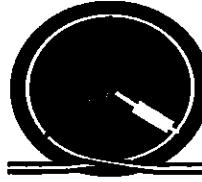


**THE JORDANIAN ELECTRIC POWER COMPANY LIMITED**

**MECCA STR.  
RAGHADAN BLDG.  
TEL. 009625503600  
FAX 009625503618**



**P.O. BOX 618  
ZIP CODE 11118  
AMMAN- JORDAN**

للمراجعين  
\* يرجى صحتنا  
Our Ref.: 6/3/2956  
Date: 29/3/2018

To: Jordan Securities Commission  
Amman Stock Exchange

\* المصالح  
المستلمة

3/CA  
[Signature]

**Subject: Audited Financial Statements for the fiscal  
year ended 31/12/2017**

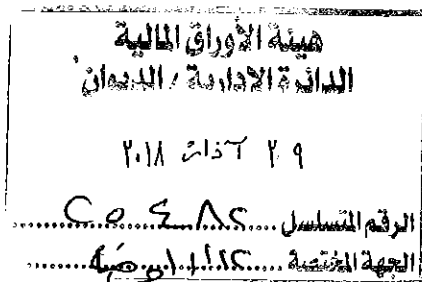
Attached the Audited Financial Statements of THE JORDANIAN ELECTRIC POWER COMPANY LIMITED for the fiscal year ended 31/12/2017.

Kindly accept our high appreciation and respect

**The Jordanian Electric Power Company**

**Limited**

[Signature]



**JORDAN ELECTRIC POWER COMPANY  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017  
TOGETHER WITH THE INDEPENDENT  
AUDITORS' REPORT**

**JORDAN ELECTRIC POWER COMPANY  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**For the Year Ended December 31, 2017**

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Kawasmy & Partners CO.  
Amman - Jordan  
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## **Independent Auditors' Report on the Consolidated Financial Statements**

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

### **Qualified Opinion**

We have audited the consolidated financial statements of Jordan Electric Power Company ("The Company"), and its subsidiary ("the Group") which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of profit or loss and other comprehensive income, consolidated changes in Owners' equity and consolidated cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the basis of qualification paragraph below, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the instructions of Prime Ministers Council and Energy and Mineral Regulatory Commission.

### **Basis for qualification**

The Group has not completed the calculation for the possible effect that may arise from the adoption of International Financial Reporting Standards number (9), which will be applied on the Group's consolidated financial statements starting January 1<sup>st</sup>, 2018. Accordingly, the Group has not disclosed the impact in the notes to the consolidated financial statements in accordance with the requirements of International Accounting Standard 8 "Accounting Policies and Changes in Accounting Estimates and Errors".

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with International Ethics Standards Board for Accountants Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.



The key audit matters descriptions are as follows:

**1- Infrastructure and other fixed assets**

**Description of Key Audit matter**

The Group own Infrastructure and other fixed assets with carrying amounts of JOD 341,201,648 as of December 31, 2017 which represents 32% of the Group's total assets. In accordance with the requirements of IFRS, the Group should measure if there is any indication of impairment in its value, such matter requires significant judgments and estimates from management to determine the fair value or value in use as management exercise judgment and estimates over the inputs used to determine the fair value/impairment including expert valuator. Accordingly, the determination of fair value/impairment of these assets by management is considered a key audit matter.

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

**How the Matter was Addressed in Our Audit**

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

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

**2- Accounts Receivables**

**Description of Key Audit matter**

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

The Group had subscribers' receivables in amount of JOD 451,488,036 as of December 31, 2017, and the Group recorded a provision for doubtful debts in amount of JOD 8,243,846 as of December 31, 2017.

**How the Matter was Addressed in Our Audit**

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



### **3- Legal Cases and Contingent Liabilities**

#### **Description of Key Audit matter**

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

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

#### **How the Matter was Addressed in Our Audit**

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

#### **Other Information**

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

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 were not provided with the annual report of the group or any other information as it relates to this paragraph until the date of this report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

#### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 exists, we are required to draw attention in our auditors' 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 auditors' 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 and appropriate audit evidence relating to the consolidated financial statements of entities or businesses within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation of audit at the Group level and remain the sole responsible for our 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 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

**KPMG Kawasmy and Partners**

Hatem Kawasmy  
License no. (656)

Amman - Jordan  
March 13, 2018



**JORDAN ELECTRIC POWER COMPANY  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In Jordanian Dinar</i>		<b>As of December 31,</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Infrastructure and other fixed assets	6	341,201,648	323,133,336
Intangible assets	7	30,045,657	29,471,826
Subscriber's contributions - assets	8	159,956,189	151,625,374
Rural fils - assets	9	21,453,215	21,616,312
Project under construction		6,652,950	5,662,753
Investments in associate	10	1,379,984	1,320,624
Deferred tax assets	11	5,920,302	5,872,302
<b>Total Non - Current Assets</b>		<b>566,609,945</b>	<b>538,702,527</b>
Inventory	12	1,335,003	676,126
Financial assets through profit or loss	13	1,674,065	2,030,300
Due from related parties	14	2,821,197	1,917,139
Subscriber's receivables	15	451,488,036	364,150,342
Receivables	16	43,040,768	32,439,150
Other debit balances	17	2,665,049	1,543,659
Cash on hand and at banks	18	571,985	309,979
<b>Total Current Assets</b>		<b>503,596,103</b>	<b>403,066,695</b>
<b>Total Assets</b>		<b>1,070,206,048</b>	<b>941,769,222</b>
<b>Equity and Liabilities</b>			
<b>Total Shareholder's Equity</b>			
Paid up capital	1	83,572,965	77,490,000
Statutory reserve	19	21,861,867	20,853,900
Retained earnings		12,816,777	16,267,067
<b>Total Shareholders' Equity</b>		<b>118,251,609</b>	<b>114,610,967</b>
Non-Controlling interest		113,248	-
<b>Total Equity</b>		<b>118,364,857</b>	<b>114,610,967</b>
<b>Liabilities</b>			
Subscriber's contributions - deposits	8	159,956,189	151,625,374
Rural fils - deposits	9	21,453,215	21,616,312
License Obligation / Government – Long term	7	34,501,437	36,428,779
Loans – due more than one year	21	50,000,000	54,625,000
Subscribers' refundable deposits	22	108,785,375	100,330,408
Provision for end-of-service indemnity	23	19,554,127	19,354,127
Obligation for employees funds	24	18,374,138	16,451,698
<b>Total Non - Current Liabilities</b>		<b>412,624,481</b>	<b>400,431,698</b>
Payables	25	286,200,883	183,969,493
Due to related parties	14	242,933	-
Loans – due within one year	21	4,375,000	6,500,000
License Obligation / Government – Short term	7	5,000,000	5,000,000
Income tax provision	11	2,165,274	5,939,744
Other credit balances	26	6,464,259	6,003,696
Due to Banks	18	234,768,361	219,313,624
<b>Total Current Liabilities</b>		<b>539,216,710</b>	<b>426,726,557</b>
<b>Total Liabilities</b>		<b>951,841,191</b>	<b>827,158,255</b>
<b>Total Equity and Liabilities</b>		<b>1,070,206,048</b>	<b>941,769,222</b>

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

The consolidated financial statements were approved from page (5) to (44) by the Board of Directors and approved by:

Chief Financial Officer

Chief Executive Officer

Chairman of board of Directors

**JORDAN ELECTRIC POWER COMPANY  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<i>In Jordanian Dinar</i>	<b>Note</b>	<b>For the Year Ended December 31,</b>	
		<b>2017</b>	<b>2016</b>
Revenues from sale of energy	27	1,022,856,569	996,440,791
Purchased energy	28	(903,496,863)	(877,131,748)
<b>Gross profit from sales of energy</b>		<b>119,359,706</b>	<b>119,309,043</b>
Revenues / Expenses from other core operations	29	4,535,517	5,144,278
Administrative, operating and subscribers' services expense	30	(77,310,542)	(72,000,366)
Depreciation	6	(22,460,327)	(21,141,628)
Depreciation on material in warehouse		(123,145)	(113,353)
<b>Total revenues/ expenses from core operations</b>		<b>(95,358,497)</b>	<b>(88,111,069)</b>
<b>Profit from core operations</b>		<b>24,001,209</b>	<b>31,197,974</b>
Revenues / expenses from non-core operations	31	6,364,515	5,131,502
Bank interest revenues		907	346
Late payments interest revenues		7,754,939	7,652,494
Expenses from non - core operations	32	(570,377)	(468,894)
Amortization	7	(1,694,053)	(1,694,053)
Finance cost	33	(19,185,535)	(16,884,652)
Late power payments interest expense		(6,660,815)	(5,445,717)
<b>(Loss) from non-core operations</b>		<b>(13,990,419)</b>	<b>(11,708,974)</b>
<b>Profit for the year before income tax</b>		<b>10,010,790</b>	<b>19,489,000</b>
Income tax (expense)	11	(2,117,453)	(6,755,353)
<b>Profit for the Year</b>		<b>7,893,337</b>	<b>12,733,647</b>
<b>Total Other Comprehensive Income For The Year</b>		<b>7,893,337</b>	<b>12,733,647</b>
<b>Total Other Comprehensive Income Attributable To:</b>			
Company's Shareholders		7,902,589	12,733,647
Non-Controlling Interest		(9,252)	-
		<b>7,893,337</b>	<b>12,733,647</b>
<b>Basic and Dilited Earining per Share from Profit for the Year</b>	34	<b>0,095</b>	<b>0,152</b>

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

The consolidated financial statements were approved from page (5) to (44) by the Board of Directors and approved by:

**Chief Financial Officer**

**Chief Executive Officer**

**Chairman of board of Directors**

**JORDAN ELECTRIC POWER COMPANY  
AND ITS SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

<i>In Jordanian Dinar</i>	<b>Paid up Capital*</b>	<b>Statutory Reserve</b>	<b>Retained Earnings**</b>	<b>Shareholders' Equity</b>	<b>Non- Controlling Interest</b>	<b>Total Equity</b>
<b>For the Year Ended December 31, 2017</b>						
Balance at January 1 <sup>st</sup> , 2017	77,490,000	20,853,900	16,267,067	114,610,967	-	114,610,967
Total comprehensive income for the year	-	-	7,902,589	7,902,589	(9,252)	7,893,337
Capital increase*	6,082,965	-	(6,082,965)	-	-	-
Distributed dividends – (Note 20)	-	-	(4,261,947)	(4,261,947)	-	(4,261,947)
Transferred to statutory reserve	-	1,007,967	(1,007,967)	-	-	-
Non-Controlling Interest	-	-	-	-	122,500	122,500
<b>Balance as of December 31, 2017</b>	<b>83,572,965</b>	<b>21,861,867</b>	<b>12,816,777</b>	<b>118,251,609</b>	<b>113,248</b>	<b>118,364,857</b>
<b>For the Year Ended December 31, 2016</b>						
Balance at January 1 <sup>st</sup> , 2016	75,600,000	18,900,000	14,937,320	109,437,320	-	109,437,320
Total comprehensive income for the year	-	-	12,733,647	12,733,647	-	12,733,647
Capital increase*	1,890,000	-	(1,890,000)	-	-	-
Distributed dividends – (Note 20)	-	-	(7,560,000)	(7,560,000)	-	(7,560,000)
Transferred to statutory reserve	-	1,953,900	(1,953,900)	-	-	-
<b>Balance as of December 31, 2016</b>	<b>77,490,000</b>	<b>20,853,900</b>	<b>16,267,067</b>	<b>114,610,967</b>	<b>-</b>	<b>114,610,967</b>

\* The General Assembly approved in their extraordinary meeting held on April 27, 2017 to increase its paid up capital through capitalized JOD 6,082,965 from retained earnings to reach JOD 83,572,965. The legal procedures over the capital increase has been completed on May 24, 2017, given that the authorized capital for the Company is JOD 100 million.

\*\* Retained earnings includes deferred tax assets in the amount of JOD 5,920,302 as of December 31, 2017 (5,872,302: as of December 31, 2016) which restricted for use according to the instructions of Jordanian Security Exchange Commission.

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

**JORDAN ELECTRIC POWER COMPANY  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In Jordanian Dinar</i>	Note	For the Year Ended December 31	
		2017	2016
Profit for the year before income tax		10,010,790	19,489,000
<b>Adjustments for:</b>			
Depreciation and amortization	7,6	24,292,479	22,943,176
Company's share of investment in associate	10	(59,360)	(102,160)
Loss from the valuation of financial assets at fair value through profit or loss	31	356,235	91,279
Provision for end-of-service indemnity	23	3,836,618	2,651,372
Allowance for doubtful receivables	30/c	-	1,500,000
Finance expenses		19,185,535	16,884,652
Interest revenues		(7,755,846)	(7,652,840)
Late power payment interest expense		6,660,815	5,445,717
License obligation expenses / Government		3,072,658	3,068,799
		<b>59,599,924</b>	<b>64,318,995</b>
<b>Changes in Working Capital items:</b>			
Inventory		(658,877)	96,071
Subscribers receivables		(87,337,694)	(10,493,045)
Receivables		(10,601,618)	5,163,473
Other debit balances		(1,121,390)	346,880
Due from related parties		(904,058)	(608,736)
Accounts payable		102,231,390	(91,005,946)
Subscribers' refundable deposits		8,454,967	7,202,674
Due to related parties		242,933	(562,632)
Other credit balances		1,351,675	1,374,601
Obligation for employees funds		1,922,440	130,215
<b>Net Cash Flow From (used in) operating activities before income tax paid and end-of-service indemnity payment</b>		<b>73,179,692</b>	<b>(24,037,450)</b>
Income tax paid	11	(5,939,923)	(3,922,365)
Payment for end-of-service indemnity	23	(3,636,618)	(2,451,372)
<b>Net Cash flow from (used in) operating activities</b>		<b>63,603,151</b>	<b>(30,411,187)</b>
<b>Cash flow from investing activities :</b>			
Acquisition of property, plant and equipment and project under construction		(41,922,045)	(34,625,587)
Advances payment on acquisition of intangible assets	7	(2,267,884)	-
Proceeds from sale of property, plant and equipment		265,110	-
<b>Net cash flow (used in) investing activities</b>		<b>(43,924,819)</b>	<b>(34,625,587)</b>
<b>Cash flow from financing activities:</b>			
Loans		(6,750,000)	43,750,000
Distributed dividends	20	(4,307,308)	(7,323,635)
Finance expenses paid		(18,813,755)	(18,196,218)
Paid on License obligation expenses / Government		(5,000,000)	-
<b>Net cash flow (used in) from financing activities</b>		<b>(34,871,063)</b>	<b>18,230,147</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(15,192,731)</b>	<b>(46,806,627)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(219,003,645)</b>	<b>(172,197,018)</b>
<b>Cash and Cash Equivalents at the End of the Year For Cash Flow Purpose</b>	18	<b>(234,196,376)</b>	<b>(219,003,645)</b>

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

**JORDAN ELECTRIC POWER COMPA  
AND IT'S SUBSIDIARY (THE GROUP)  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN- JORDAN**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1) GENERAL**

- Jordan Electric Power Company (the Company) was incorporated on January 1st, 1938 as a public shareholding company with registration number (2) with paid up capital 2,500 pond, the paid up capital has been increased in several stages to reach JOD 77.49 Million. The General assembly approved on its extraordinary meeting held on April 27, 2017 to increase the paid up capital through capitalizing of JOD 6,082,965 from retained earnings to reach JOD 83,572,965, the legal procedures over the increase in capital has been completed on May 24, 2017, where the General Assembly approved in its extraordinary meeting held on May 15, 2016 to increase the authorized capital to Reach JOD 100 million.
- During the year 1962 the Company has signed with the Jordanian Government a concession agreement for 50 years to distribute electricity for the concession area that includes: Amman, Zarqa, Madaba and Salt. The concession agreement expired on November 22, 2012 which was extended by temporary license until May 22, 2014. On May 23, 2014 the Company signed a settlement agreement with the Jordanian Government under which the Company had obtained a license to distribute the electricity for 20 years instead of the expired concession and temporary licenses similar to the other distribution companies after they reached to final settlement with the Government.
- The Company's objectives are limited to transmission and distribution, purchase and sale of electricity to ensure the needs of all consumers in the license area and any other area covered by the expanded area under the license agreement.
- The Company's head office location is the Mecca Street - Amman - Jordan.
- The consolidated financial statements were approved by the Board of Directors on March 13, 2018 and it is subject to the approval of the General Assembly.

**2) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**a) Statement of compliance**

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

**b) Basis of Consolidation Financial Statements**

The consolidated financial statements comprise of the financial statements of Jordan Electric Power Company (the "Parent Company") and its subsidiary which subject to its control. Subsidiary are entity controlled by the Group. The Group controls another entity when it has the right to variable returns from its involvement with the Group and has the ability to influence those returns by controlling the Company. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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The financial statements of the subsidiary are prepared for the same reporting year using the same accounting policies as the Group. If the subsidiary has different accounting policies than those used in the Group, the necessary adjustments are made to the financial statements of the subsidiary to confirm to the Group's accounting policies.

The results of operations of a subsidiary are consolidated in the consolidated statement of profit or loss from the date of acquisition and are the date on which the Group effectively transfers control over the subsidiary. The results of the disposal of the subsidiary are consolidated in the consolidated statement of profit or loss up to the disposal date the Group loss control over the subsidiary.

- The Group owns the following subsidiary as of December 31, 2017:

<u>Company Name</u>	<u>Authorized Capital</u>	<u>Paid up Capital</u>	<u>Ownership Percentage</u>	<u>Main Activity</u>	<u>Location</u>
Lightning Gate for Cloud services	250,000	250,000	%51	Providing technology to facilitate payment of bills and claims by electronic means	Amman – Jordan

- The following table shows the financial position and financial performance of the subsidiary as of December 31, 2017:

<i>In Jordanian Dinar</i>	<b>As of December 31, 2017</b>			
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenues</u>	<u>Loss for the year</u>
Lightning Gate for Cloud services	1,123,776	892,652	-	(18,882)

The Group recognizes consolidation of the business using the consolidation method when control is transferred to the Group and the transferred benefits from the merger are measured at fair value and are determined by the net asset value. If there is a resulting goodwill, a test of impairment is performed annually.

The benefits arising from the merger do not include amounts arising from the settlement of the pre-merger relationship. These amounts are recognized in consolidated profit or loss and other comprehensive income.

Contingent liabilities are measured at fair value at the date of acquisition if they are classified as equity and any transactions are accounted for under equity. Subsequent recognition is otherwise recognized in the fair value of the contingent consideration in the consolidated statement of profit or loss and other comprehensive income.

Non-controlling interests represent that portion that is not owned by the Company in equity in the subsidiary.

**c) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets measured at the fair value through profit or loss which is measured at fair value. And in accordance with going concern assumption and financial assets and liabilities that are presented at amortized cost.

**d) Functional and presentation currency**

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

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**e) Use of estimates and Judgments**

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

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

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

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

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

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

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

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- The Group uses the stage of completion method in accounting for its fixed price construction contracts. Use of the stage of completion method requires the management to estimate the services performed to date as a proportion of the total services to be performed.

- **Fair value hierarchy:**

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

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

**3) Significant Accounting Policies**

The accounting policies applied by the Group in these consolidated financial statements for the year ended December 31, 2017 are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2016, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2017:

- Amendments to IAS 7: Disclosure Initiative.
- Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses.
- Amendments to IFRS 12 Disclosure of Ownership in Other Entities: Annual Amendments to International Financial Reporting Standards 2014-2016.

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

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

**a) Investment in associates and Jointly controlled entities**

- Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.
- Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.
- The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

**b) Financial instruments**

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

- The Group initially recognizes financial assets at amortized cost on the date that they are originated. The financial assets held within the Group management whose objective is to hold these assets in order to collect contractual cash flows, which represent payments of principal and interest on the principal amount outstanding.

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

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

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

**c) Infrastructure Assets and other Fixed Assets**

**(1) Infrastructure assets**

**Recognition and measurement**

- Items of infrastructure assets are measured at cost less accumulated depreciation and accumulated impairment losses. These consist of assets which are both under license agreement and owned by the Group (Note 6).
- Cost includes expenditures that are directly attributable to the acquisition of the infrastructure assets.
- Borrowing costs related to the acquisition or constructions of qualifying assets are capitalized as incurred.
- When parts of an item of infrastructure assets have different useful lives, they are accounted for as separated items.
- Gains and losses on disposal of an item of infrastructure assets are determined by comparing the proceeds from disposal with the carrying amount of infrastructure assets and are recognized net within the Consolidated Statement of profit or loss.

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**Subsequent costs**

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

**Depreciation**

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

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

**(2) Subscribers assets and deposits**

This amount was presented in compliance with the Prime Ministers Council and Energy and Minerals Regulatory Commission which stated to present these assets in non-current assets under the name of "Subscribers' contribution-assets" and had in the liability side "Subscribers' contribution-deposits" with the same amount. Subscribers contribution-assets are depreciated at a rate of 4% annually and the Subscribers contribution-liabilities are amortized with the same rate as it will not affect the financial position of the Group.

**(3) Rural fils assets and deposits**

This item represents the infrastructure assets to extend the electricity grid to rural areas which is presented in non-current assets under the name "Rural Fils-assets" and had in the liability side "Rural Fils-Deposits" with the same amount in compliance with the Prime Ministers Council and Energy and Minerals Regulatory Commission. The assets is to depreciated at a rate of 4% annually and the liability is amortize over the same period so it will not affect the financial position of the Group.

**d) Inventories**

- Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.
- Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

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**e) Construction in progress**

Construction under progress presented at cost and it include cost of construction, equipment's and direct cost. The constructions under progress do not depreciated until the assets related to it will be ready and available to use.

**f) Revenues recognition and expenses realization**

- Revenue recognition and expenses realization are recognized based on accrual basis.
- Revenue from the sale of power in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of adjustments and trade discounts. The sales prices are based on the Tariff regulated by the Energy and Minerals Regulatory Commission. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer.
- Revenue from services rendered is recognized in consolidated statement of profit or loss in proportion to the stage of completion of the transaction at the reporting date, the stage of completion is assessed by reference to surveys of work performed.

**g) Impairment**

**Financial Assets**

- A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.
- A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of profit or loss.

**Non-Financial Assets:**

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

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**h) Foreign Currency Transactions**

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

**i) Fair value**

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

**j) End-of-service indemnity**

This item represents expenses and related legal and constructive liabilities in respect of employees' end-of-service as of consolidated financial statements' date according to the accrual basis.

The provision for end of service indemnity is recorded as a result of the actuarial study. The actuarial gains and losses are recognized immediately in the consolidated statement of financial position and consolidated statement of comprehensive income in respect of the expense or income for the year in which the estimate was made. The revaluation results are reversed to the retained earnings directly and are not reclassified to the consolidated statement of profit and loss.

**k) Offsetting of financial assets**

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

**l) Date of recognition of financial assets**

Purchase and sell of financial assets are recognized on the trading date (date when group commitment to sell or buy financial assets).

**m) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present (legal or constructive) obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability

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**n) Finance expenses**

Finance expenses comprise interest expense on borrowings. All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the statement of income using the effective interest method.

**o) Subscribers' refundable deposits**

The Group collect from each subscriber at the time of connecting the electricity in compliance with the service cost instructions for the services provided by the electricity companies licensed to distribute electricity to its subscribers.

**p) Income tax**

- Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in consolidated statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in consolidated equity or in consolidated other comprehensive income.
- Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
- Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
- Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.
- A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.
- Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.
- Current tax payable is calculated at the tax rate of 24% in accordance with prevailing income tax law in Jordan.

**q) Earnings per share**

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

**4) New standards and interpretations not yet adopted**

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

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**New Standards**

- International Financial Reporting Standards (9): Financial Instruments (effective on January 1<sup>st</sup>, 2018 except for Insurance Companies which will be effective on January 1<sup>st</sup>, 2021 with earlier application permitted).
- International Financial Reporting Standards (15): Revenue from Contracts with Customers (effective on January 1<sup>st</sup>, 2018 with earlier application permitted).
- International Financial Reporting Standards (16): Leases (effective on January 1<sup>st</sup>, 2019 with earlier application permitted).
- International Financial Reporting Standards (17): Insurance Contracts (effective January 1<sup>st</sup>, 2021 with earlier application permitted).

**Amendments to Standards:**

- IFRS (2): Classification and Measurements of Share-Based Payments (effective on January 1<sup>st</sup>, 2018 with earlier application permitted).
- IFRS (10) and IAS (28): Sale or Contribution of Assets between and Investor and its Associate or Joint Venture. (date to be determined).
- IAS (40): Clarify Transfers of Property to, or from, Investment Property (effective on January 1<sup>st</sup>, 2018).
- Amendments to International Financial Reporting Standards (4) in applying International Financial Reporting Standards (9) (effective on January 1<sup>st</sup>, 2018).
- Interpretations International Financial Reporting Interpretations Committee (23): Uncertainty over Income Tax Treatments (effective on January 1<sup>st</sup>, 2018).
- Amendments to International Financial Reporting Standards (2014-2016) Amendments to International Financial Reporting Standards (1) First-time Adoption of International Financial Reporting Standards and IAS (28) Investments in Associates and Joint Ventures (effective on January 1<sup>st</sup>, 2018).
- IFRIC 22: Foreign currency transactions and prepayment allowance.

Management expects to apply these standards and amendments in the preparation of the consolidated financial statements at the dates set out above, which will have no material impact on the Group's consolidated financial statements except for the adoption of IFRS 9 Financial Instruments disclosed below and IFRS (16): Leases, where the expected impact of its application will be disclosed when the Group reviews the impact, since it is not practicable to provide a reasonable estimate of the implications of applying this standard in the current period.

**Effect of application of International Financial Reporting standard No. (9):**

The Group is required to apply IFRS 9 "Financial Instruments" starting from January 1<sup>st</sup>, 2018. Accordingly, the Group has working to estimate the expected impact of the adoption of the standard on the consolidated financial statements which is not yet been completed. The Group will book the full-expected impact taking into consideration the full estimates and tests required by the standard when issuing the Group's consolidated condensed interim financial statements for the period ending March 31, 2018.

**The following are the most important aspects of application:**

**A- Classification and measurement of financial assets:**

Management anticipates that there is no material impact on the application of the Standard. The Group has early dopted phase one of IFRS 9 as of January 1, 2011 based on the request of the Jordanian Security Exchange Commission.

**B- Classification and measurement of financial liabilities:**

IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (Revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of profit or loss, whereas IFRS (9) requires:

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-Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of profit or loss as a result of changes in credit risk in the statement of comprehensive income.

-The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

The Group has not classified any financial liabilities in financial liabilities at fair value through profit or loss. Moreover, there is no intention by the management to classify any financial liabilities in this category. Therefore, there is no impact from the application of IFRS (9) to the consolidated financial statements.

**C- Impairment of financial assets**

IFRS (9) replaces the 'incurred loss' model in IAS (39) with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgments to estimate economic factors. The model will be applied to all financial assets - debt instruments which classified as amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Impairment losses will be calculated in accordance with the requirements of IFRS (9) in accordance with the following rules:

-12 month impairment loss: The expected impairment will be calculated for the next 12 months from the date of the financial statements.

- Impairment losses for the lifetime of the instrument: The expected impairment of the life of the financial instrument will be calculated until the maturity date from the date of the financial statements.

The expected credit loss mechanism depends on the probability of default (PD), which is calculated according to the credit risk and future economic factors, the loss in default (LGD), which depends on the value of the existing collateral, the exposure at default (EAD).

The Group has not yet completed the calculation for the impact of application of the Standard and therefore the expected impact for the adoption of IFRS 9 on the consolidated financial statements has not been disclosed.

**D- Disclosures**

IFRS (9) requires detailed disclosures, particularly with regard to hedge accounting, credit risk and expected credit losses. The Group is working to provides all the necessary details for these disclosures to be presented in the subsequent consolidated financial statements after application.

**E-Implementation**

Based on the discussions between the Jordanian Companies for power distribution and the Energy and Mineral Regulatory Commission Authority about the possible implications for the implementation of the Standard on the sector, the Group expects to get exemption from Energy and Mineral Regulatory Commission from the application of IFRS 9 (impairment part). If the Group does not receive the exemption, the standard will be applied and the Group will record the possible impact in accordance with the requirements of this standard in the first interim consolidated financial statements to be issued by the Group.

**5) Operating Segment**

The Company has a single reporting segment represented by distributing energy and all services with their related revenues and balances are domiciled in the region of Jordan. The revenues derived from government and semi government entities is amounted to JOD 115,344,156 (2016: JOD 109,941,750).

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**6) Infrastructure Assets and Other Fixed Assets**

In Jordanian Dinar	Infrastructure Assets						Other Fixed Assets						
	Lands	Buildings*	Transformers	OHL networks	Ground cables	Leased Meters	Total infrastructure assets	Lands*	Buildings	Furniture	Vehicles	Others	Total
Cost													
Balance as of January 1 <sup>st</sup> , 2016	2,330,059	19,083,223	174,459,245	124,185,606	187,225,460	31,153,142	538,436,735	4,451,078	4,214,853	13,421,505	6,458,633	19,335,248	586,318,052
Additions for the year	620,014	1,307,186	14,191,265	8,809,989	15,274,214	3,392,103	43,594,771	-	343,332	308,132	659,208	1,131,569	46,037,012
Disposal for the year	-	-	-	-	-	-	-	-	-	-	(257,830)	-	(257,830)
Spare parts transferred to projects	-	-	(4,410,591)	(2,594,514)	(3,506,834)	(899,486)	(11,411,425)	-	-	-	-	-	(11,411,425)
Balance as of December 31, 2016	2,950,073	20,390,409	184,239,919	130,401,081	198,992,840	33,645,759	570,620,081	4,451,078	4,558,185	13,729,637	6,860,011	20,466,817	620,685,809
Balance as of January 1 <sup>st</sup> , 2017	2,950,073	20,390,409	184,239,919	130,401,081	198,992,840	33,645,759	570,620,081	4,451,078	4,558,185	13,729,637	6,860,011	20,466,817	620,685,809
Additions for the year	1,611,057	1,002,262	14,990,718	9,041,984	16,963,669	3,054,570	46,664,260	4,695,705	697,762	325,005	692,612	1,399,260	54,474,604
Disposal for the year	-	-	(407,467)	-	-	-	(407,467)	-	-	(12,746)	-	-	(420,213)
Spare parts transferred to projects	-	-	(4,899,486)	(3,188,019)	(3,173,624)	(2,281,627)	(13,542,756)	-	-	-	-	-	(13,542,756)
Balance as of December 31, 2017	4,561,130	21,392,671	193,923,684	136,255,046	212,782,885	34,418,702	603,334,118	9,146,783	5,255,947	14,041,896	7,552,623	21,866,077	661,197,444
Accumulated depreciation													
Balance as of January 1 <sup>st</sup> , 2016	-	4,719,688	95,629,702	67,442,396	58,506,936	17,100,690	243,399,412	-	884,057	10,529,054	5,564,888	16,070,416	276,447,827
Depreciation for the year	-	394,677	8,300,010	4,290,978	5,303,033	1,558,414	19,847,112	-	87,730	178,159	254,132	881,990	21,249,123
Disposal for the year	-	-	-	-	-	-	-	-	-	-	(144,477)	-	(144,477)
Balance as of December 31, 2016	-	5,114,365	103,929,712	71,733,374	63,809,969	18,659,104	263,246,524	-	971,787	10,707,213	5,674,543	16,952,406	297,552,473
Balance as of January 1 <sup>st</sup> , 2017	-	5,114,365	103,929,712	71,733,374	63,809,969	18,659,104	263,246,524	-	971,787	10,707,213	5,674,543	16,952,406	297,552,473
Depreciation for the year	-	417,771	8,704,784	4,489,881	5,660,359	1,642,124	20,914,919	-	98,141	197,435	295,345	1,092,586	22,598,426
Disposal for the year	-	-	(144,778)	-	-	-	(144,778)	-	-	(10,325)	-	-	(155,103)
Balance as of December 31, 2017	-	5,532,136	112,489,718	76,223,255	69,470,328	20,301,228	284,016,665	-	1,069,928	10,894,323	5,969,888	18,044,992	319,995,796
Net Book value													
As of December 31, 2016	2,950,073	15,276,044	80,310,207	58,667,707	135,182,871	14,986,655	307,373,557	4,451,078	3,586,398	3,022,424	1,185,468	3,514,411	323,133,336
As of December 31, 2017	4,561,130	15,860,535	81,433,966	60,031,791	143,312,557	14,117,474	319,317,453	9,146,783	4,186,019	3,147,573	1,582,735	3,821,085	341,201,648

- Some of the Company's buildings constructed on lands owned by subscribers.

- Total fully depreciated assets amount to JOD 149,000,012 as of December 31, 2017 (December 31, 2016: JOD 140,112,667).

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**7) Intangible Assets**

This account consist the following:

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Distribution license (A)	27,777,773	29,471,826
Advances payments on purchase intangible assets (B)	2,267,884	-
<b>Balance at the End of the Year</b>	<b>30,045,657</b>	<b>29,471,826</b>

**A) Distribution license**

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

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

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Intangibile assets	33,881,070	33,881,070
Accumulated amortization*	(6,103,297)	(4,409,244)
<b>Net book value</b>	<b>27,777,773</b>	<b>29,471,826</b>
License Obligation / Government – long term	34,501,437	36,428,779
License Obligation / Government – Short term	5,000,000	5,000,000
<b>Total License Obligation</b>	<b>39,501,437</b>	<b>41,428,779</b>

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

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
Balance at the beginning of the year	4,409,244	2,715,191
Amortization for the year	1,694,053	1,694,053
<b>Balance at the End of the Year</b>	<b>6,103,297</b>	<b>4,409,244</b>

**B) Advances payments on purchase intangible assets**

This item represent payments incurred by the Company against the purchase of a new accounting system (SAP) and the renewal of the ERP system. The system has not been fully implemented until the date of the consolidated financial statements of the Company.

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

This item is presented as a separate item in the consolidated statement of financial position in compliance with the Prime Ministers Board Resolution as referred to in the letter of Prime Minister No. 33/11/6189 dated June 4, 1985 which stipulates to present these assets under its correct name of "Subscribers' contribution-Assets" presented in both asset and liability as separate line items in the consolidated statement of financial position. The subscribers' contribution-assets is to depreciate for a period of 25 years with a rate of 4% annually and the liability is amortize over the same period from the year 1985. This rule is applied towards the accumulated contribution starting December 31, 1985 and for future periods. As mentioned in Note (2) and (3), these assets are also under the previous concession agreement and the current license agreement detailed of this item is as follow:

<i>In Jordanian Dinar</i>	<b>Subscribers' Contributions-Assets / Deposits</b>	<b>Total</b>
<b><u>Cost</u></b>		
Beginning balance as of January 1 <sup>st</sup> , 2016	230,019,844	230,019,844
Additions	18,921,953	18,921,953
<b>Balance as of December 31, 2016</b>	<b>248,941,797</b>	<b>248,941,797</b>
<b><u>Cost</u></b>		
Beginning balance as of January 1 <sup>st</sup> , 2017	248,941,797	248,941,797
Additions	18,088,342	18,088,342
<b>Balance as of December 31, 2017</b>	<b>267,030,139</b>	<b>267,030,139</b>
<b><u>Accumulated depreciation</u></b>		
balance as of January 1 <sup>st</sup> , 2016	88,188,503	88,188,503
Depreciation for the year	9,127,920	9,127,920
<b>Balance as of December 31, 2016</b>	<b>97,316,423</b>	<b>97,316,423</b>
balance as of January 1 <sup>st</sup> , 2017	97,316,423	97,316,423
Depreciation for the year	9,757,527	9,757,527
<b>Balance as of December 31, 2017</b>	<b>107,073,950</b>	<b>107,073,950</b>
<b><u>Net book value:</u></b>		
<b>December 31, 2016</b>	<b>151,625,374</b>	<b>151,625,374</b>
<b>December 31, 2017</b>	<b>159,956,189</b>	<b>159,956,189</b>

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**9) Rural Fils-Assets / Rural Fils-Deposits**

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

<i>In Jordanian Dinars</i>	<b>Rural Fils Assets / Deposits</b>	<b>Total</b>
<b><u>Cost</u></b>		
Beginning balance as of January 1 <sup>st</sup> , 2016	51,826,809	51,826,809
Additions	885,645	885,645
<b>Balance as of December 31, 2016</b>	<b>52,712,454</b>	<b>52,712,454</b>
<b><u>Cost</u></b>		
Beginning balance as of January 1 <sup>st</sup> , 2017	52,712,454	52,712,454
Additions	2,004,672	2,004,672
<b>Balance as of December 31, 2017</b>	<b>54,717,126</b>	<b>54,717,126</b>
<b><u>Accumulated depreciation</u></b>		
Balance as of January 1 <sup>st</sup> , 2016	29,018,828	29,018,828
Depreciation for the year	2,077,314	2,077,314
<b>Balance as of December 31, 2016</b>	<b>31,096,142</b>	<b>31,096,142</b>
Balance as of January 1 <sup>st</sup> , 2017	31,096,142	31,096,142
Depreciation for the year	2,167,769	2,167,769
<b>Balance as of December 31, 2017</b>	<b>33,263,911</b>	<b>33,263,911</b>
<b><u>Net book value:</u></b>		
<b>December 31, 2016</b>	<b>21,616,312</b>	<b>21,616,312</b>
<b>December 31, 2017</b>	<b>21,453,215</b>	<b>21,453,215</b>

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**10) Investments in Associate**

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

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

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

	<b>As of December 31,</b>	
<i>In Jordanian Dinars</i>	<b>2017</b>	<b>2016</b>
Balance at the beginning of the year	1,320,624	1,218,464
Company's share in associates operations	59,360	102,160
<b>Balance at the End of Year</b>	<b>1,379,984</b>	<b>1,320,624</b>

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

<i>In Jordanian Dinars</i>	<b>Ownership Percentage %</b>	<b>Current Assets</b>	<b>Non-Current Assets</b>	<b>Total Assets</b>	<b>Current Liabilities</b>	<b>Non-Current Liabilities</b>	<b>Total Liabilities</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Profit</b>
<b>As of December 31, 2017</b>										
Electrical Equipment Industries Company	27,5	4,389,360	1,036,422	5,425,782	407,660	-	407,660	3,050,144	(2,954,334)	95,810
<b>As of December 31, 2016</b>										
Electrical Equipment Industries Company	27,5	5,902,945	1,084,283	6,987,228	1,903,995	-	1,903,995	10,552,623	(9,940,163)	612,460

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**11) Taxes**

**A- Deferred tax assets**

The details of this account is as follows

The details of this account is as follows					
Items which Produced Deferred Tax Assets	Beginning Balance	Deferred tax Assets			As of December 31, 2017
		Additions	Releases	Ending Balance	
<i>In Jordanian Dinar</i>					
End-of-service provision	19,354,127	3,836,618	(3,636,618)	19,554,127	4,692,990
provision for doubtful debts	5,113,800	-	-	5,113,800	1,227,312
	<u>24,467,927</u>	<u>3,836,618</u>	<u>(3,636,618)</u>	<u>24,667,927</u>	<u>5,920,302</u>

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

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

<i>In Jordanin Dinar</i>	As of December 31,	
	2017	2016
Beginning balance for the year	5,872,302	5,464,302
Additions for the year	48,000	996,329
Amortized during the year	-	(588,329)
<b>Balance at the End of the Year</b>	<u><b>5,920,302</b></u>	<u><b>5,872,302</b></u>

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**B- Income tax provision**

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

<i>In Jordanin Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Beginning balance for the year	5,939,744	3,922,615
Paid during the year	(5,939,923)	(3,922,365)
Income tax expense for the year	2,165,453	5,939,494
<b>Balance at the End of the Year</b>	<b>2,165,274</b>	<b>5,939,744</b>

-The movement on income tax expense prsented in consolidated statement of profit or loss for the year is as follow:

<i>In Jordanin Dinar</i>	<b>2017</b>	<b>2016</b>
Income tax on current year profits	2,165,453	5,939,494
Income tax on prior years	-	1,223,859
Deferred tax assets for the year	(48,000)	(996,329)
Amortization of deferred tax assets for the year	-	588,329
	<b>2,117,453</b>	<b>6,755,353</b>

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

<i>In Jordanin Dinar</i>	<b>2017</b>	<b>2016</b>
Accounting profit	10,010,790	19,489,000
Add: non-deductable tax expenses	4,211,350	5,426,029
Less: deductible tax expenses	(5,119,419)	(167,138)
	<b>9,022,721</b>	<b>24,747,891</b>
<b>Income tax Expense</b>	<b>2,165,453</b>	<b>5,939,494</b>
<b>Income tax rate</b>	<b>24%</b>	<b>24%</b>
<b>Effictive tax rate</b>	<b>21,6%</b>	<b>30,5%</b>

The Company has reached to a final settlement with the Income and Sales Tax Department up to the year 2014. Moreover, the Company has submitted its tax return for the year 2015 and 2016 which still under review by the Income and Sales Tax Department. In addition the Company has submitted its Sales Tax returns until month of December 2017. In the opinion of management and its tax advisor, the income tax provisions recorded in the consolidated financial statements are sufficent to meet the tax obligations.

**12) Inventory**

This details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Materials in warehouses	1,335,003	676,126
	<b>1,335,003</b>	<b>676,126</b>

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**13) Financial Assets at Fair Value Through profit or loss**

This details of this account is as follows:

<i>In Jordanian Dinar</i>	Number of shares	Fair value	As of December 31,	
			2017	2016
Arab Bank	65,988	5,600	369,533	407,146
Phosphate Mines	40,384	2,550	102,979	86,422
Petroleum Refinery	375,312	2,560	960,799	1,283,567
General Company for Mining	6,500	5,380	34,970	37,050
Capital Bank	258,286	0,790	204,046	214,377
Commercial buildings Co.	625	-	1,738	1,738
			<u>1,674,065</u>	<u>2,030,300</u>

**14) Balances and Transactions with Related Parties**

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

			Volume of transactions		Balance as of December 31,*	
<i>In Jordanian Dinar</i>	Nature of Relation	Nature of Transaction	2017	2016	2017	2016
<b><u>(14-1) Due from related parties</u></b>						
Business Innovation Company	Partner in the subsidiary Company	Financing	923,893	839,875	2,821,197	1,308,403
Electrical Equipment Industrial Company	Associate Company	Purchases	-	5,709,375	-	608,736
					<u>2,821,197</u>	<u>1,917,139</u>
<b><u>(14-2) Due to related parties</u></b>						
Electrical Equipment Industrial Company	Associated Company	Purchases	5,216,810	-	241,093	-
Business Innovation Company	Copartner in subsidiary Company	Expenses	1,840	-	1,840	-
					<u>242,933</u>	

\* The above Balances do not bear any interest and do not have any fixed repayment schedule.

**(14-3) Salaries and benefits of Executive Management**

Short-term salaries and remuneration of the executive management and board of directors members amounted to JOD 901,552 for the year ended December 31, 2017. (2016: JOD 804,444).

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**15) Subscribers' Receivables**

This details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Receivables subscribers / Residential	137,529,691	115,425,227
Receivables commercial subscribers	58,259,623	51,409,316
Receivables small industrial users	11,108,432	10,110,075
Receivables subscribers / government departments	11,557,489	8,592,503
Receivables subscribers pumps	9,378,315	7,917,171
Receivables subscribers street lighting	15,983,504	11,771,040
Receivables subscribers Radio and TV	259,959	180,044
Receivables subscribers Hotels	647,897	557,267
Receivables subscribers / Company's employees	198,945	191,875
Receivables subscribers / charities	38,256,200	31,681,721
Receivables subscribers Armed Forces	52,754,716	27,857,587
Receivables subscribers banks	1,396,106	1,312,002
Receivables subscriber telecommunications	9,441,510	8,833,311
Receivables subscribers temporary meters	4,096,133	2,879,474
Receivables subscribers commercial farming	625,123	539,197
Receivables subscribers miduim industrial	19,963,610	16,281,062
Receivables agricultural subscribers	2,565,912	2,014,233
Receivables agricultural / three part tariff subscribers	2,000,155	1,400,790
Receivables subscribers differences consumption	83,665,721	73,432,516
Receivables subscribers renewable energy wheeling	42,841	7,777
<b>Total Subscribers receivables befor allowance</b>	<b>459,731,882</b>	<b>372,394,188</b>
Allowance of doutfull debts	(8,243,846)	(8,243,846)
<b>Total</b>	<b>451,488,036</b>	<b>364,150,342</b>

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

<i>In Jordanian Dinar</i>	<b>2017</b>		<b>2016</b>	
	<b>Gross Receivables</b>	<b>Allowance of Doutfull Debts</b>	<b>Gross Receivables</b>	<b>Allowance of Doutfull Debts</b>
Less than one year	341,577,212	-	281,524,104	-
1-5 years	111,602,405	(5,786,113)	81,975,392	(5,786,113)
More than 5 years	6,552,265	(2,457,733)	8,894,692	(2,457,733)
	<b>459,731,882</b>	<b>(8,243,846)</b>	<b>372,394,188</b>	<b>(8,243,846)</b>

\* The movement on provision of doubtful debts during the year is as the follow:

<i>In Jordanian Dinars</i>	<b>2017</b>	<b>2016</b>
Balance at the beginning of the year	8,243,846	6,743,846
Provision for the year	-	1,500,000
<b>Balance at the End of the Year</b>	<b>8,243,846</b>	<b>8,243,846</b>

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**16) Receivables**

This details of this account is as follows:

<i>In Jordanian Dinars</i>	As of December 31,	
	2017	2016
Municipalities and village councils	1,491,139	1,834,989
Government entites	40,601,695	31,625,455
Companies and contractors	804,279	1,936,651
Other	4,783,242	1,681,642
	<b>47,680,355</b>	<b>37,078,737</b>
Less : provision of doubtful debts	(787,559)	(787,559)
Less : provision of government entites interest	(3,852,028)	(3,852,028)
	<b>43,040,768</b>	<b>32,439,150</b>

**17) Other Debit Balances**

This details of this account is as follows:

<i>In Jordanian Dinars</i>	As of December 31,	
	2017	2016
Prepaid expenses	1,358,000	1,251,926
Refundable for departments of land	802,755	134,321
Sales tax deposit	475,968	125,828
Constratcion under process	8,448	12,190
Refundable deposit	19,878	19,394
	<b>2,665,049</b>	<b>1,543,659</b>

**18) Cash on hand and at Banks**

<i>In Jordanian Dinars</i>	As of December 31,	
	2017	2016
Current accounts at Banks	571,985	309,979
<b>Total Current Accounts at Banks</b>	<b>571,985</b>	<b>309,979</b>
Less : Due to Banks*	(234,768,361)	(219,313,624)
<b>Cash and Cash equivilants for the purpose of cash flow</b>	<b>(234,196,376)</b>	<b>(219,003,645)</b>

\*The due to banks items represent:

Bank	Interest	Collateral	Maturity date	As of December 31,	
				2017	2016
<i>In Jordanian Dinar</i>					
Due to local banks	%4,70 - %5,75	Company's gurantee	Annually renewed	234,768,361	219,313,624
				<b>234,768,361</b>	<b>219,313,624</b>

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**19) Statutory Reserve**

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

**20) Dividend Distribution**

The General Assembly has resolved in their ordinary meeting held on April 27, 2017 to distribute cash dividends at 5.5% from the Company's paid up capital which is equivalent to JOD 4,261,947 each as his/her share.

(The General Assembly has resolved in their ordinary meeting, held on April 21, 2016 to distribute cash dividends at 10% from the Company's paid up capital which is equivalent to JOD 7,560,000 each as his/her share).

**21) Bank Loans**

This item consist of the following:

<i>In Jordanian Dinar</i>	As of December 31,	
	2017	2016
Loans due within one year	4,375,000	6,500,000
Loans due more than one year	50,000,000	54,625,000
	<b>54,375,000</b>	<b>61,125,000</b>

\*The table below represent the loans granted by the local banks to finance working capital and to execute and develop of projects under constructions for the Company:

<i>In Jordanian Dinar</i>	Interest	Collateral	Maturity date	December 31,	
				2017	2016
Declining Loans	5- 5,75%	Company's gurantee	Several, the last one in August 30, 2031	54,375,000	61,125,000
				<b>54,375,000</b>	<b>61,125,000</b>

**22) Subscribers' Refundable Deposits**

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

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

<i>In Jordanian Dinar</i>	As of December 31,	
	2017	2016
Balance at the beginning of the year	100,330,408	93,127,734
Collected during the year	9,850,641	8,805,863
Paid during the year	(1,395,674)	(1,603,189)
<b>Balance at the End of the Year</b>	<b>108,785,375</b>	<b>100,330,408</b>

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**23) Provision of End-of-Service Indemnity**

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

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

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

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
The present value for the commitment to employees in service	19,274,843	19,220,026
Additional provision over the employee out-of-service	279,284	134,101
<b>Balance at the End of the Year</b>	<b>19,554,127</b>	<b>19,354,127</b>

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

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
Balance beginning of the year	19,354,127	19,154,127
Current year service and interest expense	3,836,618	2,651,372
Less: Provision for end-of-service indemnity paid during the year	(3,636,618)	(2,451,372)
<b>Balance at the End of the Year</b>	<b>19,554,127</b>	<b>19,354,127</b>

**c- Basic assumptions**

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

	<b>2017</b>	<b>2016</b>
Discount rate	7.5%	7.5%
Salary escalation rate	4.5%	4.5%
Employee data:		
Number of employees	2,382	2,461
Average age factor	44.2	43.7
Average service	19.3	18.7
Total monthly wages subject to the end-of-service for employees	2,702,373	2,731,720

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

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

<i>In Jordanian Dinar</i>	As of December 31,			
	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount factor	(166,811)	166,811	(168,148)	168,148
Salary escalating rate	(213,223)	213,223	(215,261)	215,261
Resignations rate	(189,789)	189,789	(183,152)	183,152
Mortality	(180,296)	180,296	(182,254)	182,254

**24) Obligation for Employee Funds**

<i>In Jordanian Dinar</i>	As of December 31,	
	2017	2016
Medical Services Fund	6,883,767	6,882,315
Employees Provident Fund	7,351,329	5,741,463
Health Insurance Fund after Retirement	3,142,879	2,812,444
Life Insurance Fund	137,351	68,861
Solidarity Fund	858,812	946,615
	<b>18,374,138</b>	<b>16,451,698</b>

These funds are considered a separate legal entities. The Company is responsible for the management of these funds on behalf of employees and union workers, all funds associated with these transactions are recorded through the Company's accounts, which require registration of amounts due from these transactions as liabilities for these funds. The interest rate on part of these liabilities was 2.5% -5%.

**25) Payables**

<i>In Jordanian Dinar</i>	As of December 31,	
	2017	2016
National Electric Power Co- NEPCO	235,315,147	147,121,489
Government entities	25,442,385	11,190,090
Companies payables and other	25,175,794	25,207,371
Employee payables	267,557	450,543
	<b>286,200,883</b>	<b>183,969,493</b>

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**26) Other Credit Balances**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Undistributed dividends	2,935,340	2,980,701
Other provisions	318,114	368,114
Expenses and accrued interest	2,521,324	1,997,855
Social security deposit	549,096	524,054
Unearned Revenue	62,125	54,688
Network Insurance	67,850	67,870
Insurance of lines bidding	10,410	10,414
	<b>6,464,259</b>	<b>6,003,696</b>

**27) Revenues from Sales of Energy**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Residential	322,127,966	302,934,343
Commercial	220,520,705	227,135,482
Manufacturing	177,474,061	175,368,030
Government and Armed forces	78,221,502	75,886,649
Hospitals and places of worship	78,542,889	79,262,164
Agricultural and water pumps	53,120,707	47,187,587
Banks	23,459,773	23,906,813
Telecomunciations	34,777,180	36,671,463
Hotels	4,719,090	3,481,119
Other estimated deductions	7,088,691	2,209,432
Street lighting	20,747,202	20,208,351
Radio and TV	1,023,092	1,199,891
Employees	1,033,711	989,467
	<b>1,022,856,569</b>	<b>996,440,791</b>

**28) Cost of Energy Purchases**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Energy purchased – Day	636,279,461	621,359,991
Energy purchased – Night	204,140,639	194,466,760
Maximum load	62,443,302	61,304,997
Purchases of Renewable energy	633,461	-
	<b>903,496,863</b>	<b>877,131,748</b>

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**29) Revenues / Expenses from Other Core Operations**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Meter installation revenue	174,315	372,632
Leased meters wages	3,868,742	3,674,750
Private networks revenue	577,375	643,088
Wheeling of electrical energy revenue	168,688	38,311
Differences from the implementation of rural projects	(664,169)	(228,394)
Stamps and fees on the claims for rural fils	(12,030)	(5,315)
Fees in reconnecting meters	422,596	649,206
<b>Total</b>	<b>4,535,517</b>	<b>5,144,278</b>

**30) Administrative, Operating and Subscribers' Services**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Maintenance of transmission lines expenses (30-a)	1,768,753	1,732,032
Maintenance of distribution lines expenses (30-b)	22,495,721	20,025,531
Administrative expenses (30-c)	27,753,636	27,392,718
Subscribers' services expenses (30-d)	23,339,870	21,215,518
Control center expenses	1,277,950	1,022,493
Maintenance of general assets	674,612	612,074
	<b>77,310,542</b>	<b>72,000,366</b>

**(30-a) Maintenance of Transmission Lines Expense**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Overhead lines	747,877	877,629
Sub- stations	714,302	588,687
Supervision and engineering	211,792	227,148
Ground cables	59,226	26,149
Buildings	14,078	12,391
Miscellaneous	21,478	28
	<b>1,768,753</b>	<b>1,732,032</b>

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**(30-b) Maintenance of Distribution Lines Expense**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Overhead lines	8,271,860	7,147,584
Meters	5,234,160	4,062,765
Sub – stations	2,950,919	2,750,839
Ground cables	1,587,661	1,517,509
Supervision and engineering	1,114,595	1,262,001
Rent	904,526	1,030,905
Street lighting	416,542	460,518
Miscellaneous	2,015,458	1,793,410
	<b>22,495,721</b>	<b>20,025,531</b>

**(30-c) Administrative Expense**

This details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Salaries and employee benefits	22,697,912	21,048,332
Variety and General	2,883,055	3,075,511
Assets insurance	529,199	538,824
Doubtful debt provision expense	-	1,500,000
Rent	677,128	439,960
Consulting	427,783	320,217
End of service indemnity expense	200,000	200,000
Office Supplies	288,559	219,874
Board of director's remunerations	50,000	50,000
	<b>27,753,636</b>	<b>27,392,718</b>

**(30-d) Subscribers' Services Expenses**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Meter reading and distribution of bills	19,420,371	18,257,260
Other services	2,215,363	2,029,384
Salaries and employee benefits	1,704,136	928,874
	<b>23,339,870</b>	<b>21,215,518</b>

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**31) Revenues / Expense from Non-Core Operations**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
TV fee revenues	766,762	730,638
Garbage fee revenue	2,801,061	2,391,457
Street-lighting maintenance expenses	(138,762)	(52,160)
Various imports (channels change and others)	667,744	90,728
Previous years adjustments	51,475	121,996
Revenue from studies of renewable energy systems	1,322,792	1,409,021
Capital losses	(253,367)	-
Sale of scrap materials	234,537	79,166
Rent poles / Zain	70,063	70,313
Rent poles / Orange	69,300	75,600
Rent poles / Umniah	125,500	121,500
Investment income	211,923	86,639
(Loss) from valuation of shares	(356,235)	(91,279)
Profits from investments in Electrical Equipment Industrial Company	59,360	102,160
Profit (Loss) on currency differences	24,074	(4,277)
Network damage – Subscribers breakers replaced	333,148	-
Gurantees revenue	358,260	-
Fiber optic networks rent revenues	16,880	-
	<b>6,364,515</b>	<b>5,131,502</b>

**32) Expenses from Non-Core Operations**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Property tax and fees	89,482	85,624
Donations	29,068	28,880
The share of non-core activities of the common expenses	313,728	246,895
The share of non-core activities of depreciation expenses	138,099	107,495
	<b>570,377</b>	<b>468,894</b>

**33) Finance Cost**

The details of this account is as follows:

<i>In Jordanian Dinar</i>	<b>For the Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Loans interest	2,946,200	1,766,412
Credit facilities interest – due to banks	12,716,699	11,556,481
Interest for employees funds	449,978	492,960
License obligation interest	3,072,658	3,068,799
	<b>19,185,535</b>	<b>16,884,652</b>

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

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
Profit for the year	7,902,589	12,733,647
Weighted average of number of share*	83,572,965	83,572,965
<b>Basic earnings per share of current year profit</b>	<b>0,095</b>	<b>0,152</b>
<b>Diluted earnings per share of current year profit</b>	<b>0,095</b>	<b>0,152</b>

\*The weighted average of shares for the year ended December 31, 2016 has been adjusted to be 83,572,965 shares instead of the 77,490,000 shares the increase was resulted from distribution of free shares.

**35) Contingent Liabilities**

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

<i>In Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Determined value of legal Cases against the Company	1,771,541	1,755,717
Bank guarantees	149,600	145,000

\*Moreover, the total cases filed by the Company against others as of December 31, 2017 amounted to JOD 5,405,436 in addition to other cases with non-determined value.

**36) Financial Risk Management**

**Overview**

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

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

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

**Risk management framework**

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

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

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

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

**- Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's subscribers receivables, receivables, due from related parties, other debit balances and cash on hand and at banks.

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

<i>In Jordanian Dinar</i>	Net book value As of December 31,	
	2017	2016
Subscribers receivables	451,488,036	364,150,342
Receivables	43,040,768	32,439,150
Other debit balances	1,307,049	291,733
Due from related parties	2,821,197	1,917,139
Cash on hand and at banks	571,985	309,979
	<b>499,229,035</b>	<b>399,108,343</b>

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

The Group exclusively operates in the four cities Amman, Zarqa, Madaba and Salt. All the consumers in these cities are its customer. The impaired amounts under subscriber receivables are detailed in note (15). Any customer which is past due is considered as impaired and included in the provision calculation and estimates. Provisions are calculated based on net realizable value calculated in accordance with management's expectations for payment of these receivables.

**- Liquidity risk**

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains line of credit from its bank for sudden cash requirements. Therefore, the group maintains line of credit facilities to meet short-term obligations in an overdraft accounts taken from several local banks in which the ceiling of the facilities from 50,000 to JOD 20,000,000, on interest rates on these facilities ranging between 4,70% to 5,75%.

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

**Non-derivative financial liabilities:**

<i>In Jordanian Dinars</i>	<u>Book value</u>	<u>Contracted Cash flows</u>	<u>6 Months or less</u>	<u>12 - 6 Months</u>	<u>More than one year</u>
<b>2017</b>					
Bank loans	54,375,000	54,375,000	4,375,000	-	50,000,000
Subscribers' refundable deposits	108,785,375	108,785,375	-	-	108,785,375
Obligation for Employees benefit funds	18,374,138	18,374,138	-	-	18,374,138
Payables	286,200,883	286,200,883	286,200,883	-	-
Other credit balances	6,464,259	6,464,259	6,464,259	-	-
Due to banks	234,768,361	234,768,361	234,768,361	-	-
Provision for end-of-service indemnity	19,554,127	19,554,127	-	-	19,554,127
License obligation/ government	39,501,437	39,501,437	5,000,000	-	34,501,437
	<u>768,023,580</u>	<u>768,023,580</u>	<u>536,808,503</u>	<u>-</u>	<u>231,215,077</u>
<b>2016</b>					
Bank loans	61,125,000	61,125,000	3,250,000	3,250,000	54,625,000
Subscribers' refundable deposits	100,330,408	100,330,408	-	-	100,330,408
Obligation for Employees benefit funds	16,451,698	16,451,698	-	-	16,451,698
Payables	183,969,493	183,969,493	183,969,493	-	-
Other credit balances	6,003,696	6,003,696	6,003,696	-	-
Due to banks	219,313,624	219,313,624	219,313,624	-	-
Provision for end-of-service indemnity	19,354,127	19,354,127	-	-	19,354,127
License obligation/ government	41,428,779	41,428,779	5,000,000	-	36,428,779
	<u>647,976,825</u>	<u>647,976,825</u>	<u>417,536,813</u>	<u>3,250,000</u>	<u>227,190,012</u>

The Group liquidity position as of date of consolidated financial statements was as follow:

<i>In Jordanian Dinars</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Current assets	503,596,103	403,066,695
Less : Current liabilities	(539,216,710)	(426,726,557)
<b>(Deficit) in working capital</b>	<b>(35,620,607)</b>	<b>(23,659,862)</b>

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

**- Market risk**

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

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

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**- Currency Risk**

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

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

<i>In Jordanian Dinars</i>	<u>JOD</u>	<u>EURO</u>	<u>USD</u>	<u>GBP</u>	<u>LBP</u>
<b>2017</b>					
Cash on hand and at banks	218,196	188,120	163,093	2,576	-
Financial assets at fair value through profit or loss	1,672,327	-	-	-	1,738
	<u>1,890,523</u>	<u>188,120</u>	<u>163,093</u>	<u>2,576</u>	<u>1,738</u>
<b>2016</b>					
Cash on hand and at banks	124,841	151,434	31,344	2,360	-
Financial assets at fair value through profit or loss	2,028,562	-	-	-	1,738
	<u>2,153,403</u>	<u>151,434</u>	<u>31,344</u>	<u>2,360</u>	<u>1,738</u>

**- Sensitivity analysis**

A strengthening (weakness) of the JOD, as indicated below, against the EURO, USD, GBP and LBP as of December 31 would have increased (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2016, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

<i>In Jordanian Dinars</i>	<u>Decrease</u>		<u>Increase</u>	
	<u>Equity</u>	<u>Loss</u>	<u>Equity</u>	<u>Income</u>
<b>2017</b>				
EURO (10% change)	(18,812)	(18,812)	18,812	18,812
USD (10% change)	(16,309)	(16,309)	16,309	16,309
GBP (10% change)	(258)	(258)	258	258
LBP (10% change)	(174)	(174)	174	174
	<u>(35,553)</u>	<u>(35,553)</u>	<u>35,553</u>	<u>35,553</u>

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

- **Interest rate risk**

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

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
<b>Fixed Rate Instruments:</b>		
Financial Liabilities	307,517,499	296,890,322
	<b>307,517,499</b>	<b>296,890,322</b>

**Sensitivity Analysis**

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JOD 3,075,175, a decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JOD 3,075,175.

**Fair value sensitivity analysis for fixed rate instruments**

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

- **Other market price risk**

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

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**Sensitivity analysis for equity price risk**

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

	Profit or loss		Equity	
	5% Increase	5% decrease	5% Increase	5% decrease
<b>2017</b>				
<i>In Jordanian Dinar</i>				
Financial assets at fair value through profit or loss	83,703	(83,703)	83,703	(83,703)
	<u>83,703</u>	<u>(83,703)</u>	<u>83,703</u>	<u>(83,703)</u>
<b>2016</b>				
<i>In Jordanian Dinar</i>				
Financial assets at fair value through profit or loss	101,515	(101,515)	101,515	(101,515)
	<u>101,515</u>	<u>(101,515)</u>	<u>101,515</u>	<u>(101,515)</u>

**- Capital management**

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

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

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

**Debt-to-adjusted Capital Ratio**

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
Total Debt	951,841,191	827,158,255
(Less) Cash on hand and at banks	(571,985)	(309,979)
<b>Net Debt</b>	<u>951,269,206</u>	<u>826,848,276</u>
<b>Adjusted capital</b>	<u>118,251,609</u>	<u>114,610,967</u>
<b>Debt - to- adjusted capital ratio</b>	<u>8,04</u>	<u>7,21</u>

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**37) Fair Value Hierarchy**

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

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

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

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

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

<i>Jordanian Dinar</i>	<b>Carrying Amount</b>	<b>December 31, 2017</b>		
		<b>Fair Value</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets</b>				
Cash on hand and at banks	520,653	520,653	-	-
Financial assets at fair value through profit or loss	1,674,065	1,674,065	-	-
Investment in associate	1,379,984	-	1,379,984	-
<b>Financial liabilities</b>				
Due to banks	(234,768,361)	(234,768,361)	-	-
<b>December 31, 2016</b>				
<i>Jordanian Dinar</i>	<b>Carrying Amount</b>	<b>Fair Value</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets</b>				
Cash on hand and at banks	309,979	309,979	-	-
Financial assets at fair value through profit or loss	2,030,300	2,030,300	-	-
Investment in associate	1,320,624	-	1,320,624	-
<b>Financial liabilities</b>				
Due to banks	(219,313,624)	(219,313,624)	-	-

There were no transfers between level 1 and level 2 during the year 2016 and 2017.

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

<i>Jordanian Dinar</i>	December 31, 2017			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
Subscribers receivables	451,488,036	-	451,488,036	-
Due from related parties	2,821,197	-	2,821,197	-
Receivables	43,040,768	-	43,040,768	-
<b>Financial Liabilities</b>				
Bank Loans	54,375,000	-	54,375,000	-
Subscribers refundable deposits	108,785,375	-	108,785,375	-
Obligation for employee funds	18,374,138	-	18,374,138	-
Payables	286,200,883	-	286,200,883	-

<i>Jordanian Dinar</i>	December 31, 2016			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Subscribers receivables	364,150,342	-	364,150,342	-
Due from related parties	1,917,139	-	1,917,139	-
Receivables	32,439,150	-	32,439,150	-
<b>Financial Liabilities</b>				
Bank Loans	61,125,000	-	61,125,000	-
Subscribers refundable deposits	100,330,408	-	100,330,408	-
Obligation for employee funds	16,451,698	-	16,451,698	-
Payables	183,969,493	-	183,969,493	-

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

There were no transfers between level 1 and level 2 during the year 2016 and 2017.

**38) Proposed dividends**

The Board of Directors proposed in its meeting held on March 13, 2018 to distribute cash dividends in the amount of JOD 4,178,648 which equivalent to 5% of the Company's paid up capital in addition to distribute free shares to shareholders in the amount of JOD 2,507,189 which equivalent to 3% of the Company's paid up capital.

**39) Comparative Figures**

Some comparative figures have been reclassified to match current year classification. This adjustment has no effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in owners' equity for the year 2016.

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**Annex 1**

**A) Medical Services Fund**

<i>In Jordanian Dinar</i>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Company Contribution	2,150,378	2,118,415
Employees Deductions	661,936	651,821
Employees Contribution	505,067	518,362
<b>Total Revenues</b>	<u>3,317,381</u>	<u>3,288,598</u>
<b>Expenses</b>	<u>(3,315,929)</u>	<u>(3,232,927)</u>
<b>Surplus for the Year</b>	<u>1,452</u>	<u>55,671</u>
Surplus at beginning of the year	6,882,315	6,937,986
Contributions and interests adjustments	-	(111,342)
<b>Surplus at the end of the year</b>	<u>6,883,767</u>	<u>6,882,315</u>

**B) Employees Provident Fund**

<i>In Jordanian Dinar</i>	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Balances of Housing loans	10,370,688	10,626,666
Investments in financial assets at fair through other comprehensive income	864,793	957,890
Advances to employees	12,802,749	12,360,085
<b>Total Assets</b>	<u>24,038,230</u>	<u>23,944,641</u>
<b>Liabilities</b>		
Employees savings and provisions	30,292,248	28,476,279
Dividend income	12,302	12,302
Imports	311,910	346,597
Fair value reserve	773,099	850,926
<b>Total Liabilities</b>	<u>31,389,559</u>	<u>29,686,104</u>
<b>Balance at end of the year</b>	<u>7,351,329</u>	<u>5,741,463</u>

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**C) Health Insurance Fund after Retirement**

- On 1 April 2011, the Company entered into a health insurance fund for the employees of the Jordan Electricity Company after retirement.

<i>In Jordanian Dinar</i>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Company Contribution	330,358	325,909
Employees Deductions	330,358	325,909
Retirement subscriptions	88,318	67,282
Other	107,892	97,981
<b>Total Revenues</b>	<b>856,926</b>	<b>817,081</b>
<b>Expenses</b>	<b>(526,491)</b>	<b>(456,724)</b>
<b>Surplus for the year</b>	<b>330,435</b>	<b>360,357</b>
Surplus at beginning of the year	2,812,444	2,341,920
Additions to surplus	-	110,167
<b>Surplus at the end of the year</b>	<b>3,142,879</b>	<b>2,812,444</b>

**D) Life Insurance Fund**

<i>In Jordanian Dina</i>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Company Contribution	194,344	193,043
Employees Deductions	194,344	193,043
<b>Total Revenues</b>	<b>388,688</b>	<b>386,086</b>
<b>Expenses</b>		
Paid deposit	(320,198)	(538,465)
<b>Surplus (Deficit) for the year</b>	<b>68,490</b>	<b>(152,379)</b>
Surplus at beginning of the year	68,861	221,240
<b>Surplus at the end of the year</b>	<b>137,351</b>	<b>68,861</b>

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

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**E) Solidarity Fund**

- On 1 May 2014, the Company introduced the Takaful Fund System for the employees of Jordan Electricity Company.

<i>In Jordanian Dinar</i>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Company Contribution	544,883	554,734
Employees Deductions	544,883	554,734
Purchase of employee Subscription	22,431	36,379
<b>Total Revenues</b>	<u>1,112,197</u>	<u>1,145,847</u>
<b>Expenses</b>		
Employees compensation	(1,200,000)	(1,425,000)
<b>(Deficit) Surplus for the year</b>	<u>(87,803)</u>	<u>(279,153)</u>
<b>Surplus at beginning of the year</b>	<u>946,615</u>	<u>1,225,768</u>
<b>Surplus at the end of the year</b>	<u>858,812</u>	<u>946,615</u>