



شركة توزيع الكهرباء المساهمة العامة  
Electricity Distribution Company



Ref : \_\_\_\_\_

Date : \_\_\_\_\_

الرقم : ٦٤٩٨ / ٦ / ٤ / ٣

التاريخ : ٢٠١٧ / ٧ / ١٩

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السادة / هيئة الأوراق المالية المحترمين

الموضوع : البيانات المالية للسنة المالية

المنتهية في 31 كانون اول 2016

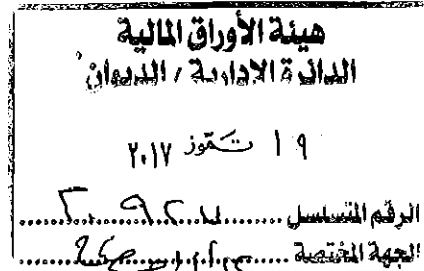
تحية طيبة وبعد ،،

مرفق طيه البيانات المالية الموحدة باللغتين العربية والانجليزية وتقرير مدقق الحسابات للسنة المنتهية

بتاريخ 31 كانون اول 2016 .

وتفضلوا بقبول فائق الاحترام

مساعد المدير العام للشؤون المالية  
فراس كمر كجي



FQp18-02



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Electricity Distribution Company**  
**Amman - Jordan**

**Report on the Audit of consolidated the Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Electricity Distribution Company - Public Shareholding Company (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

## **Key Audit Matters**

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

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

### **1. Revenue recognition (Tariff)**

Billing to customers, billing system and revenues at the cutoff date at 31 December 2016 are complex and accordingly this area was considered a high risk audit area and a key audit matter. Total revenue for the year 2016 amounted to JD 548,606,538.

#### **How the key audit matter was addressed**

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

### **2. Provision for doubtful debts**

Judgment is required to assess the appropriate level of provisioning for doubtful debts. The Group has large number of diversified subscribers, households, governmental entities and companies, which increases the risk of collectability for these debts.

### **How the key audit matter was addressed**

We tested the methodology for calculating the provision for doubtful debts, challenged the basis of valuation and assumptions used in identifying doubtful accounts, along with the provisioning criteria for such accounts. In doing so, we tested the accuracy of ageing of accounts receivable and evaluated the sufficiency of the provision against doubtful accounts.

Management's disclosures on provision for doubtful debts are included in Note 12 to the consolidated financial statements.

### **3. Provision for slow moving inventories**

The Group's inventories mainly consist of strategic inventories, electrical tools and spare parts. Inventory balance as of 31 December 2016 is amounted to JD 18,489,019 representing 2.9% of total assets. Judgment is required to assess the appropriate level of provisioning for slow moving inventories.

### **How the key audit matter was addressed**

We have tested the methodology for calculating the provision for slow moving inventories, challenged the appropriateness and consistency of judgments and assumptions, the accuracy and completeness of ageing profile of inventory, including the adequacy of provision for slow moving and obsolete items.

Management's disclosures on provision for slow moving inventories are included in Note 11 to the consolidated financial statements.

### **4. Provision for employees' end-of-service indemnity**

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

#### **How the key audit matter was addressed:**

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

Management's disclosures on the provision for end-of-service indemnity are included in Note 17 to the consolidated financial statements.

#### **Other information included in the Group's 2016 annual report.**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit 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 have nothing to report in this regard.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

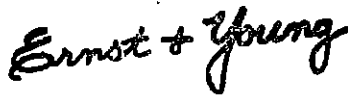
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper books of accounts and the accompanying consolidated financial statements and financial information presented in the Board of Directors' report are in agreement therewith.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Amman – Jordan  
28 March 2017



**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	3	163,589,798	148,853,289
Subscribers' and rural fils contributions assets	4	173,969,434	169,997,273
Projects in progress	5	16,532,610	7,948,249
Dispute lawsuits payments	6	109,352	150,728
Long term loan receivable	7	1,062,285	980,196
Deferred tax assets	8	1,826,373	1,573,101
Strategic inventory	11	14,179,090	10,755,346
Intangible assets	9	26,401,509	27,942,202
Investment in an associate	10	1,194,560	1,090,202
		<u>398,865,011</u>	<u>369,290,586</u>
<b>CURRENT ASSETS</b>			
Inventory	11	4,309,929	5,520,409
Accounts receivable	12	227,432,208	207,707,495
Other current assets	13	15,050,018	13,001,080
Cash and bank balances	14	458,726	2,176,522
		<u>247,250,881</u>	<u>228,405,506</u>
<b>TOTAL ASSETS</b>		<u>646,115,892</u>	<u>597,696,092</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY-</b>			
<b>Equity attributable to owners of the parent -</b>	15		
Paid in capital		10,000,000	10,000,000
Statutory reserve		2,500,000	2,500,000
Voluntary reserve		698,677	698,677
Retained earnings		11,400,983	6,673,806
<b>Total Equity attributable to owners of the parent</b>		<u>24,599,660</u>	<u>19,872,483</u>
Non-controlling interests		20,579,297	19,571,293
<b>Total equity</b>		<u>45,178,957</u>	<u>39,443,776</u>
<b>LIABILITIES -</b>			
<b>NON-CURRENT LIABILITIES -</b>			
Subscribers and rural fils contributions liabilities	4	173,969,434	169,997,273
Advances received from subscribers	16	18,675,553	18,030,228
Provision for end-of-service indemnity	17	12,751,117	10,304,239
Deferred revenues	18	11,208,689	13,823,571
Unearned revenues		1,556,445	1,137,259
Subscribers' deposits	19	54,574,833	48,813,458
Long term loans	20	53,201,190	57,201,190
		<u>325,937,261</u>	<u>319,307,218</u>
<b>CURRENT LIABILITIES -</b>			
Current portion of long-term loans	20	6,000,000	2,000,000
Due to banks	21	37,049,283	33,164,062
Accounts payable	22	208,530,240	188,329,154
Accrued expenses and other current liabilities	23	15,937,290	9,850,347
Deferred revenues	18	1,282,282	1,319,042
Other provisions	24	2,915,785	2,472,740
Provision for Income tax	8	3,284,794	1,809,753
		<u>274,999,674</u>	<u>238,945,098</u>
<b>Total Liabilities</b>		<u>600,936,935</u>	<u>558,252,316</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>646,115,892</u>	<u>597,696,092</u>

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

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>JD</u>	<u>JD</u>
Energy sales		548,606,538	531,017,681
Cost of energy		(472,194,637)	(477,509,052)
<b>Gross Profit</b>	26	<u>76,411,901</u>	<u>53,508,629</u>
Other operating revenues, net	27	4,284,212	4,092,701
General and administrative expenses	28	(45,605,522)	(40,876,144)
Depreciation	3	(14,293,485)	(13,171,172)
Amortization of dispute lawsuits payments	6	(57,534)	(433,541)
Provision for doubtful debts, net	12,13	(955,130)	(643,005)
Provision for slow moving inventories	11	(495,332)	(555,535)
<b>Operating profit</b>		<u>19,289,110</u>	<u>1,921,933</u>
Non-core activities income	29	5,507,925	4,852,725
Finance income		12,942	22,415
Late payment interest income		12,106,458	8,844,227
Group's share of associate profit	10	139,608	135,052
Licenses amortization		(1,540,693)	-
Non-core activities expenses		(1,934,399)	(1,125,225)
Finance cost		(5,457,013)	(4,413,165)
Late payment interest expense	30	(9,813,193)	(8,040,572)
<b>(Loss) profit from non-core activities</b>		<u>(978,365)</u>	<u>275,457</u>
<b>Profit before income tax</b>		<u>18,310,745</u>	<u>2,197,390</u>
Income tax expense	8	(3,937,644)	(1,631,132)
<b>Profit for the year</b>		<u>14,373,101</u>	<u>566,258</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>14,373,101</u>	<u>566,258</u>
<b>Profit (loss) for the year and total comprehensive income for the year attributable to:</b>			
Shareholders of the parent		11,227,177	(956,473)
Non - controlling interest		3,145,924	1,522,731
		<u>14,373,101</u>	<u>566,258</u>
			<u>JD / Fils</u>
Basic and diluted earnings (losses) per share attributable to the shareholders of the parent	25	<u>1/123</u>	<u>(0/096)</u>

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

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Attributable to the equity holders of the parent						Non- controlling interests	Total equity				
	Paid-in capital		Statutory Reserve		Voluntary reserve				Retained earnings		Total	
	JD		JD		JD				JD		JD	
<b>Balance at 1 January 2016</b>	10,000,000		2,500,000		698,677		6,673,806		19,872,483		39,443,776	
Total comprehensive income for the year	-		-		-		11,227,177		11,227,177		14,373,101	
Dividends to non-controlling interest	-		-		-		-		-		(2,137,920)	
Dividends paid (note 15)	-		-		-		(6,500,000)		(6,500,000)		(6,500,000)	
<b>Balance at 31 December 2016</b>	10,000,000		2,500,000		698,677		11,400,983		24,599,660		45,178,957	
<b>Balance at 1 January 2015</b>	10,000,000		2,500,000		698,677		16,830,279		30,028,956		50,215,438	
Total comprehensive income for the year	-		-		-		(956,473)		(956,473)		566,258	
Dividends to non-controlling interest	-		-		-		-		-		(2,137,920)	
Dividends paid (note 15)	-		-		-		(9,200,000)		(9,200,000)		(9,200,000)	
<b>Balance at 31 December 2015</b>	10,000,000		2,500,000		698,677		6,673,806		19,872,483		39,443,776	

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

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
<b><u>OPERATING ACTIVITIES</u></b>			
Profit before tax		18,310,745	2,197,390
<b>Adjustments for:</b>			
Depreciation and amortization		14,351,019	13,604,713
Gain on sale of property and equipment		280,760	(119,832)
Finance income		(12,942)	(22,415)
Late payment interest income		(12,106,458)	(8,844,227)
Finance cost		5,457,013	4,413,165
Late payment interest expense		9,813,193	8,040,572
End-of-service indemnity provision		2,523,689	1,407,793
Provision for doubtful debts, net		955,130	643,005
Group's share of associate profit		(139,608)	(135,052)
Provision for slow moving inventories		495,332	555,535
Other provisions		618,251	462,839
Amortization of deferred revenues		(169,010)	(889,208)
Impairment Loss		1,540,693	-
<b>Working capital changes:</b>			
Inventory		(2,708,596)	3,501,219
Accounts receivable and other current assets		(10,704,412)	(46,972,422)
Accounts payable, accrued expense and other current liabilities		16,347,047	25,135,264
Advances from subscribers		14,947,297	15,284,115
Subscribers' deposits		5,761,375	4,782,003
Deferred revenues		419,186	254,863
End-of-service indemnity provision paid		(704,001)	(1,377,058)
Other provisions paid		(175,206)	(293,030)
Income tax paid		(2,715,875)	(1,814,027)
<b>Net cash from operating activities</b>		<u>62,384,622</u>	<u>19,815,205</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Purchases of property and equipment.		(24,256,514)	(21,125,091)
Proceeds from sale of property and equipment		2,169,057	2,915,752
Projects in progress		(31,965,072)	(26,653,937)
Dispute lawsuits payments		(16,158)	(15,511)
Interest income received		12,942	22,415
Dividends received from associate		35,250	-
<b>Net cash used in investing activities</b>		<u>(54,020,495)</u>	<u>(44,856,372)</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of loans		-	(32,955,873)
Loans proceeds		-	59,201,190
Interest expense paid		(5,329,224)	(4,285,376)
Dividends to non-controlling interests		(2,137,920)	(2,137,920)
Dividends paid		(6,500,000)	(9,200,000)
<b>Net cash (used in) from financing activities</b>		<u>(13,967,144)</u>	<u>10,622,021</u>
Net decrease in cash and cash equivalents		<u>(5,603,017)</u>	<u>(14,419,146)</u>
Cash and cash equivalents at 1 January		<u>(30,987,540)</u>	<u>(16,568,394)</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	14	<u>(36,590,557)</u>	<u>(30,987,540)</u>

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

**(1) GENERAL**

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

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

The Company was registered in Aqaba Special Economic on 1 Authority under registration No. 1101103002 on 30 October 2001 in accordance with the regulations, and instructions of the Aqaba Special Economic Zone Law No. 32 for the year 2000.

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

According to the distribution and supplies retail license granted to the Company on 30 June 2008 by the Energy And Minerals Regulatory Commission, the annual return from core activities has been determined based on an average 10% off assets. The Company computed the actual realized return from core activities, where by the net surplus of this return over the average return determined in the license for the period from the license date to 31 December 2016 reached an amount of JD 1,194,794 knowing that this amount is still under negotiation and subject to review and adjustment by the Energy And Minerals Regulatory Commission in accordance with the license.

According to the distribution and supplies license granted to the subsidiary company (Irbid Electricity Distribution Commission on 30 June 2008 from Energy and Minerals Regulatory Commission, the annual return from core activities has been determined based on an average 11.77% off assets the company computed the actual realized return from core activities where by the net surplus of this return over the average return determined in the license for the year 2016 reached on amount of JD 622,776 so that the cumulative amount till 31 December 2016 is a deficit of JD 814,825. This deficit is dealt with through the determination of the tariff for the next tariff period through the tariff determination mythology stated in the license granted, whereas, the deficit amount will be subject to revision and adjustment by the Energy And Mineral Regulatory Commission in accordance with the license.

The consolidated financial statements have been approved by the Board of Directors in their meeting held on 28 March 2017. The consolidated financial statements require approval of the Company's General Assembly.

These financial statements are consolidated with the ultimate parent Company, Social Security Corporation Investment Fund.

**(2) BASIS OF PREPARATION AND ACCOUNTING POLICY**

**2.1 Basis of preparation**

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

The consolidated financial statements are prepared under the historical cost convention

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

**2.2 Basis of consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary as at 31 December 2016:

<u>Company name</u>	<u>Year of incorporation</u>	<u>Paid-in-capital</u>	<u>Nature of Activity</u>	<u>% of ownership</u>
Irbid Electricity Distribution Company	1957	8,000,000	Electricity distribution	55.46

The control exists when the Group controls the subsidiaries' significant and relevant activities, and is exposed, or has the rights, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns. Control over the subsidiaries is exercised when the following factors exist:

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

When the Group owns less than a majority of the voting rights in an investee, in this case, the Group considers all factors and circumstances to determine whether it has control over the investee, which include the following:

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Company's subsidiary and its ownership percentages are disclosed in note (32).

### **2.3 Changes in accounting policies and disclosures**

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

#### **Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

### **IAS 1 *Presentation of Financial Statements – Amendments to IAS 1***

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

### **Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

### **Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.



### **Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

## **2- 4 Significant Accounting Policies**

### **Property and equipment**

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

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

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

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of comprehensive income when the asset is derecognised.

### **Subscribers' contributions Assets and Liabilities**

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

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

### **Rural Fils assets**

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

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

### **Dispute lawsuits payments**

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

### **Intangible assets**

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

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

Indications of impairment of intangible assets are reviewed for and their useful economic life is reassessed at each reporting date. Adjustments are reflected in the current and comparative periods.

### **Business combinations and Goodwill**

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

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

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

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

### **Projects in progress**

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

### **Investment in associates**

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate

### **Inventories**

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

### **Accounts receivable**

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

### **Cash and cash equivalents**

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

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

### **Loans**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of comprehensive income.

### **Borrowing costs**

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

### **End-of-service indemnity provision**

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

### **Accounts payable and accruals**

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

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

### **Income Taxes**

Income tax provision was calculated for the year ended 31 December 2016 and 2015 in accordance with the income tax law no. (34) for the year 2014, and Aqaba Special Economic Zone law.

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

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

### **Revenue recognition**

Power sales revenues are recognized when power are consumed by customers and reliably measured.

Revenues are recognized upon rendering services and issuance of invoice.

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

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

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

Revenue from Rural Fils projects are recognized in the same year the projects are completed.

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

Other revenues are recognized on an accrual basis.

### **Operating Lease**

#### ***Group as a lessee***

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

#### ***Group as a lessor***

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

## **Fair value**

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

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

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

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

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

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

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

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

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

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

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

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

### **Segments information**

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

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

### **Offsetting of financial instruments**

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

### **Contingencies**

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

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



## 2.5 Significant Accounting Judgment, Estimates and Assumptions

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

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

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

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**(3) PROPERTY AND EQUIPMENT**

2016	Lands	Buildings and constructions	Underground cables	Transformation stations and network	Subscribers' meters	Telecommunication equipment	Computers	Vehicles	Laboratory equipment	Operating equipment	Tools	Other equipment	Furniture and other equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost -														
At 1 January 2016	3,783,837	8,894,158	32,351,242	166,572,953	25,552,332	1,367,845	7,810,738	10,757,831	3,099	6,016,214	3,293,383	1,553,356	2,278,246	270,235,234
Additions	277,389	83,136	4,145,961	12,780,028	1,985,561	98,822	1,237,467	1,986,260	-	1,137,945	315,157	36,246	162,542	24,256,514
Transferred from Projects in progress	209,614	202,250	701,196	4,283,068	454,877	-	22,000	-	-	-	-	1,350,292	-	7,223,297
Disposal	-	(24,326)	(122,459)	(3,348,429)	(203,495)	(5,203)	(196,537)	(120,397)	-	(33,494)	(60,754)	(13,930)	(28,107)	(4,157,131)
At 31 December 2016	4,270,840	9,155,218	37,075,940	180,287,620	27,789,275	1,461,464	8,873,668	12,633,694	3,099	7,120,665	3,547,786	2,925,964	2,413,681	297,558,914
Accumulated Depreciation -														
At 1 January 2016	-	2,704,244	7,249,142	72,642,877	16,328,425	661,765	6,011,105	6,704,323	3,097	4,368,682	2,576,747	641,591	1,490,946	121,382,945
Depreciation for the year	-	191,328	1,010,271	8,458,341	1,426,039	138,802	828,626	1,137,074	-	510,109	272,858	185,954	134,063	14,293,485
Disposal	-	(6,965)	(13,549)	(1,254,936)	(77,334)	(5,053)	(141,762)	(113,267)	-	(24,355)	(46,161)	(9,755)	(14,158)	(1,707,314)
At 31 December 2016	-	2,888,607	8,245,865	79,846,282	17,677,130	795,514	6,697,950	7,728,130	3,097	4,854,436	2,803,444	817,790	1,610,871	133,968,116
Net book value -														
At 31 December 2016	4,270,840	6,266,611	28,830,075	100,441,338	10,112,145	665,950	2,175,718	4,905,564	2	2,266,229	744,342	2,108,174	802,810	163,589,798

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### Accumulated Depreciation •

The cost of fully depreciated property and equipment as of 31 December 2016 is JD 52,860,690 (2015: JD 43,018,341).

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

	<u>2016</u>	<u>2015</u>
	JD	JD
<b>Cost -</b>		
At 1 January	284,697,902	267,863,093
Transferred from project in progress	<u>15,745,240</u>	<u>16,834,809</u>
At 31 December	<u>300,443,142</u>	<u>284,697,902</u>
<b>Accumulated depreciation -</b>		
At 1 January	114,700,629	103,539,505
Depreciation for the year	<u>11,773,079</u>	<u>11,161,124</u>
At 31 December	<u>126,473,708</u>	<u>114,700,629</u>
<b>Net book value -</b>		
At 31 December	<u>173,969,434</u>	<u>169,997,273</u>

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

	<u>2016</u>	<u>2015</u>
	JD	JD
Subscribers contributions liabilities	127,261,343	123,314,278
Rural fils contributions liabilities	<u>46,708,091</u>	<u>46,682,995</u>
	<u>173,969,434</u>	<u>169,997,273</u>

**(5) PROJECTS IN PROGRESS**

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

	<u>2016</u>	<u>2015</u>
	JD	JD
Self funded projects	7,537,762	2,533,248
Subscribers contributions projects	7,953,219	4,748,809
Rural fils contributions projects	<u>1,041,629</u>	<u>666,192</u>
	<u>16,532,610</u>	<u>7,948,249</u>

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Movement on the project in progress is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
At 1 January	7,948,249	9,864,593
Additions (issuances from stores)	23,529,347	20,134,398
Capitalized expenses*	8,023,551	6,840,675
Transferred to property and equipment	(7,223,297)	(12,056,608)
Transferred to subscribers and rural fils contributions assets	(15,745,240)	(16,834,809)
At 31 December	<u>16,532,610</u>	<u>7,948,249</u>

The estimated cost to complete the projects in progress is approximately JD 23,964,235 as of 31 December 2016 (2015: JD 17,260,505)

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

	<u>2016</u>	<u>2015</u>
	JD	JD
Salaries and other benefits	6,789,183	5,880,432
End-of-service indemnity	627,190	321,137
Electricity	71,566	55,728
Water	921	4,127
Heating	877	903
Telecommunications	23,711	24,687
Hospitality	10,448	15,936
Perdiem	9,735	10,126
Stationary	43,752	45,643
Cleaning	6,960	14,992
Computer Expenses	22,045	22,641
Vehicles expenses	391,311	417,466
Rent	5,154	3,602
Insurance	16,542	16,343
Other	4,156	6,912
	<u>8,023,551</u>	<u>6,840,675</u>

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**(6) DISPUTE LAWSUITS PAYMENTS**

	2016	2015
	JD	JD
<b>Cost -</b>		
At 1 January	8,224,956	8,209,445
Payments during the year	16,158	15,511
At 31 December	8,241,114	8,224,956
<b>Accumulated amortization -</b>		
At 1 January	8,074,228	7,640,687
Amortization for the year	57,534	433,541
At 31 December	8,131,762	8,074,228
<b>Net book value -</b>		
At 31 December	109,352	150,728

**(7) LONG-TERM LOAN RECEIVABLE**

This item represents loans granted to the Company's Employees Housing Fund at Murabaha rate of 2% annually calculated based on Islamic Murabaha. The number of employees who have borrowed are 82 employees up to 31 December 2016 (2015: 86 employees).

**(8) INCOME TAX**

**Deferred tax assets -**

Represent deferred tax assets from the accumulated losses of all areas "except Aqaba", and end-of-service indemnity provision.

Movement on deferred tax liabilities is as follows:

	2016	2015
	JD	JD
At 1 January	1,573,101	1,295,199
Charge for the year	253,272	277,902
At 31 December	1,826,373	1,573,101

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Movement on income tax provision is as follows:

	2016	2015
	JD	JD
At 1 January	1,809,753	1,714,746
Income tax for the year	4,190,916	1,909,034
Income tax paid	(2,715,875)	(1,814,027)
At 31 December	<u>3,284,794</u>	<u>1,809,753</u>

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

	2016	2015
	JD	JD
Income tax for the year	4,190,916	1,909,034
Changes in the deferred tax assets	(253,272)	(277,902)
	<u>3,937,644</u>	<u>1,631,132</u>

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

	2016				2015
	Irbid	Other areas	Aqaba	Total	JD
	JD	JD	JD	JD	JD
Accounting profit	11,569,914	(11,687,589)	18,428,420	18,310,745	2,197,390
Non - taxable revenues	(631,226)	(2,395,986)	(819,995)	(3,847,207)	(4,541,287)
Non – deductible expenses	2,687,508	1,719,138	389,626	4,796,272	3,022,896
Taxable profit	<u>13,626,196</u>	<u>(12,364,437)</u>	<u>17,998,051</u>	<u>19,259,810</u>	<u>678,999</u>
Accrued income tax expense for the year	3,270,287	-	920,629	4,190,916	1,909,034
Deduct: Deferred tax assets	<u>(253,272)</u>	-	-	<u>(253,272)</u>	<u>(277,902)</u>
Income tax expense for the year	<u>3,017,015</u>	-	<u>920,629</u>	<u>3,937,644</u>	<u>1,631,132</u>
Statutory income tax rate	24%	24%	5%	5% - 24%	5%-24%
Effective income tax rate	26,08%	-	5%	21.5 %	74.2%

Income tax provision was calculated for the year ended 31 December 2016 and 2015 in accordance with the income tax law no. (34) for the year 2014, and Aqaba Special Zone Law.

#### **Aqaba**

The Company has obtained the final clearance from Income Tax Department for all years up to 2012. The Company has submitted its tax declarations for the years 2012, 2013 and 2014.

#### **Irbid**

The Company's subsidiary obtained a final tax clearance up to the year 2013. The Income and Sales Tax Department has not reviewed the Company's records for the year 2014 up to the date of these financial statements.

#### **Other areas**

The Company has obtained final clearance from Income Tax Department for all years up to 2014. The Company has submitted its tax declarations for the year 2014.

### **(9) INTANGIBLE ASSETS**

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

During 2009, the Company has purchased 55,4% share of Irbid District Electricity Company PSC (the "Subsidiary") which resulted in intangible assets representing the distribution licence which was granted to the Subsidiary to distribute electricity power within the specific assigned area by the licence for 25 years, in the Company's management opinion the licence is renewable based on specific conditions and The Energy and Minerals Regulatory Commission approval. Also goodwill which represents the excess in the amount paid over the faire value of the subsidiary's assets and liability including distribution licence, for the purpose of impairment test the power distributions was defined as cash generating unit.

Intangible assets represent the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Electricity power distribution licence	26,962,131	26,962,131
License amortization	(1,540,693)	-
Goodwill*	<u>980,071</u>	<u>980,071</u>
	<u>26,401,509</u>	<u>27,942,202</u>

#### **\*Impairment test**

As of 31 December 2016, the Group has performed impairment test by calculating the recoverable amount based on the expected cash flows for the next five years which were set out in the estimated financial budgets that prepared by the Company's subsidiary and approved by senior management.



**Key assumptions used**

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

1. Power electricity distributions revenue: revenue from sale of electricity power is projected by management to increase by 6% in the next five years which represents the trend in the historical years.
2. Cost of power distributions: Based on distribution agreement, the cost of power purchased is linked to revenue since any changes to the purchase price is often reflected on the selling price. Therefore, management expected that cost of electricity distribution constitute 88% of revenue, which represents the trend in the historical years.
3. General and administrative expense: G&A expenses are projected by the management to increase by 10% based on historical trends.

**Discount rate**

Management has used after tax weighted average cost of capital as a discount rate for the next five years, which was 11.15%.

**Conclusions**

Based on the impairment test, the recoverable amount was determined at higher than the book value. Accordingly, no impairment was recorded during the year ended 31 December 2016.

**Sensitivity analysis**

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

**(10) INVESTMENT IN AN ASSOCIATE**

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

**Unquoted shares – Local**

	Country	Percentage of ownership %	31 December	
			2016 JD	2015 JD
Electricity Equipment Industries Company LLC	Jordan	18.3	<u>1,194,560</u>	<u>1,090,202</u>

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Movement on investment in associate is as follows:

	2016	2015
	JD	JD
At 1 January	1,090,202	955,150
Group's share in associate profit (loss)	139,608	135,052
Dividends	(35,250)	-
Ending At 31 December	<u>1,194,560</u>	<u>1,090,202</u>

Summary of Electrical Equipments Industries Company financial statements:

	2016	2015
	JD	JD
Current assets	5,902,945	7,538,726
Non-current assets	1,084,283	1,088,809
Current liabilities	(1,903,995)	(3,988,378)
<b>Owners' equity</b>	<u>5,083,233</u>	<u>4,639,157</u>
<b>Group ownership percentage</b>	23,5	23.5%
<b>Actual group ownership %</b>	18,3	18.3%
<b>Book value of investment</b>	1,194,560	1,090,202
Revenue	10,552,623	12,764,451
Cost of sales	(8,978,030)	(11,040,852)
Administrative expenses	(735,396)	(867,622)
Finance costs	(105,939)	(158,402)
<b>Profit before tax</b>	<u>733,258</u>	<u>697,575</u>
Income tax expense	(139,182)	(122,886)
<b>Profit for the year</b>	<u>594,076</u>	<u>574,689</u>
<b>Group's share of profit for the year</b>	<u>139,608</u>	<u>135,052</u>

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**(11) INVENTORY**

	2016	2015
	JD	JD
Medium and low voltage electrical tools and subscribers' accessories	17,832,104	14,549,815
Tools and Vehicles spare parts	509,005	446,477
Stationary, furniture and computers equipment	236,045	235,275
Returned and damaged materials*	1,072,305	1,969,411
	19,649,459	17,200,978
Deduct: provision for slow moving inventories*	(1,444,096)	(2,177,588)
	18,205,364	15,023,390
Add: letter of credit and tenders expenses	283,656	1,252,365
	18,489,019	16,275,755
Strategic inventory**	14,179,090	10,755,346
Inventory	4,309,929	5,520,409
	18,489,019	16,275,755

\* The provision for slow moving inventories includes the value of all returned and damaged materials at 31 December 2016.

\*\* Strategic inventory consist of high and low voltage material and other parts used in the company projects, maintenance operations and replacements.

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

	2016	2015
	JD	JD
At 1 January	2,177,588	2,005,824
Provision for the year	495,332	555,535
Less: write of during the year	(1,228,824)	(383,771)
At 31 December	1,444,096	2,177,588

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**(12) ACCOUNTS RECEIVABLE**

	2016	2015
	JD	JD
Normal subscribers	102,323,973	90,887,310
Water Authority and Meyahuna Company	51,167,608	54,077,499
Governmental departments	31,938,833	37,033,802
Municipality – Lighting the street	11,278,618	5,925,551
Jordanian Rural electrification project	358,479	524,418
Interest on late payment *	37,556,235	25,514,544
	234,623,746	213,963,124
Allowance for doubtful debts	(7,191,538)	(6,255,629)
	227,432,208	207,707,495

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

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

	<i>Neither past due nor impaired</i>	Past due but not impaired			
	<i>JD</i>	<i>1-90 days JD</i>	<i>91 – 120 days JD</i>	<i>&gt; 120 days JD</i>	<i>Total JD</i>
2016	79,317,813	18,565,174	13,556,417	109,103,256	227,432,208
2015	70,103,097	22,654,939	10,955,541	103,993,918	207,707,495

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The Company obtains cash collateral against these receivables.

Movement on the allowance for doubtful accounts is as follows:

	2016	2015
	JD	JD
At 1 January	6,255,629	5,691,168
Charge for the year	935,909	564,461
At 31 December	7,191,538	6,255,629

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**(13) OTHER CURRENT ASSETS**

	2016	2015
	JD	JD
Cheques under collection*	5,878,484	4,938,681
Debit balances – Funds	4,193,376	2,999,639
Receivables – Housing Fund	130,857	148,289
Prepaid expenses	497,325	463,674
Ministry of Public Works and Housing	107,542	139,456
Refundable checks	2,864,251	2,523,430
Others	2,413,355	2,803,862
	16,085,190	14,017,031
Provision for doubtful debts	(1,035,172)	(1,015,951)
	15,050,018	13,001,080

\* There are no due cheques not collected, and all these cheques are due during 2016.

Movement on the provision for doubtful debts is as follows:

	2016	2015
	JD	JD
At 1 January	1,015,951	939,867
Charge for the year	19,221	78,544
Amounts written- off during the year	-	(2,460)
At 31 December	1,035,172	1,015,951

**(14) CASH AND BANK BALANCES**

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

	2016	2015
	JD	JD
Cash on hand	47,541	28,187
Current accounts	411,185	2,148,335
	458,726	2,176,522

Current accounts bear an interest rate of 1%.

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

	2016	2015
	JD	JD
Cash on hand and at banks	458,726	2,176,522
Due to banks (Note 21)	(37,049,283)	(33,164,062)
	<u>(36,590,557)</u>	<u>(30,987,540)</u>

**(15) OWNERS EQUITY**

**Paid-in capital -**

The Company's authorized, subscribed and paid-capital consist of is 10,000,000 shares with JD 1 par value per share.

**Statutory reserve -**

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

**Voluntary reserve -**

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

**Dividends -**

On its ordinary meeting held on 26 April 2016, the General Assembly approved the Board of Directors recommendations to distribute cash dividends of JD 0.65 per share with total amount of JD 6,500,000 (2015: JD 9,200,000). Cash dividends from subsidiary for non - controlling interest amounted to JD 2,137,920 as of 31 December 2016 (2015: JD 2,137,920).

**(16) ADVANCES FROM SUBSCRIBERS**

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

**(17) PROVISION FOR END-OF-SERVICE INDEMNITY**

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

	<u>2016</u>	<u>2015</u>
	JD	JD
At 1 January	10,304,239	9,952,367
Charge for the year	2,523,689	1,407,793
Capitalized on projects in progress	558,089	242,456
Expenses allocated to factory of poles	69,101	78,681
End- of- service indemnity paid	<u>(704,001)</u>	<u>(1,377,058)</u>
At 31 December	<u>12,751,177</u>	<u>10,304,239</u>

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

	<u>2016</u>	<u>2015</u>
	JD	JD
Interest on obligations	648,798	588,531
Current service costs	<u>2,502,081</u>	<u>1,140,399</u>
	<u>3,150,879</u>	<u>1,728,930</u>

End of service indemnity was distributed as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
General and administrative expenses	2,523,689	1,407,793
Capitalized on projects in progress	558,089	242,456
Transferred to poles factory costs	<u>69,107</u>	<u>78,681</u>
	<u>3,150,879</u>	<u>1,728,930</u>

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

	2016	2015
	JD	JD
Discount rate	6,1%	6%
Mortality rate	0,13%	0,13%
Annual increase in salaries rate	5%	5%
Resignation rate	7%	7%
Company social security contribution rate	8%	10%

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

Increase by 1% in the rate	Effect on the current value of the end of science indemnity provision	
	2016	2015
	JD	JD
Discount	(1,632,061)	(755,818)
Increase in salaries	2,775,712	1,235,588
Resignations	42,021	45,019

Decrease by 1% in the rate	Effect on the current value of the end of science indemnity provision	
	2016	2015
	JD	JD
Discount	2,300,998	948,997
Increase in salaries	(1,998,097)	(952,099)
Resignations	(44,626)	(47,820)



**(18) Deferred revenue**

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

	2016	2015
	JD	JD
<b>Deferred revenue -</b>		
At 1 January	31,652,588	33,688,750
Additions: losses	(2,482,632)	(2,036,162)
At 31 December	<u>29,169,956</u>	<u>31,652,588</u>
<b>Accumulated amortization -</b>		
At 1 January	16,509,975	15,620,767
Amortization for the year (transferred to revenues)	169,010	889,208
At 31 December	<u>16,678,985</u>	<u>16,509,975</u>
<b>Net book value</b>		
At 31 December	<u>12,490,971</u>	<u>15,142,613</u>
Current portion of deferred revenues	1,282,282	1,319,042
Non - current deferred revenues	11,208,689	13,823,571
	<u>12,490,971</u>	<u>15,142,613</u>

The deferred revenues amortization (transferred to revenues) has been allocated as follows:

	2016	2015
	JD	JD
Revenues from operating activities	130,069	187,799
Revenues from non-core activities	38,941	701,409
	<u>169,010</u>	<u>889,208</u>

**(19) SUBSCRIBERS' DEPOSITS**

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

**(20) LOANS**

This item represents long term loans granted from the following:

Currency	Loan Instalments					
	2016			2015		
	Short Term	Long Term	Total	Short Term	Long Term	Total
	JD	JD	JD	JD	JD	JD
Jordan Kuwait bank	JOD	-	28,000,000		28,000,000	28,000,000
Housing bank	JOD	6,000,000	25,201,190	2,000,000	29,201,190	31,201,190
		6,000,000	53,201,190	2,000,000	57,201,190	59,201,190

**Jordan Kuwait bank - JOD**

During May 2015, the company's subsidiary has signed a loan agreement with Jordan Kuwait Bank amounting JD 28,000,000 including a grace period of three years from the first date of the withdrawal and that is for financing the company's capital and operational projects. The entire loan as utilized during the year of 2015.

The Loan is repaid under 18 semi-annual instalments amounting JD 1,555,555 for each instalment including accrued interest for each instalment. The loan bears an interest amounting to the same interest rate applicable on the deposit of central bank of Jordan adding to it the margin ratio of 2.65% maximum and the minimum amount of the interest rate applicable is 5.3% per annum.

**Housing bank - JOD**

This item includes the Housing Bank for Trade and Finance loans amount of JOD 31,201,190 with a ceiling of JOD 40,000,000 with a grace period of one year, where the company has signed an agreement with the Housing Bank for Trade and Finance dated on 24 November 2015, with interest rate ranging from 5% to 5.4% or PLR Rate minus 3%, whichever is less, for the first five years of the life of the loan however from the sixth year of the life of the loan the end of the repayment period interest will be to PLR rate minus 3% and a minimum of 5.25% per annum, the loan is repayable in 20 equal semi-annual instalments, in which the first installment is due on 31 December 2016 where interest is to be paid every six months.

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

Year	JD
2017	6,000,000
2018	7,111,110
2019	7,111,110
2020	7,111,110
2021-2027	31,867,860
Total	59,201,190

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**(21) DUE TO BANKS**

This item represents the credit facilities granted to the Group by several local banks with a ceiling of JD 61,000,000 bearing an annual interest rate of 5%.

**(22) ACCOUNTS PAYABLE**

	2016	2015
	JD	JD
National Electricity power Company - energy purchased	153,025,541	145,805,722
National Electricity power Company - interests on late payment	37,217,982	27,404,788
Rural Fils deposits	4,467,110	3,996,283
Central Electricity Generating Company	56,804	57,444
Television fees deposits	2,629,087	2,462,963
Garbage deposits	5,625,399	4,127,514
Suppliers	3,198,066	2,163,022
Others	2,310,252	2,311,418
	<u>208,530,241</u>	<u>188,329,154</u>

**(23) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	2016	2015
	JD	JD
Governmental and other deposits	4,495,739	1,275,551
Energy price received in advance	407,787	416,892
Post dated checks	1,033,011	722,711
Accrued expenses	2,384,493	2,035,836
Accrued interest	805,902	73,669
Contractors retentions	815,158	780,801
Dividends payable	1,195,985	1,046,082
Board of directors remuneration	90,000	90,769
Payables – Funds	4,193,376	2,999,639
Payables – Housing Funds	16,296	9,435
Others	499,543	398,962
	<u>15,937,290</u>	<u>9,850,347</u>

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**(24) OTHER PROVISIONS**

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

	2016				2015	
	Vacation provision	Employee's services provision	Social services provision	Law suits provision	Total	Total
	JD	JD	JD	JD	JD	JD
At 1 January	1,125,350	913,433	10,621	423,336	2,472,740	2,302,931
Additions	272,607	229,485	9,059	-	511,151	346,772
Employees contributions	-	107,100	-	-	107,100	116,067
Paid during the year	(41,779)	(133,427)	-	-	(175,206)	(293,030)
At January	<u>1,356,178</u>	<u>1,116,591</u>	<u>19,680</u>	<u>423,336</u>	<u>2,915,785</u>	<u>2,472,740</u>

**(25) BASIC AND DILUTED EARNING (LOSSES) PER SHARE**

	2016	2015
Profit (loss) attributable to the owners of the parent (JD)	11,227,117	(956,473)
Weighted average number of shares (Share)	10,000,000	10,000,000
	JD/ Fils	JD/ Fils
Basic earnings (losses) per share attributable to owners of the parent	<u>1/123</u>	<u>(0/096)</u>

The basic and diluted (losses) earnings per share are equal.

**(26) GROSS PROFIT**

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

Sales tariff price is determined by the Energy and Minerals regulatory commission, a sales tariff price has decreased during November 2016.

Electricity power is purchased from the National Electricity Power Company and Other renewable energy resources and tariff purchase price are determined by the Energy And Minerals regulatory Commission tariff purchase price has increased during January 2016.

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**(27) OTHER OPERATING REVENUE, NET**

	2016	2015
	JD	JD
Electricity power subscription and connection fees	2,241,742	2,301,850
Meters fees	2,230,589	2,117,189
Loss from rural electrification projects	(517,896)	(682,376)
Amortization of deferred revenues after July 2, 2008	130,069	187,799
Others	199,708	168,239
	<u>4,284,212</u>	<u>4,092,701</u>

**(28) GENERAL AND ADMINISTRATIVE EXPENSE**

	2016	2015
	JD	JD
Salaries, wages and other	22,854,109	21,381,661
Employees' benefits	7,082,765	6,380,263
End of service indemnity	2,523,689	1,407,793
Subscribers' services expense	1,212,539	1,311,652
Employees' vacation provisions	272,607	84,234
Electricity, water and heating expense	678,604	621,043
Vehicles expense	1,946,264	1,902,634
Mail, phone and fax expense	316,278	316,543
Hospitality and cleaning expenses	298,680	260,128
Perdiem and transportation expense	130,670	146,135
Stationary and printing	234,595	232,620
Stamps	555,806	637,595
Government expenses	1,581,039	885,501
Remuneration and incentives for different committees	1,647,027	1,471,476
Professional fees	630,003	601,895
Guardianship expense	682,178	509,372
Training expense	131,566	145,586
Computer expense	288,774	258,677
Insurance expense	329,541	310,995
Maintenance expense	1,197,050	1,101,578
Others	1,409,809	1,228,216
Transferred to non- core activities in accordance with tariff (Note 30)	(398,071)	(319,453)
	<u>45,605,522</u>	<u>40,876,144</u>

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**(29) REVENUE FROM NON – CORE ACTIVITIES**

	2016	2015
	JD	JD
Poles factory net revenue	965,425	448,777
Amortization of deferred revenue up to July 2, 2008	38,941	701,409
Revenues from television fees collections	403,871	383,076
Revenues from garbage fees collections	1,610,181	1,303,571
Tenders revenue	76,930	69,625
Late payment penalties revenues	346,993	373,848
Poles leases revenues	305,526	319,296
Gain on sale of damaged goods (property and equipment)	120,704	34,777
Damage compensation revenue received	883,677	390,219
Revenue from sale of housing apartments	92,993	89,727
Others	662,684	738,400
	<u>5,507,925</u>	<u>4,852,725</u>

**(30) COST OF NON – CORE ACTIVITIES**

	2016	2015
	JD	JD
Loss from fixed assets disposal	3,016	4,672
Cost of sale of damaged goods (property and equipment)	491,441	-
Non- core activities in accordance with tariff (Note 28)	398,071	319,453
Board of directors remuneration	90,000	90,000
Board of director expenses	239,378	251,391
Others	712,493	459,709
	<u>1,934,399</u>	<u>1,125,225</u>

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**(31) SEGMENTATION REPORTS**

The presentation of the main sectors was identified based on the fact that the risk and benefits related to the group is materially affected by the different services of these sectors. The sectors are organized and managed separately based on the nature of the services where each one form a separate unit and it can be measured in accordance of the reports used by the decision makers.

	Jordan				Poles				Total			
	Valley				Factory				Unallocated			
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>For the year ended 31 December 2016</b>												
<b>Revenues:-</b>												
Electricity power sales	112,545,121	10,675,374	49,618,886	41,538,449	-	251,590,785	-	548,606,538	-	548,606,538	-	548,606,538
Other operating revenue	483,993	87,509	324,279	133,503	-	1,585,142	-	4,284,212	1,039,363	4,284,212	-	4,284,212
Other non- operating revenue	310,563	29,071	103,029	109,147	3,755,242	3,724,292	-	8,287,153	-	8,287,153	(2,779,228)	5,507,925
<b>Total revenue</b>	<b>113,339,677</b>	<b>10,791,954</b>	<b>50,046,194</b>	<b>41,781,099</b>	<b>3,755,242</b>	<b>256,900,219</b>	<b>3,755,242</b>	<b>561,177,903</b>	<b>1,039,363</b>	<b>561,177,903</b>	<b>(2,779,228)</b>	<b>558,398,675</b>
<b>Operation result:-</b>												
Segment Profit (loss)	3,362,869	(1,519,072)	(720,029)	(2,890,448)	986,783	8,552,899	986,783	17,152,329	(10,947,994)	17,152,329	(2,779,228)	14,373,101
<b>Other information:-</b>												
Depreciation and amortization	1,976,862	640,319	1,231,590	1,154,799	60,540	7,186,494	60,540	14,351,019	501,260	14,351,019	-	14,351,019
Provision for doubtful debts	-	-	-	-	-	609,192	-	955,130	345,938	955,130	-	955,130
Interest expenses and interest expense on late payment	-	-	-	-	-	5,796,275	-	15,270,206	9,473,931	15,270,206	-	15,270,206
Interest income and interest income on late payment	-	-	-	-	-	4,814,896	-	12,119,400	7,304,504	12,119,400	-	12,119,400
Group share in associate profit	-	-	-	-	-	68,140	-	139,608	71,468	139,608	-	139,608
<b>As of 31 Dec 2016</b>												
<b>Segment's assets and liability:-</b>												
Segment assets	46,596,024	16,109,606	30,682,270	26,869,406	2,181,944	288,552,569	2,181,944	642,597,552	176,312,584	642,597,552	3,518,340	646,115,892
Segment liabilities	39,799,821	11,422,873	22,616,485	19,119,320	-	268,395,531	-	597,418,595	180,531,207	597,418,595	3,518,340	600,936,935
Investment in associate	-	-	-	-	-	286,719	-	587,500	300,781	587,500	607,060	1,194,560

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	Jordan		Tafleh		Al-Karak		Ma'an		Aqaba		Poles		Irbid Energy		Unallocated		Total		Elimination		Total	
	Valley	JD	JD	JD	JD	JD	JD	JD	JD	JD	Factory	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>For the year ended 31 December 2015</b>																						
<b>Revenues:-</b>																						
Energy sales	111,047,856		10,109,488	49,219,572	40,928,244	81,406,451	-	238,306,070	-	531,017,681	-	-	531,017,681	-	-	-	531,017,681	-	-	-	531,017,681	
Other operating revenue	414,025		108,459	293,593	191,041	611,934	-	2,473,649	-	4,092,701	-	-	2,473,649	-	-	-	4,092,701	-	-	-	4,092,701	
Other non-operating revenue	310,563		29,071	103,029	109,147	255,809	703,008	2,214,135	3,917,422	7,642,184	703,008	703,008	2,214,135	3,917,422	3,917,422	(2,789,459)	4,852,725	(2,789,459)			4,852,725	
<b>Total revenue</b>	<b>111,772,444</b>		<b>10,247,018</b>	<b>49,616,194</b>	<b>41,228,432</b>	<b>82,274,194</b>	<b>703,008</b>	<b>242,993,854</b>	<b>3,917,422</b>	<b>542,752,566</b>	<b>703,008</b>	<b>703,008</b>	<b>242,993,854</b>	<b>3,917,422</b>	<b>3,917,422</b>	<b>(2,789,459)</b>	<b>539,963,107</b>	<b>(2,789,459)</b>			<b>539,963,107</b>	
<b>Operation result:-</b>																						
Segment Profit (loss)	95,770		(2,192,524)	(2,790,191)	(5,207,550)	16,152,556	691,825	3,352,879	(6,747,048)	3,355,717			3,352,879	(6,747,048)		(2,789,459)	566,258				566,258	
<b>Other information:-</b>																						
Depreciation and amortization	1,881,562		575,719	1,147,060	1,099,594	1,540,327	61,167	6,496,165	803,119	13,604,713			6,496,165	803,119		-	13,604,713				13,604,713	
Provision for doubtful debts	-		-	-	-	-	-	194,107	448,898	643,005			194,107	448,898		-	643,005				643,005	
Interest expenses and interest expense on late payment	-		-	-	-	-	-	4,451,999	8,001,738	12,453,737			4,451,999	8,001,738		-	12,453,737				12,453,737	
Interest income and interest income on late payment	-		-	-	-	-	-	3,455,680	5,410,962	8,866,642			3,455,680	5,410,962		-	8,866,642				8,866,642	
Group share in associate profit	-		-	-	-	-	-	65,917	69,135	135,052			65,917	69,135		-	135,052				135,052	
<b>As of 31 Dec 2015</b>																						
<b>Segment's assets and liability:-</b>																						
Segment assets	45,645,241		15,240,063	28,697,164	26,435,024	54,214,486	2,227,934	257,785,368	167,521,434	597,766,714			257,785,368	167,521,434		(70,622)	597,696,092				597,696,092	
Segment liabilities	39,565,890		10,190,465	22,435,845	18,754,497	54,833,005	-	241,381,229	171,162,007	558,322,938			241,381,229	171,162,007		(70,622)	558,252,316				558,252,316	
Investment in associate	-		-	-	-	-	-	286,719	300,781	587,500			286,719	300,781		502,702	1,090,202				1,090,202	



**(32) RELATED PARTIES TRANSACTIONS**

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

	<u>Paid in capital JD</u>	<u>Principal activities</u>	<u>Ownership %</u>
Irbid District Electricity Company PSC	8,000,000	Electricity power distributions	55.4

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

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

	<u>2016 JD</u>	<u>2015 JD</u>
<b>Amounts due from related parties</b>		
Electricity Equipment Industries Company (Associate)	<u>-</u>	<u>7,162</u>
<b>Amount due to related parties</b>		
	<u>2016 JD</u>	<u>2015 JD</u>
Electricity Equipment Industries Company (Associate)	<u>23,203</u>	<u>-</u>

The following represents transactions with related parties:

	<u>2016 JD</u>	<u>2015 JD</u>
Purchases from Electricity Equipment Industries Company (Associate)	<u>3,680,124</u>	<u>2,251,967</u>

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

	<u>2016 JD</u>	<u>2015 JD</u>
Board of Directors transportations and remuneration	<u>469,363</u>	<u>474,841</u>
Compensation of key management personnel is as follows:		
	<u>2016 JD</u>	<u>2015 JD</u>
Salaries and other benefits	<u>1,046,169</u>	<u>1,029,958</u>

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**(33) PARTIALLY OWNED SUBSIDIARIES**

Below the financial statements for Irbid Electricity Distribution Company which includes non – controlling interest:

Group ownership percentage	55,4%	55,4%
Country of incorporation and operation	Jordan	Jordan
	2016	2015
	JD	JD
Cumulative non – controlling interest balance	20,579,297	19,571,293
Non – controlling interest share of profit	3,145,924	1,522,731
<b>Summary statement of financial position:</b>		
Current assets	110,150,572	100,064,316
Non-current assets	178,401,997	157,721,052
Current liabilities	(121,373,149)	(101,063,497)
Non-current liabilities	(147,022,382)	(140,317,732)
<b>Owners' equity</b>	<b>20,157,038</b>	<b>16,404,139</b>
<b>Attributable to:</b>		
Company's shareholders	11,661,999	9,087,893
Non-controlling interests	8,990,039	7,316,246
<b>Summary of statement of comprehensive income:</b>		
Revenues	251,590,785	238,306,070
Expenses	(214,510,913)	(212,692,314)
Other revenues	10,124,330	8,143,464
Other expenses	(35,634,288)	(29,595,992)
<b>Profit before tax</b>	<b>11,569,914</b>	<b>4,161,228</b>
Income tax expense	(3,017,015)	(808,349)
<b>Profit of the year</b>	<b>8,552,899</b>	<b>3,352,879</b>
<b>Total comprehensive income</b>	<b>8,552,899</b>	<b>3,352,879</b>
Attributable to non – controlling interests	3,145,924	1,522,731
<b>Dividends distributed to non – controlling interests</b>	<b>(2,137,920)</b>	<b>(2,137,920)</b>
<b>Summary of statement of cash flow:</b>		
Operating activities	34,771,144	4,077,455
Investing activities	(31,844,055)	(30,561,911)
Financing activities	(7,345,658)	22,359,378
<b>Net decrease in cash and cash equivalent</b>	<b>(4,418,569)</b>	<b>(4,125,078)</b>

**(34) CONTINGENT LIABILITIES**

**Bank guarantees and letter of credit -**

As of the date the consolidated financial statements, the Group had outstanding bank guarantees and letters of credit of JD 4,282,663 (2015: JD 3,526,818).

**Litigations against the Group**

The Group is a defendant in a number of lawsuits in the ordinary course of business represents lawsuits and legal claims amounting to JOD 727,484. The Group's management and its legal advisor believe that the provision taken against these claims of JD 423,336 is adequate to meet any obligations that may arise.

**Dispute with the National Electricity Company -**

The national electricity company asks from the company's subsidiary power provider the amount of JD 721,881, which represents the difference in the interest of the delays benefits. The company and its legal counsellor believes that the company won't have any obligations as stated electricity tariff (wholesale Tariff) issued by the organization of energy and metals that is obligated with the appliance by both parties.

**Operating Lease Commitments -**

**Group as a lessee -**

On 1 May 2011, the Subsidiary signed 15 years rent agreement for annual rent of JD 110,000. In addition, the subsidiary rent some offices when needed for short period of time

Future minimum rentals payable under operating leases as of 31 December are as follows:

	2016	2015
	JD	JD
Within one year	127,061	169,257
From 1-5 years	615,090	620,903
More than 5 years	829,622	962,137
	<u>1,571,773</u>	<u>1,752,297</u>

**Group as a lessor -**

The Group has entered into commercial leases on its properties consisting of Group's offices for period less than one year.

Future minimum rentals receivables under operating leases as of 31 December are as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Within one year	<u>3,719</u>	<u>5,253</u>

**(35) RISK MANAGEMENT**

**Interest rate risk**

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

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

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

	<u>Increase in Interest Rate</u>	<u>Effect on profit for the year before tax</u>
	Basis Points	JD
<b>2016 -</b>		
JD	50	(481,252)
USD		

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	Increase in Interest Rate	Effect on profit for the year before tax
2015 -	Basis Points	JD
JD	50	(461,826)
USD	50	-

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

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Government receivables represents 42% of total receivables as of 31 December 2016 (2015: 47%).

### **Liquidity risk**

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

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

<i>At 31 December 2016</i>	<i>On demand</i>	<i>1 to 12 months</i>	<i>1 to 5 years</i>	<i>&gt; 5 years</i>	<i>Total</i>
	JD	JD	JD	JD	JD
Accounts payable	-	208,530,240	-	-	208,530,240
Accrued and other liabilities	-	15,937,290	-	-	15,937,290
Long and short-term loans	-	5,213,005	42,981,831	29,733,769	77,928,605
Due to banks	39,052,519	-	-	-	39,052,519
<b>Total</b>	<b>39,052,519</b>	<b>229,680,535</b>	<b>42,981,831</b>	<b>29,733,769</b>	<b>341,448,654</b>

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<i>At 31 December 2015</i>	<i>On demand</i>	<i>1 to 12 months</i>	<i>1 to 5 years</i>	<i>&gt; 5 years</i>	<i>Total</i>
	JD	JD	JD	JD	JD
Accounts payable	-	188,329,154	-	-	188,329,154
Accrued and other liabilities	-	9,850,347	-	-	9,850,347
Long and short-term loans	-	5,213,005	42,981,831	29,733,769	77,928,605
Due to banks	34,960,463	-	-	-	34,960,463
<b>Total</b>	<b>34,960,463</b>	<b>203,392,506</b>	<b>42,981,831</b>	<b>29,733,769</b>	<b>311,068,569</b>

**Currency risk**

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

**(36) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

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

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

**(37) CAPITAL MANAGEMENT**

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

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

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 24,599,660 as of 31 December 2016 (2015: JD 19,872,483).

**(38) STANDARD ISSUED BUT NOT YET EFFECTIVE**

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

**IFRS 9 Financial Instruments**

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

**IFRS 16 Leases**

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

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

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

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

#### **IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

#### **Transfers of Investment Property (Amendments to IAS 40)**

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

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.



**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

**(39) COMPARATIVE FIGURES**

Some of 2015 balances were reclassified to correspond to 2016 presentation with no effect on equity or profit for the year.