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7) Intangible Assets

The Company obtained a permanent license to distribute electricity on May 23, 2014 under the agreement signed with the Jordanian Government for 20 years to pay an amount of JOD 65 Million to the Jordanian Government on equal installments in amount of JOD 5,000,000 each over 13 years, the first installments will start after 3 years of signing the agreement.

The Company calculate the assets and obligation value to acquire the license and recognized its value at the present value of the payments at a discount rate of 8%, where the detailed is as follow:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Intangible assets	33,881,070	33,881,070
Accumulated amortization*	(4,409,244)	(2,715,191)
Net book value	29,471,826	31,165,879
License Obligation / Government – long term	36,428,779	38,359,980
License Obligation / Government – Short term	5,000,000	-
Total License Obligation	41,428,779	38,359,980

*The movement of the accumulated amortization during the year is as follows:

<i>In Jordanian Dinar</i>	2016	2015
Balance at the beginning of the year	2,715,191	1,021,138
Amortization for the year	1,694,053	1,694,053
Balance at the End of the Year	4,409,244	2,715,191

8) Subscribers' Contribution-Assets / Subscribers' Contribution-Deposits

This item is presented as a separate item in the statement of financial position in compliance with the Prime Ministers Board Resolution as referred to in the letter of Prime Minister No. 33/11/6189 dated June 4, 1985 which stipulates to present these assets under its correct name of "Subscribers' contribution-Assets" presented in both asset and liability as separate line items in the statement of financial position. The subscribers' contribution-assets is to depreciate for a period of 25 years with a rate of 4% annually and the liability is amortize over the same period from the year 1985. This rule is applied towards the accumulated contribution starting December 31, 1985 and for future periods.

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As mentioned in Note (2) and (3), these assets are also under the previous concession agreement and the current license agreement detailed of this item is as follow:

<i>In Jordanian Dinar</i>	Subscribers' Contributions-Assets / Deposits	Total
<u>Cost</u>		
Beginning balance as of January 1 st , 2015	215,831,216	215,831,216
Additions	14,188,628	14,188,628
Balance as of December 31, 2015	230,019,844	230,019,844
<u>Cost</u>		
Beginning balance as of January 1 st , 2016	230,019,844	230,019,844
Additions	18,921,953	18,921,953
Balance as of December 31, 2016	248,941,797	248,941,797
<u>Accumulated depreciation</u>		
Beginning balance as of January 1 st , 2015	79,669,128	79,669,128
Depreciation for the year	8,519,375	8,519,375
Balance as of December 31, 2015	88,188,503	88,188,503
balance as of January 1 st , 2016	88,188,503	88,188,503
Depreciation for the year	9,127,920	9,127,920
Balance as of December 31, 2016	97,316,423	97,316,423
<u>Net book value:</u>		
December 31, 2015	141,831,341	141,831,341
December 31, 2016	151,625,374	151,625,374

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9) Rural Fils-Assets / Rural Fils-Deposits

This item represents the infrastructure assets to extend the electricity grid to rural areas and presented in line with the Prime Ministers Board Resolution dated November 22, 1983, which stipulates that these assets and corresponding liability should be presented in a separate line items in the statement of financial position, and the assets shall be depreciated over a period of 25 years with a rate of 4% annually as well as the liability is amortize over the same percent. As mentioned in Notes (2) and (3) these assets are subject to the previously concession agreement and to the current license agreement, the details of this item is as follow:

<i>In Jordanian Dinars</i>	Rural Fils Assets / Deposits	Total
<u>Cost</u>		
Beginning balance as of January 1 st , 2015	51,005,754	51,005,754
Additions	821,055	821,055
Balance as of December 31, 2015	51,826,809	51,826,809
<u>Cost</u>		
Beginning balance as of January 1 st , 2016	51,826,809	51,826,809
Additions	885,645	885,645
Balance as of December 31, 2016	52,712,454	52,712,454
<u>Accumulated depreciation</u>		
Beginning balance as of January 1 st , 2015	26,966,672	26,966,672
Depreciation for the year	2,052,156	2,052,156
Balance as of December 31, 2015	29,018,828	29,018,828
Balance as of January 1 st , 2016	29,018,828	29,018,828
Depreciation for the year	2,077,314	2,077,314
Balance as of December 31, 2016	31,096,142	31,096,142
<u>Net book value:</u>		
December 31, 2015	22,807,981	22,807,981
December 31, 2016	21,616,312	21,616,312

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10) Investments in Associates

This item represent investment in Electrical Equipment Industries Company, its details are as follows:

<i>In Jordanian Dinars</i>	Legal Form	Country of Incorporation	Ownership Percentage
Electrical Equipment Industries Company	Limited liability Company	Jordan	%27.5

The movement on investments in associates during the year is as follows:

<i>In Jordanian Dinars</i>	2016	2015
Balance at the beginning of the year	1,218,464	1,191,005
Company's share in associates operations	102,160	27,459
Balance at End of Year	1,320,624	1,218,464

The following table summarizes the financial information for investments in associates:

<i>In Jordanian Dinars</i>	Ownership Percentage	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Revenue	Expenses	Profit
%										
As of December 31, 2016										
Electrical Equipment Industries Company	27.5	6,805,138	1,128,399	7,933,537	3,131,268	-	3,131,268	4,876,035	(4,544,539)	331,496
As of December 31, 2015										
Electrical Equipment Industries Company	27.5	7,822,983	1,092,843	8,915,826	4,485,047	-	4,485,047	6,615,785	(6,425,170)	190,615

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11) Taxes

A- Deferred income tax

This details of this account is as follows

This details of this account is as follows					
Items which Produced Deferred Tax Assets	Deferred income tax				As of December 31, 2016
	Beginning Balance	Additions	Releases	Ending Balance	
<i>In Jordanian Dinar</i>					
End-of-service provision	19,154,127	2,651,372	(2,451,372)	19,354,127	4,644,990
provision for doubtful receivables	3,613,800	1,500,000	-	5,113,800	1,227,312
	<u>22,767,927</u>	<u>4,151,372</u>	<u>(2,451,372)</u>	<u>24,467,927</u>	<u>5,872,302</u>

	Deferred income tax				
Items which Produced Deferred Tax Assets	Beginning Balance	Additions	Releases	Ending Balance	As of December 31, 2015
<i>In Jordanian Dinar</i>					
End-of-service provision	18,368,923	4,474,615	(3,689,411)	19,154,127	4,596,990
provision for doubtful receivables	2,363,800	1,250,000	-	3,613,800	867,312
Accumulated losses	7,976,553	-	(7,976,553)	-	-
	<u>28,709,276</u>	<u>5,724,615</u>	<u>(11,665,964)</u>	<u>22,767,927</u>	<u>5,464,302</u>

The movement on deferred tax for the year is as follow:

<i>In Jordanian Dinar</i>	For the Year Ended on December 31,	
	2016	2015
Beginning balance for the year	5,464,302	6,890,227
Additions for the year	996,329	1,373,907
Disposed during the year	(588,329)	(2,799,832)
Balance at the End of the Year	<u>5,872,302</u>	<u>5,464,302</u>

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B- Income tax provision

The movement on income tax provision for the year is as follow:

<i>In Jordanin Dinar</i>	As of December 31,	
	2016	2015
Beginning balance for the year	3,922,615	257,414
Paid during the year	(3,922,365)	(50,030)
Income tax expense for the year	5,939,494	3,715,231
Balance at the End of the Year	5,939,744	3,922,615

The movement on income tax expense presented in profit or loss for the year is as follow:

<i>In Jordanin Dinar</i>	2016	2015
Income tax on current year profits	5,939,494	3,715,231
Income tax on prior years	1,223,859	-
Deferred tax assets for the year	(996,329)	(1,373,907)
Amortization of deferred tax assets	588,329	2,799,832
	6,755,353	5,141,156

The following is a summary of the reconciliation between accounting profit and taxable profit:

<i>In Jordanin Dinar</i>	2016	2015
Accounting profit	19,489,000	27,950,217
Add: non-deductable tax expenses	5,426,029	5,982,038
Less: deductible tax expenses	(167,138)	(10,475,574)
	24,747,891	23,456,681
Accumulted losses	-	(7,976,553)
Taxable profit	24,747,891	15,480,128
Income tax Expense	5,939,494	3,715,231
Income tax rate	24%	24%
Effective tax rate	30.5%	13.3%

The Company has reached to a final settlement with the Income and Sales Tax Department up to the year 2014. Moreover, the Company has submitted its tax return for the year 2015 which still under review by the Income and Sales Tax Department. In addition the Company has submitted its Sales Tax returns until month of December 2016. In the opinion of management and its tax advisor, the income tax provisions recorded in the financial statements are sufficient to meet the tax obligations.

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12) Inventory

This details of this account is as follows:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Materials in warehouses	676,126	772,197
	676,126	772,197

13) Financial Assets at Fair Value Through Income Statement

This details of this account is as follows:

<i>In Jordanian Dinar</i>	# of shares	Fair value	As of December 31,	
			2016	2015
Arab Bank	65,988	6.170	407,146	425,623
Phosphate Mines	40,384	2,140	86,422	200,820
Petroleum Refinery	375,312	3,420	1,283,567	1,196,307
General Company for Mining	19,500	1,900	37,050	38,805
Capital Bank	258,286	0.830	214,377	258,286
Commercial buildings Co.	625		1,738	1,738
			2,030,300	2,121,579

14) Balances and Transactions with Related Party

Related parties represent major shareholders, directors and key management personnel of the Company, and associate company. The Company's management had approved the pricing policy and the dealing condition with the related parties.

<i>In Jordanian Dinar</i>	Nature of Relation	Nature of Transaction	Transaction volume		Balance as of December 31,	
			2016	2015	2016	2015
<u>(14-1) Due from a related party</u>						
Electrical Equipment Industries Company	Associate Company	Purchases	5,709,375	8,011,927	608,736	-
					<u>608,736</u>	<u>-</u>
<u>(14-2) Due to a related party</u>						
Electrical Equipment Industries Company	Associate Company	Purchases	5,709,375	8,011,927	-	562,632
					<u>-</u>	<u>562,632</u>

(14-3) Salaries and benefits of senior executive management

Short-term salaries and remuneration of the executive management and board of directors members amounted to JOD 804,444 for the year ended December 31, 2016. (2015: JOD 843,695).

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15) Subscribers' Receivables

This details of this account is as follows:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Receivables subscribers / Residential	115,425,227	95,997,440
Receivables commercial subscribers	51,409,316	48,564,148
Receivables small industrial users	10,110,075	9,598,448
Receivables subscribers / government departments	8,592,503	7,009,956
Receivables subscribers pumps	7,917,171	5,816,060
Receivables subscribers street lighting	11,771,040	7,770,749
Receivables subscribers Radio and TV	180,044	106,508
Receivables subscribers Hotels	557,267	422,529
Receivables subscribers / Company's employees	191,875	179,857
Receivables subscribers / usual charities	31,681,721	25,614,911
Receivables subscribers Armed Forces	27,857,587	62,609,651
Receivables subscribers banks	1,312,002	1,053,287
Receivables subscriber telecommunications	8,833,311	7,513,431
Receivables subscribers temporary counter	2,879,474	2,713,643
Receivables subscribers commercial farming	539,197	386,643
Receivables subscribers industrial (mid)	16,281,062	18,245,430
Receivables agricultural subscribers	2,014,233	1,937,135
Receivables agricultural / triple tariff subscribers	1,400,790	990,061
Receivables subscribers differences consumption	73,432,516	63,854,010
Receivables subscribers renewable energy wheeling	7,777	17,246
Total Subscribers receivables before allowance	372,394,188	360,401,143
Allowance of doubtful debts	(8,243,846)	(6,743,846)
Total	364,150,342	353,657,297

The following table is the aging receivables as of the financial statements date:

<i>In Jordanian Dinar</i>	2016		2015	
	Gross Receivables	Allowance of Doubtful Debts	Gross Receivables	Allowance of Doubtful Debts
Less than one year	281,524,104	-	284,034,878	-
1-5 years	81,975,392	(5,786,113)	73,770,955	(4,148,536)
More than 5 years	8,894,692	(2,457,733)	2,595,310	(2,595,310)
	372,394,188	(8,243,846)	360,401,143	(6,743,846)

* The movement over provision of receivables during the year is as the follow:

<i>In Jordanian Dinars</i>	2016	2015
Balance at the beginning of the year	6,743,846	5,493,846
Provision for the year	1,500,000	1,250,000
Balance at the End of the Year	8,243,846	6,743,846

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16) Receivables

This details of this account is as follows:

<i>In Jordanian Dinars</i>	As of December 31,	
	2016	2015
Municipalities and village councils	1,834,989	2,252,679
Government entites	18,036,878	25,354,068
Companies and contractors	3,245,055	2,088,197
Other	1,681,642	267,093
	24,798,564	29,962,037
Less : provision of doubtful debts	(787,559)	(787,559)
Less : provision of governement interest entities	(3,852,028)	(3,852,028)
	20,158,977	25,322,450

17) Other Debit Balances

This details of this account is as follows:

<i>In Jordanian Dinars</i>	As of December 31,	
	2016	2015
Prepaid expenses	1,251,926	1,100,658
Refundable for departments of land	134,321	633,889
Sales tax deposit	125,828	122,026
Constratcion under process	12,190	11,003
Refundable deposit	19,394	18,393
Others	-	4,570
	1,543,659	1,890,539

18) Cash and Cash equivalents

<i>In Jordanian Dinars</i>	As of December 31,	
	2016	2015
Current accounts at Banks	309,979	3,010,382
Total Current Accounts at Banks	309,979	3,010,382
Less : Due to Banks*	(219,313,624)	(175,207,400)
Cash and Cash equivilants	(219,003,645)	(172,197,018)

*The due to banks items represent:

<i>In Jordanian Dinar</i>	Interest	Collateral	Maturity date	As of December 31,	
				2016	2015
Due to local banks	%5,25 – %4,70	Company's gurantee	Annually renewed	219,313,624	175,207,400
				219,313,624	175,207,400

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19) Statutory Reserve

According to Jordanian Companies Law No. 22 of 1997; the public shareholding company shall deducts 10% of their annual profits to calculate statutory reserve, and will continue on this deduction every year so that it does not exceed the total of 25% of the Company's authorized capital.

20) Dividend Distribution

The General Assembly has resolved in their ordinary meeting, held on April 21, 2016 to distribute 10% from the company's paid up capital which is equivalent to JOD 7,560,000 from the year 2015.

The General Assembly has resolved in its ordinary meeting, held on April 30, 2015 to distribute cash dividends from the year 2014 by 2,91% from the nominal value of the share to the shareholders, which is equivalent to JOD 2,199,961 through borrowing from the statutory reserve, while the Company's General Assembly has decided at the annual ordinary meeting held on March 30, 2014 to distribute dividends for the year 2013 by 7.5% of the nominal value of shares to the shareholders which is equivalent to JOD 5,670,000 through by borrowing from the statutory reserve.

In which the article 186 of the Jordanian Companies law for the companies with concession agreement has the right to borrow from the statutory reserve to secure minimum profit threshold as follows "may not be distributed compulsory reserve for a public shareholding company to its shareholders, but may be used to secure the minimum profit to be in the same corporate agreements excellence in any year the profits of these companies do not allow them to secure this limit, the board of Directors that brings to this reserve what was taken when permitted by the company's profits in the following years. "

21) Loans

This item consist of the following:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Loans due within one year	6,500,000	6,500,000
Loans due more than one year	54,625,000	10,875,000
	61,125,000	17,375,000

*The table below represent the loans granted to the Company by local banks to finance the December 31 Company's working capital and the execution and the development of projects under constructions:

<i>In Jordanian Dinar</i>			December 31,	
	Interest	Collateral	2016	2015
Declining Loans	5- 5.75%	Company's gurantee	61,125,000	17,375,000
			61,125,000	17,375,000

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22) Subscribers' Refundable Deposits

This item represents the balance of the refundable deposits which the Company collects when it delivers the electricity to the subscriber as a deposit for electricity consumption based on the instruction delivery costs for services that provide the concessionaire electricity companies to subscribers and currently the license articles obtained by the Company which states the same methodology.

- The movement on the subscribers' Refundable deposit account during the year was as follows:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Balance at the beginning of the year	93,127,734	87,041,533
Collected during the year	8,805,863	8,290,648
Paid during the year	(1,603,189)	(2,204,447)
Balance at the End of the Year	100,330,408	93,127,734

23) End-of-Service Indemnity Provision

The Company offers benefits to its employees represented by the provision for end-of-service indemnity, which aims to provide a benefit to employees after the end-of-service, where the benefit granted to the employee who ended his service and has the right to collect these benefits based on the Company's internal policies.

The Company uses an actuarial expert to determine the present value of future benefits to employees, where the details are as follows:

- a- The present value of end-of-service:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
The present value for the commitment to employees in service	19,220,026	18,838,152
Additional provision over the employee out-of-service	134,101	315,975
Balance at the End of the Year	19,354,127	19,154,127

- b- The movement on the end of service account during the year was as follows:

<i>In Jordanian Dinar</i>	2016	2015
Balance beginning of the year	19,154,127	18,368,923
Current year service and interest expense	2,651,372	4,474,615
Less: Provision for end-of-service indemnity paid during the year	(2,451,372)	(3,689,411)
Balance at the End of the Year	19,354,127	19,154,127

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c- Basic assumptions

The following table present the optimal estimates of the variables adopted by the Company which will determine the maximum cost of a dedicated end-of-service indemnity:

	2016	2015
Discount rate	7.5%	7.5%
Salary escalation rate	4.5%	4.5%
Employee data:		
Number of employees	2,461	2,496
Average age factor	43.7	43.1
Average service	18.7	18
Total monthly wages subject to the end-of-service for employees	2,731,720	2,616,839

- d- The probable reasonable changes in the report date to one of the related actuarial assumptions, and other constant assumptions, may affect the defined benefit obligation by the amounts shown below:

The increase or decrease by 1% on the actuarial assumptions will lead to (decrease) increase in the provision for end-of-service indemnity as follows:

<i>In Jordanian Dinar</i>	As of December 31,			
	2016		2015	
	Increase	Decrease	Increase	Decrease
Discount factor	(1,776,585)	1,776,585	(1,337,748)	1,551,878
Salary esclating rate	(2,176,876)	2,176,876	3,162,801	(2,776,543)
Resignations rate	(183,152)	183,152	98,212	(110,925)
Mortality	(16,530)	16,530	4,167	(4,190)

24) Employee Funds

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Medical Services Fund	6,882,315	6,941,308
Employees Provident Fund	5,741,463	5,591,247
Health Insurance Fund after Retirement	2,812,444	2,341,920
Life Insurance Fund	68,861	221,240
Solidarity Fund	946,615	1,225,768
	16,451,698	16,321,483

These funds are considered a separate legal entities. The Company is responsible for the management of these funds on behalf of employees and union workers, all funds associated with these transactions are recorded through the Company's accounts, which require registration of amounts due from these transactions as liabilities for these funds.

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25) Payables

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
National Electric Power Co- NEPCO*	147,080,287	224,122,458
Government entities	11,190,090	22,968,333
Companies payables and other **	11,659,997	13,762,359
Employee payables	450,543	533,713
	170,380,917	261,386,863

*Based on the decision of the Council of Ministers No. (192), the Company has offset the balance of the receivables related to military institutions as of December 31, 2015 in amount of JOD 62,204,297 with the account of the National Electricity Company, which led to a reduction of both receivables subscribers and payable balance as mentioned above. The decision did not include the write-off of accrued delayed interest (Revenue and expenses) on each of the military institutions balances or balances on the National Electricity Company.

** This item includes the payments made by the Company to Business Innovation Company (a partner in the subsidiary Company which was established in subsequent period) for updating the new (ERP) system, these balances amounting to about JOD 1/3 million considered as payments in advance.

26) Other Credit Balances

The details of this account is as follows:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Undistributed dividends	2,980,701	2,744,336
Other provisions	368,114	365,004
Expenses and accrued interest	1,997,855	723,481
Social security	524,054	500,631
Revenue received in advance	54,688	-
Network Insurance	67,870	67,850
Insurance of lines bidding	10,414	10,410
	6,003,696	4,411,712

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27) Revenues from Sales of Energy

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Residential	302,934,343	306,537,917
Commercial	227,135,482	219,542,789
Manufacturing	175,368,030	172,963,641
Government and Armed forces	75,886,649	73,066,876
Hospitals and places of worship	79,262,164	80,992,765
Agricultural and water pumps	47,187,587	46,477,875
Banks	23,906,813	23,423,628
Telecomunciations	36,671,463	33,306,309
Hotels	3,481,119	10,008,627
Estimated deductions	2,209,432	3,240,318
Street lighting	20,208,351	17,581,452
Radio and TV	1,199,891	1,201,429
Employees	989,467	1,035,033
	996,440,791	989,378,659

28) Cost of Energy Purchases

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Energy purchased – morning	621,359,991	614,462,451
Energy purchased – evening	194,466,760	193,597,667
Maximum load	61,304,997	60,737,402
	877,131,748	868,797,520

29) Revenues/Expenses from Other Core Operations

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Meter installation revenue	372,632	482,861
Leased meters wages	3,674,750	3,497,687
Private networks revenue	643,088	645,571
Transit of electrical energy revenue	38,311	17,226
Differences resulting from the implementation of rural projects	(228,394)	(331,547)
Stamps and fees on the claims for rural fils	(5,315)	(4,927)
Re-charge arrived unbroken stream	649,206	321,276
	5,144,278	4,628,147

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30) General, Operating and Subscribers' Services

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Maintenance of transmission lines expenses (30-a)	1,732,032	1,935,315
Maintenance of distribution lines expenses (30-b)	20,025,531	18,667,682
Administrative expenses (30-c)	27,392,718	26,203,212
Subscribers' services expenses (30-d)	21,215,518	19,713,389
Control center expenses	1,022,493	1,073,531
Maintenance of general assets	612,074	689,253
	72,000,366	68,282,382

(30-a) Maintenance of Transmission Lines Expense

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Overhead lines	877,629	923,980
Stations	588,687	652,681
Supervision and engineering	227,148	206,600
Ground cables	26,149	129,199
Buildings	12,391	22,801
Miscellaneous	28	54
	1,732,032	1,935,315

(30-b) Maintenance of Distribution Lines Expense

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Overhead lines	7,147,584	6,347,844
Meters	4,062,765	3,963,140
Stations	2,750,839	2,736,811
Ground cables	1,517,509	1,738,585
Supervision and engineering	1,262,001	1,283,248
Rent	1,030,905	878,624
Street lighting	460,518	514,045
Miscellaneous	1,793,410	1,205,385
	20,025,531	18,667,682

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(30-c) Administrative Expense

This details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Salaries and employee benefits	21,048,332	20,738,061
Variety and General	3,075,511	2,023,562
Assets insurance	538,824	536,852
Doubtful debt provision expense	1,500,000	1,250,000
Rent	439,960	408,235
Consulting	320,217	221,727
End of service indemnity expense	200,000	785,204
Office Supplies	219,874	192,681
Board of director's remunerations	50,000	46,890
	27,392,718	26,203,212

(30-d) Subscribers' Services Expenses

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Meter reading and distribution of bills	18,257,260	16,552,167
Other services	2,029,384	2,149,562
Salaries and employee benefits	928,874	1,011,660
	21,215,518	19,713,389

31) Revenues from Non- Core Operations

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Gain from sale of land (Am Al kundo)	-	6,160,200
TV fee revenues	730,638	694,070
Garbage fee revenue	2,391,457	2,237,565
Street-lighting maintenance expenses	(52,160)	(112,513)
Various imports (channels change and others)	212,724	302,345
Revenue from studies of renewable energy systems	1,409,021	911,782
Tampering fines plugged transactions	-	783,214
Sale of scrap materials	79,166	85,301
Rent columns / Zain instead	70,313	112,500
Rent columns / Orange instead	75,600	76,500
Rent columns / Umniah instead	121,500	118,900
Investment income	86,639	189,005
(Loss) profit from valuation of shares	(91,279)	22,562
The profits of investments in electrical equipment manufacturing company	102,160	27,459
(Loss) on currency differences	(4,277)	(11,654)
	5,131,502	11,597,236

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32) Expenses from Non-Core Operations

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Property tax and fees	85,624	82,835
Donations	28,880	28,389
The share of non-core activities of the common expenses	246,895	558,955
The share of non-core activities of depreciation expenses	107,495	232,695
	468,894	902,874

33) Finance Cost

The details of this account is as follows:

<i>In Jordanian Dinar</i>	For the Year Ended December 31,	
	2016	2015
Loans interest	1,766,412	1,286,567
Credit facilities interest – due to banks	11,556,481	13,493,874
Interest for employees funds	492,960	560,279
License obligation interest	3,068,799	2,841,479
	16,884,652	18,182,199

34) Basic and Diluted Earnings Per Share from Profit for the Year

<i>In Jordanian Dinar</i>	2016	2015
Profit for the year	12,733,647	22,809,061
Weighted average of number of share*	77,490,000	77,490,000
Basic earnings per share of current year profit	0,164	0,29
Diluted earnings per share of current year profit	0,164	0,29

The adjusted weighted average of shares for the year ended December 31, 2015 has been adjusted to be 77.49 Million shares instead of the 75.6 million shares that the increase in the shares resulted from distribution of free shares.

35) Contingent Liabilities

The Company has contingent liabilities as of the date of the financial statement as follow:

<i>In Jordanian Dinar</i>	As of December 31,	
	2016	2015
Legal Cases	1,755,717	1,108,280
Bank guarantees	145,000	376,782

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36) Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of Company's risk management framework.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company board of directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

- Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables and investment securities.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

<i>In Jordanian Dinar</i>	Net book value	
	2016	2015
Subscribers receivables	364,150,342	353,657,297
Receivables	20,158,977	25,322,450
Other debit balances	291,733	789,879
Due from a related party	608,736	-
Cash and cash equivalents	309,979	3,010,382
	<u>385,519,767</u>	<u>382,780,008</u>

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The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customer operate, has less of an influence on credit risk.

The Company exclusively operates in the four cities Amman, Zarqa, Madaba and Salt. All the consumers in these cities are its customer. The impaired amounts under subscriber receivables are detailed in note (15). Any customer which is past due is considered as impaired and included in the provision calculation and estimates. Allowances are takeoff based on past due and aging analysis.

- Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains line of credit from its bank for sudden cash requirements. Therefore, the company maintains line of credit facilities to meet short-term obligations in an overdraft accounts taken from several local banks in which the ceiling of the facilities from 50,000 to JOD 20,000,000, on interest rates on these facilities ranging between 4,70% to 5,25%.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

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Non-derivative financial liabilities:

<i>In Jordanian Dinars</i>	<u>Book value</u>	<u>Contracted cash flows</u>	<u>6 months or less</u>	<u>12 - 6 Months</u>	<u>More than one year</u>
2016					
Loans	61,125,000	61,125,000	3,250,000	3,250,000	54,625,000
Subscribers' refundable deposits	100,330,408	100,330,408	-	-	100,330,408
Employees benefit funds	16,451,698	16,451,698	-	-	16,451,698
Payables	170,380,917	170,380,917	170,380,917	-	-
Other credit balances	6,003,696	6,003,696	6,003,696	-	-
Due to banks	219,313,624	219,313,624	219,313,624	-	-
Provision for end-of-service indemnity	19,354,127	19,354,127	-	-	19,354,127
License obligation/ government	41,428,779	41,428,779	5,000,000	-	36,428,779
Income tax provision	5,939,744	5,939,744	5,939,744	-	-
	<u>640,327,993</u>	<u>640,327,993</u>	<u>409,887,981</u>	<u>3,250,000</u>	<u>227,190,012</u>
Bank guarantees	145,000	(145,000)	(145,000)	-	-
2015					
Loans	17,375,000	17,375,000	3,250,000	3,250,000	10,875,000
Subscribers' refundable deposits	93,127,734	93,127,734	-	-	93,127,734
Employees benefit funds	16,321,483	16,321,483	-	-	16,321,483
Payables	261,386,863	261,386,863	261,386,863	-	-
Other credit balances	4,411,712	4,411,712	4,411,712	-	-
Due to banks	175,207,400	175,207,400	175,207,400	-	-
Provision for end of service indemnity	19,154,127	19,154,127	-	-	19,154,127
License obligation/ government	38,359,980	38,359,980	-	-	38,359,980
Income tax provision	3,922,615	3,922,615	3,922,615	-	-
	<u>629,266,914</u>	<u>629,266,914</u>	<u>448,178,590</u>	<u>3,250,000</u>	<u>177,838,324</u>
Bank guarantees	376,782	(376,782)	(376,782)	-	-

The Company liquidity position as of date of financial statements was as follow:

<i>In Jordanian Dinars</i>	As of December 31,	
	2016	2015
Current assets	389,478,119	386,774,444
Less : Current liabilities	(413,137,981)	(451,991,222)
Working capital (deficit)	(23,659,862)	(65,216,778)

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations through its operating future cash flows and borrowing; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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- Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- Currency Risk

Most of the Company's financial assets and liabilities are in Jordanian Dinar. Most of the Company's transactions in general are in Jordanian Dinar and US Dollar. Due to the fact that the Jordanian Dinar is pegged with US Dollar, the Company's management believes that the foreign currency risk is not material on the financial statements.

The summary of quantitative data about the Company's exposure to foreign currency risk provided to management of the Company based on its risk management policy was as follows:

<i>In Jordanian Dinars</i>	<u>JOD</u>	<u>EURO</u>	<u>USD</u>	<u>GBP</u>	<u>LBP</u>
2016					
Cash and cash equivalents	124,841	151,434	31,344	2,360	-
Financial assets at fair value through profit or loss	2,028,562	-	-	-	1,738
	<u>2,153,403</u>	<u>151,434</u>	<u>31,344</u>	<u>2,360</u>	<u>1,738</u>
2015					
Cash and cash equivalents	2,869,768	106,911	30,985	2,718	-
Financial assets at fair value through profit or loss	2,119,841	-	-	-	1,738
	<u>4,989,609</u>	<u>106,911</u>	<u>30,985</u>	<u>2,718</u>	<u>1,738</u>

- Sensitivity analysis

A strengthening (weakening) of the JD, as indicated below, against the EURO, USD, GBP and LBP as of December 31 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

<i>In Jordanian Dinars</i>	<u>Decrease</u>		<u>Increase</u>	
	<u>Equity</u>	<u>Loss</u>	<u>Equity</u>	<u>Income</u>
2016				
EURO (10% change)	(15,143)	(15,143)	15,143	15,143
USD (10% change)	(3,134)	(3,134)	3,134	3,134
GBP (10% change)	(236)	(236)	236	236
LBP (10% change)	(174)	(174)	174	174
	<u>(18,687)</u>	<u>(18,687)</u>	<u>18,687</u>	<u>18,687</u>

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EURO (10% change)	(10,691)	(10,691)	10,691	10,691
USD (10%)	(3,098)	(3,098)	3,098	3,098
G. BP (10%)	(2,718)	(2,718)	2,718	2,718
LBP (10%)	(174)	(174)	174	174
	<u>(16,681)</u>	<u>(16,681)</u>	<u>16,681</u>	<u>16,681</u>

- Interest rate risk

At the reporting date of financial statements the interest rate profile of the Company's interest-bearing financial instruments was as follows:

In Jordanian Dinar

	<u>2016</u>	<u>2015</u>
Fixed Rate Instruments:		
Financial Liabilities	296,890,322	208,903,883
	<u>296,890,322</u>	<u>208,903,883</u>

Sensitivity Analysis

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JD 2,698,903, a decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JD 2,698,903.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through comprehensive income, Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

- Other market price risk

Equity price risk arises from financial assets at fair value through other comprehensive income held for meeting partially the unfunded portion of the Company's obligations as well as investments at fair value through profit or loss. Management of the Company monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

Sensitivity analysis for equity price risk

A change of 5% in fair value of the securities at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<u>2016</u>	<u>Profit or loss</u>		<u>Equity</u>	
	<u>5% Increase</u>	<u>5% decrease</u>	<u>5% Increase</u>	<u>5% decrease</u>
<i>In Jordanian Dinar</i>				
Financial assets at fair value through profit or loss	101,515	(101,515)	101,515	(101,515)
	<u>101,515</u>	<u>(101,515)</u>	<u>101,515</u>	<u>(101,515)</u>

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In Jordanian Dinar

Financial assets at fair value through profit or loss	106,079	(106,079)	106,079	(106,079)
	<u>106,079</u>	<u>(106,079)</u>	<u>106,079</u>	<u>(106,079)</u>

- Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings and non-controlling interests of the Company.

The management monitors the return on capital, which is management defined as net operation income divided by total shareholders' equity.

The management seeks to maintain a balance between the highest returns that might be possible with highest levels of borrowings and the advantages and security afforded by a sound capital position.

Debt-to-adjusted Capital Ratio

In Jordanian Dinar

	2016	2015
Total Debt	813,569,679	794,468,868
(Less) cash and cash equivalents	(309,979)	(3,010,382)
Net Debt	813,259,700	791,458,486
Adjusted capital	114,610,967	109,437,320
Debt - to- adjusted capital ratio	7.09	7.23

37) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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A. Financial assets and liabilities that are measured at fair value on a recurring basis:

<i>Jordanian Dinar</i>	Carrying Amount	December 31, 2016		
		Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	(219,003,645)	(219,003,645)	-	-
Financial assets at fair value through profit or loss	2,030,300	2,030,300	-	-
Investment in associate	1,320,624	-	1,320,624	-
<i>Jordanian Dinar</i>	Carrying Amount	December 31, 2015		
		Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	(172,197,018)	(172,197,018)	-	-
Financial assets at fair value through profit or loss	2,121,579	2,121,579	-	-
Investment in associate	1,218,464	-	1,218,464	-

Management believes that the carrying amount of these financial assets approximate their fair value.

There were no transfers between level 1 and level 2 during the year 2016 and 2015.

B. Financial assets and liabilities that are not measured at fair value:

<i>Jordanian Dinar</i>	Carrying Amount	December 31, 2016		
		Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Subscribers receivables	364,150,342	-	364,150,342	-
Due from a related party	608,736	-	608,736	-
receivables	20,158,977	-	20,158,977	-
Financial Liabilities				
Loans	61,125,000	-	61,125,000	-
Subscribers refundable deposits	100,330,408	-	100,330,408	-
Employee funds	16,451,698	-	16,451,698	-
Payables	170,380,917	-	170,380,917	-

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<i>Jordanian Dinar</i>	Carrying Amount	December 31, 2015		
		Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Subscribers receivables	353,657,297	-	353,657,297	-
Due from a related party	25,322,450	-	25,322,450	-
Financial Liabilities				
Loans	17,375,000	-	17,375,000	-
Subscribers refundable deposits	93,127,734	-	93,127,734	-
Employee funds	16,321,483	-	16,321,483	-
Payables	261,386,863	-	261,386,863	-

For items illustrated above, level 2 fair values for financial assets and liabilities have been determined based on effective Interest rates and the agreed upon pricing models, which reflects credit risks for parties dealing with the Company. Management believes that the carrying amount of these financial assets approximate their fair value due to their short term maturities.

There were no transfers between level 1 and level 2 during the year 2016 and 2015.

38) Dividends Distribution

The Board of directors decided in its meeting held on March 19, 2016 and based on delegation granted to the chairman approval to distribute cash dividends in amount of JOD 4,261,950 which is equivalent to 5.5% of the paid-up capital, also the approval to distribute free shares in the amount of JOD 6,081,140 which equivalent to 7.85% of the Company's paid-up capital to shareholders each per ownership.

39) Subsequent Events

On January 24, 2017 the legal procedures for establishing the new subsidiary in the name of "Thunder gate for cloud services Company" has been completed in which the Company contributes 51%, however, the Company did not consolidate the financial statements hence the company established at a subsequent date of the financial statements for the year ended December 31, 2016.

Appendix 1

A) Medical Service Fund

In Jordanian Dinar

	<u>2016</u>	<u>2015</u>
Revenues		
Company's contributions	2,118,415	2,067,250
Employees deductions	651,821	636,150
Employees contributions	518,362	519,935
Total revenues	<u>3,288,598</u>	<u>3,223,335</u>
Expenses	<u>(3,232,927)</u>	<u>(2,987,294)</u>
Surplus for the year	<u>55,671</u>	<u>236,041</u>
Surplus held at the beginning of the year	6,937,986	6,701,945
Adjustment of contribution and their benefits		
Surplus Held at the End of the Year	<u>6,882,315</u>	<u>6,937,986</u>

B) Employee Saving Fund

In Jordanian Dinar

	<u>2016</u>	<u>2015</u>
Assets		
Housing loans balances	10,626,666	9,591,569
Financial assets through profit or loss and other comprehensive income	957,890	1,016,995
Employee advances	12,360,085	11,817,877
Total assets	<u>23,944,641</u>	<u>22,426,441</u>
Liabilities		
Employees saving and allowances	28,476,279	26,703,571
Dividends	12,302	12,302
Inwards	346,597	415,206
Fair value reserve	850,926	886,609
Total liabilities	<u>29,686,104</u>	<u>28,017,688</u>
Balance at the end of the year	<u>5,741,463</u>	<u>5,591,247</u>

C) Health Insurance Fund after Retirement

On April 1st, 2011 the Company starting to use the health insurance fund for the Jordanian Electricity Power Company employees

<i>In Jordanian Dinar</i>	2016	2015
Revenues		
Company's contributions	325,909	317,917
Employees deductions	325,909	317,917
Retirements contribution	67,282	48,430
Others	97,981	16,620
Total revenues	817,081	700,884
Expenses	(456,724)	(263,039)
Surplus for the year	360,357	437,845
Surplus held at the beginning of the year	2,341,920	1,904,075
Added to the surplus	110,167	-
Surplus Held at the End of the Year	2,812,444	2,341,920

D) Life Insurance Fund

<i>In Jordanian Dinar</i>	2016	2015
Revenues		
Company's contributions	193,043	192,070
Employees deductions	193,043	192,070
Total revenues	386,086	384,140
Expenses		
Paid expenses against insurance	(538,465)	(336,857)
(Deficit) Surplus for the year	(152,379)	47,283
Surplus held at the beginning of the year	221,240	173,957
Surplus Held at the End of the Year	68,861	221,240

The Company has signed a life insurance policy with Arab Euro Insurance Company to transfer the risks of any additional claims to the Fund.

E) Solidarity Fund

On 1 May 2014, the Company used the solidarity fund system for the employees of Jordan Electricity Company.

<i>In Jordanian Dinar</i>	2016	2015
Revenues		
Company's contributions	554,734	565,058
Employees deductions	554,734	565,058
Purchase of Employee contribution	36,379	31,507
Total revenues	1,145,847	1,161,623
Expenses		
Employee disbursement	(1,425,000)	(700,000)
(Deficit) Surplus for the year	(279,153)	461,623
Surplus held at the beginning of the year	1,225,768	764,145
Surplus Held at the End of the Year	946,615	1,225,768