شركة كهرباء محافظة إربد م.ع.م

Irbid District Electricity Co. Ltd.

كهرباء إربد
Irbid Electricity

| نموذج رقم (2-1)<br>Form No. (1-2) | |
|---|---|
| To: Jordan Securities Commission<br>Amman Stock Exchange<br>Date:-06/04/2017<br>**Subject:** Audited Financial Statements for the fiscal year ended 31/12/2016<br>٤/٩ | السادة هيئة الاوراق المالية للإفصاح 2<br>السادة بورصة عمان<br>التاريخ:2017/04/06<br>م. بورصة عمان<br>م. أ. عبدالله<br>السيدة سوزان<br>الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2016/12/31 |
| Attached the Audited Financial Statements of Irbid District Electricity Co .LTD. for the fiscal year ended 31/12/2016 | مرفق طيه نسخة من البيانات المالية المدققة لشركة كهرباء محافظة اربد المساهمة العامة المحدودة عن السنة المالية المنتهية في 2016/12/31 |
| Kindly accept our high appreciation and respect<br>Irbid District Electricity Co .LTD.<br>General Manager's Signature<br>Eng. Ahmad Thainat<br>A. Thainat | وتفضلوا بقبول فائق الاحترام،،،<br>شركة كهرباء محافظة اربد المساهمة العامة المحدودة<br>توقيع المدير العام /<br>المهندس /احمد ذينات |

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٠٩ نيسان ٢٠١٧
الرقم المتسلسل ١٨٤٥٨
الجهة المختصة ع/١/١ افصاح


اربد - الأردن
تلفون: ٩٦٢ ٢ ٧٢٠١٥٠٠ +
٩٦٢ ٢ ٧٢٠١٥٥٥ +
فاكس: ٩٦٢ ٢ ٧٢٤٥٤٩٥ +
ص.ب: (٤٦) رمز بريدي ٢١١١٠

Irbid - Jordan | Phone: +962 2 7201500 ,+962 2 7201555 | Fax: +962 2 7245495 | P.O.Box: (46) Zip Code: 21110
Email: [illegible] | Website: [illegible]

**IRBID DISTRICT ELECTRICITY COMPANY**

**PUBLIC SHAREHOLDING COMPANY**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan
Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

Building a better working world

# INDEPENDENT AUDITOR'S REPORT
**To the Shareholders of Irbid District Electricity Company - Public Shareholding Company**
**Amman – Jordan**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Irbid District Electricity Company - Public Shareholding Company, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

EY
Building a better working world

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

### 1. Revenue recognition (Tariff)

Billing to customers, billing system and revenues at the cutoff date at 31 December 2016 are complex and accordingly this area was considered a high-risk audit area and a key audit matter. Total revenue for the year 2016 amounted to JD 251,590,785.

**How the key audit matter was addressed**

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

Management's disclosures on revenue recognition are included in Note 31 to the financial statements.

## 2. Provision for doubtful debts

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

### How the key audit matter was addressed

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

Management's disclosures on provision for doubtful debts are included in note 9 to the financial statements.

## 3. Provision for slow moving inventories

The Company's inventories mainly consist of strategic inventories, electrical tools and spare parts. Inventory balance as of 31 December 2016 is amounted to JD 8,413,919 representing 2.9% of total assets. Judgment is required to assess the appropriate level of provisioning for slow moving inventories.

### How the key audit matter was addressed

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

Management's disclosures on provision for slow moving inventories are included in note 8 to the financial statements.

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

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

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

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

Management's disclosures on the provision for end-of-service indemnity are included in note 14 to the financial statements.

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

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

Ernst & Young/ Jordan

Ernst & Young

Mohammad Al-Karaki
License No. 882

Amman – Jordan
26 March 2017

## IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY
### STATEMENT OF FINANCIAL POSITION
### AT 31 DECEMBER 2016

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | JD | JD |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS -** | | | |
| Property and equipment | 3 | 93,956,710 | 81,587,834 |
| Subscribers' and rural fils contributions assets | 4 | 69,503,387 | 66,254,574 |
| Dispute lawsuits payments | 5 | 109,352 | 150,728 |
| Projects in progress | 6 | 6,618,631 | 3,803,532 |
| Strategic inventories | 8 | 6,892,883 | 4,856,621 |
| Deferred tax assets | 21 | 1,034,316 | 781,044 |
| Financial assets at fair value through other comprehensive income | 7 | 286,719 | 286,719 |
| | | 178,401,998 | 157,721,052 |
| **CURRENT ASSETS -** | | | |
| Accounts receivable | 9 | 105,535,696 | 93,463,390 |
| Other current assets | | 2,756,709 | 2,019,324 |
| Inventories | 8 | 1,521,036 | 2,533,761 |
| Cash and bank balances | 10 | 337,131 | 2,047,841 |
| | | 110,150,572 | 100,064,316 |
| **TOTAL ASSETS** | | 288,552,570 | 257,785,368 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY -** | 11 | | |
| Paid in capital | | 8,000,000 | 8,000,000 |
| Statutory reserve | | 2,210,264 | 2,210,264 |
| Voluntary reserve | | 638,778 | 638,778 |
| Retained earnings | | 9,307,996 | 5,555,097 |
| **Total equity** | | 20,157,038 | 16,404,139 |
| **LIABILITIES -** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Subscribers and rural fils contributions liabilities | 4 | 69,503,387 | 66,254,574 |
| Advances from subscribers | 12 | 7,796,691 | 8,946,983 |
| Excess of subscribers contributions | 13 | 1,160,860 | 1,431,544 |
| Provision for end-of-service indemnity | 14 | 3,223,349 | 2,314,264 |
| Long term loan | 15 | 28,000,000 | 28,000,000 |
| Subscribers' deposits | 16 | 37,338,097 | 33,370,367 |
| | | 147,022,384 | 140,317,732 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 17 | 86,194,539 | 74,466,590 |
| Accrued expenses | | 1,624,385 | 1,324,325 |
| Other current liabilities | 18 | 8,415,639 | 4,605,643 |
| Bank overdrafts | 19 | 20,106,072 | 17,398,213 |
| Excess of subscribers contributions | 13 | 270,685 | 270,685 |
| Other provisions | 20 | 2,222,573 | 1,864,141 |
| Provision for income tax | 21 | 2,539,255 | 1,133,900 |
| | | 121,373,148 | 101,063,497 |
| **Total Liabilities** | | 268,395,532 | 241,381,229 |
| **TOTAL EQUITY AND LIABILITIES** | | 288,552,570 | 257,785,368 |

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

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

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | JD | JD |
| Electricity power sales | | 251,590,785 | 238,306,070 |
| Cost of electricity power sales | | (214,510,913) | (212,692,314) |
| **Gross profit** | 23 | 37,079,872 | 25,613,756 |
| Other operating revenues, net | 24 | 1,585,142 | 2,121,237 |
| General and administrative expenses | 25 | (20,298,450) | (17,495,678) |
| Depreciation and amortization | 26 | (7,125,546) | (6,419,577) |
| Provision for slow moving inventories | 8 | (443,743) | (517,324) |
| **Operating profit** | | 10,797,275 | 3,302,414 |
| Revenue from non-core activities | 28 | 3,724,292 | 2,566,547 |
| Interest income | | 1,171 | 1,162 |
| Interest income on late payments | | 4,813,725 | 3,454,518 |
| Costs of non-core activities | 29 | (1,970,274) | (711,414) |
| Finance costs | | (2,823,350) | (1,752,566) |
| Interest expense on late payments | | (2,972,925) | (2,699,433) |
| **Profit from non-core activities** | | 772,639 | 858,814 |
| **Profit before income tax expense** | | 11,569,914 | 4,161,228 |
| Income tax expense | 21 | (3,017,015) | (808,349) |
| **Profit for the year** | | 8,552,899 | 3,352,879 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | 8,552,899 | 3,352,879 |
| | | JD/Fils | JD/Fils |
| **Basic and diluted earnings per share** | 30 | 1/069 | 0/419 |

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

## IRBID DISTRICT ELECTRICITY COMPANY - PUBLIC SHAREHOLDING COMPANY

### STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2016

| | Paid-in capital | Statutory reserve | Voluntary reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| **2016 -** | | | | | |
| Balance at 1 January 2016 | 8,000,000 | 2,210,264 | 638,778 | 5,555,097 | 16,404,139 |
| Total comprehensive income for the year | - | - | - | 8,552,899 | 8,552,899 |
| Dividends distribution (Note 11) | - | - | - | (4,800,000) | (4,800,000) |
| **Balance at 31 December 2016** | 8,000,000 | 2,210,264 | 638,778 | 9,307,996 | 20,157,038 |
| **2015 -** | | | | | |
| Balance at 1 January 2015 | 8,000,000 | 2,210,264 | 638,778 | 7,002,218 | 17,851,260 |
| Total comprehensive income for the year | - | - | - | 3,352,879 | 3,352,879 |
| Dividends distribution | - | - | - | (4,800,000) | (4,800,000) |
| **Balance at 31 December 2015** | 8,000,000 | 2,210,264 | 638,778 | 5,555,097 | 16,404,139 |

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

**Irbid District Electricity Company - Public Shareholding Company**
**Statement of Cash Flows**
**For The Year Ended 31 December 2016**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Operating Activities** | | JD | JD |
| Profit before income tax | | 11,569,914 | 4,161,228 |
| **Adjustments for:** | | | |
| Gain (loss) on disposal of property and equipment | | 494,457 | (30,105) |
| Interest income | | (1,171) | (1,162) |
| Interest income on late payments | | (4,813,725) | (3,454,518) |
| Dividends income | | (17,203) | - |
| Interest expense | | 2,823,350 | 1,752,566 |
| Interest expense on late payments | | 2,972,925 | 2,699,433 |
| End-of- service indemnity | 14 | 916,127 | 230,503 |
| Depreciation and amortization | 26 | 7,186,494 | 6,469,283 |
| Provision for slow moving inventories | 8 | 443,743 | 517,324 |
| Provision for doubtful accounts | 9 | 609,192 | 194,107 |
| Excess of subscribers contributions | | (270,685) | (270,685) |
| Other provisions | | 340,566 | 232,167 |
| **Working capital changes:** | | | |
| Inventories | | 44,728 | 4,509,855 |
| Accounts receivable | | (7,867,773) | (19,949,542) |
| Other current assets | | (737,385) | (244,824) |
| Advances from subscribers | | 6,751,897 | 7,409,751 |
| Subscribers' deposits | | 3,967,730 | 3,702,176 |
| Accounts payable | | 8,755,024 | (2,589,629) |
| Accrued expenses and other current liabilities | | 3,832,364 | 899,665 |
| End-of-service indemnity paid | 14 | (324,921) | (629,670) |
| Other provisions paid | | (39,985) | (137,997) |
| Income tax paid | 21 | (1,864,932) | (1,015,000) |
| **Net cash flows from operating activities** | | 34,770,731 | 4,454,926 |
| **Investing Activities** | | | |
| Purchase of property and equipment | | (21,758,844) | (19,490,610) |
| Dispute lawsuits payments | | (16,158) | (15,511) |
| Projects in progress | | (10,363,558) | (10,720,797) |
| Proceeds from sale of property and equipment | | 276,544 | 40,740 |
| Interest received | | 1,171 | 1,162 |
| Dividends received | | 17,203 | - |
| **Net cash flows used in investing activities** | | (31,843,642) | (30,185,016) |
| **Financing Activities** | | | |
| Dividends paid | | (4,650,097) | (4,770,211) |
| Proceeds from long term loan | | - | 28,000,000 |
| Interest paid | | (2,695,561) | (1,624,777) |
| **Net cash flows (used in) from financing activities** | | (7,345,658) | 21,605,012 |
| **Net decrease in cash and cash equivalents** | | (4,418,569) | (4,125,078) |
| Cash and cash equivalents at 1 January | | (15,350,372) | (11,225,294) |
| **Cash and cash equivalents at 31 December** | 10 | (19,768,941) | (15,350,372) |

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

## (1) GENERAL

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

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

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

The financial statements have been approved by the Board of Directors in their meeting held on 19 March 2017. The financial statements require the approval of Company's General Assembly.

## (1-2) BASIS OF PREPARATION

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

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

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

### 2.2 Changes in accounting policies and disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3 Significant Accounting Polices

**Property and equipment**

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

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

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

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

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

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

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

**Subscribers' contributions assets and liabilities**

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

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

**Rural fils assets**

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

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

**Dispute lawsuits payments**

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

**Projects in progress**

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

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the statement of comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the statement of comprehensive income and in the statement of changes in equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing and the dividends are recorded in the statement of other comprehensive income.

**Fair value**

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Inventories**

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

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

**Accounts receivable**

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

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

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

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

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

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

Trade payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

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

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

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

**Revenue recognition**

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

Revenues are recognized upon rendering services and issuance of invoice.

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

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

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

Revenues and expenses from rural fils projects are recognized in the same year the projects are completed.

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

Other revenues are recognized on accrual basis.

**Operating lease**

***Company as a lessee -***

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

***Company as a lessor -***

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

**Foreign currency**

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

**Segments information**

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

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

**Offsetting of financial instruments**

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

**Contingencies**

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

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

**2.4 Significant Accounting Judgment, Estimates and Assumptions**

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

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

- A provision is established for accounts receivable based on basis and assumptions approved by the Company's management to estimate the required provision.

- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IFRS. Deferred tax assets and liabilities and income tax provision is calculated accordingly.

- The management periodically reviews the useful lives of property and equipment in order to calculate the annual deprecation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Any impairment losses of property and equipment are recognized in the statement of comprehensive income.

- Management derecognises property and equipment based on estimating the net book value of disposed assets.

- Provision for slow moving items is recognized for inventory items that are not expected to be used for more than two years.

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

- A provision will be established against court litigations where the Company is the defendant based on a legal study provided by the Company's legal advisor which will determine the risk that may occur. These studies are reviewed periodically and the provision is adjusted accordingly.

## (3) PROPERTY AND EQUIPMENT

| 2016 | Lands | Buildings | Hangers | Vehicles parking shade covers | Buildings improvements | Underground cables | Air networks | Meters and transformers | Tools and equipment | Vehicles | Furniture and fixtures | Elevators and air conditioners | Communication tools | Computers equipment and systems | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **Cost -** | | | | | | | | | | | | | | | |
| At 1 January | 638,309 | 2,138,284 | 131,161 | 9,067 | 147,454 | 13,447,615 | 72,327,574 | 37,016,035 | 4,605,598 | 5,558,435 | 688,498 | 121,969 | 248,365 | 4,721,629 | 141,799,993 |
| Additions | - | 19,769 | 3,900 | - | 41,826 | 4,145,961 | 8,427,021 | 6,216,825 | 687,090 | 1,320,498 | 52,750 | 17,190 | 38,071 | 787,943 | 21,758,844 |
| Transfers from project in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | 22,000 | 22,000 |
| Disposals | - | - | - | - | - | (122,459) | (1,639,320) | (1,791,311) | (76,366) | - | (9,484) | (8,291) | (585) | (174,492) | (3,822,308) |
| At 31 December | 638,309 | 2,158,053 | 135,061 | 9,067 | 189,280 | 17,471,117 | 79,115,275 | 41,441,549 | 5,216,322 | 6,878,933 | 731,764 | 130,868 | 285,851 | 5,357,080 | 159,758,529 |
| **Accumulated depreciation -** | | | | | | | | | | | | | | | |
| At 1 January | - | 773,906 | 37,756 | 5,094 | 106,756 | 2,479,918 | 32,786,319 | 12,548,668 | 3,737,895 | 3,244,259 | 407,579 | 59,903 | 154,505 | 3,869,601 | 60,212,159 |
| Additions | - | 42,263 | 3,947 | 654 | 21,439 | 421,613 | 2,981,634 | 2,128,322 | 385,425 | 636,338 | 44,613 | 11,875 | 15,492 | 435,345 | 7,128,960 |
| Disposals | - | - | - | - | - | (13,548) | (475,863) | (849,710) | (56,378) | - | (4,892) | (4,541) | (435) | (133,933) | (1,539,300) |
| At 31 December | - | 816,169 | 41,703 | 5,748 | 128,195 | 2,887,983 | 35,292,090 | 13,827,280 | 4,066,942 | 3,880,597 | 447,300 | 67,237 | 169,562 | 4,171,013 | 65,801,819 |
| **Net book value -** | | | | | | | | | | | | | | | |
| At 31 December | 638,309 | 1,341,884 | 93,358 | 3,319 | 61,085 | 14,583,134 | 43,823,185 | 27,614,269 | 1,149,380 | 2,998,336 | 284,464 | 63,631 | 116,289 | 1,186,067 | 93,956,710 |

The cost of fully depreciated property and equipment as at 31 December 2016 is JD 33,705,286 (2015: JD 26,481,848).

| | Lands | Buildings | Hangers | Vehicles parking shade covers | Buildings improvements | Underground cables | Air networks | Meters and transformers | Tools and equipment | Vehicles | Furniture and fixtures | Elevators and air conditioners | Communication tools | Computers equipment and systems | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Cost - | | | | | | | | | | | | | | | |
| At 1 January | 638,309 | 1,640,519 | 46,074 | 9,067 | 127,330 | 11,933,808 | 64,690,664 | 31,375,887 | 4,380,050 | 3,902,430 | 674,080 | 117,253 | 247,584 | 4,339,183 | 124,322,238 |
| Additions | - | 18,261 | 2,750 | - | 20,124 | 2,043,213 | 9,229,299 | 5,661,105 | 332,158 | 1,695,853 | 29,951 | 6,955 | 1,008 | 449,933 | 19,490,610 |
| Transfers from project in progress | - | 279,504 | 82,337 | - | - | - | - | 1,687,239 | - | - | - | - | - | - | 2,049,080 |
| Disposals | - | - | - | - | - | (529,406) | (1,592,389) | (1,708,196) | (106,610) | (39,848) | (15,533) | (2,239) | (227) | (67,487) | (4,061,935) |
| At 31 December | 638,309 | 2,138,284 | 131,161 | 9,067 | 147,454 | 13,447,615 | 72,327,574 | 37,016,035 | 4,605,598 | 5,558,435 | 688,498 | 121,969 | 248,365 | 4,721,629 | 141,799,993 |
| Accumulated depreciation - | | | | | | | | | | | | | | | |
| At 1 January | - | 736,593 | 36,541 | 4,427 | 95,779 | 2,151,306 | 30,468,323 | 11,336,129 | 3,411,990 | 2,818,537 | 382,454 | 50,243 | 135,882 | 3,470,388 | 55,098,592 |
| Additions | - | 37,313 | 1,215 | 667 | 10,977 | 368,222 | 2,753,280 | 1,844,151 | 406,026 | 452,307 | 33,672 | 10,936 | 18,755 | 455,174 | 6,392,695 |
| Disposals | - | - | - | - | - | (39,610) | (435,284) | (631,612) | (80,121) | (26,585) | (8,547) | (1,276) | (132) | (55,961) | (1,279,128) |
| At 31 December | - | 773,906 | 37,756 | 5,094 | 106,756 | 2,479,918 | 32,786,319 | 12,548,668 | 3,737,895 | 3,244,259 | 407,579 | 59,903 | 154,505 | 3,869,601 | 60,212,159 |
| Net book value - | | | | | | | | | | | | | | | |
| At 31 December | 638,309 | 1,364,378 | 93,405 | 3,973 | 40,698 | 10,967,697 | 39,541,255 | 24,467,367 | 867,703 | 2,314,176 | 280,919 | 62,066 | 93,860 | 852,028 | 81,587,834 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| **Cost -** | | |
| At 1 January | 113,998,999 | 105,855,762 |
| Transfers from projects in progress | 7,902,189 | 8,143,237 |
| At 31 December | 121,901,188 | 113,998,999 |
| **Accumulated depreciation -** | | |
| At 1 January | 47,744,425 | 43,414,715 |
| Depreciation for the year | 4,653,376 | 4,329,710 |
| At 31 December | 52,397,801 | 47,744,425 |
| **Net book value -** | | |
| At 31 December | 69,503,387 | 66,254,574 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Subscribers contributions liabilities | 45,760,212 | 43,200,920 |
| Rural fils contributions liabilities | 23,743,175 | 23,053,654 |
| | 69,503,387 | 66,254,574 |

## (5) DISPUTE LAWSUITS PAYMENTS

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| **Cost -** | | |
| At 1 January | 1,335,894 | 1,320,383 |
| Payments during the year | 16,158 | 15,511 |
| At 31 December | 1,352,052 | 1,335,894 |
| **Accumulated amortization -** | | |
| At 1 January | 1,185,166 | 1,108,578 |
| Amortization for the year | 57,534 | 76,588 |
| At 31 December | 1,242,700 | 1,185,166 |
| **Net book value -** | | |
| At 31 December | 109,352 | 150,728 |

## (6) PROJECTS IN PROGRESS

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Self-funded projects | 1,208,425 | 668,352 |
| Subscribers contributions projects | 5,204,101 | 2,859,652 |
| Rural fils contributions projects | 206,105 | 275,528 |
| Transferred to subscribers and rural fils contributions assets | 6,618,631 | 3,803,532 |

Movement on the projects in progress is as follows:

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 3,803,532 | 2,767,762 |
| Additions during the year | 5,690,876 | 6,878,325 |
| Capitalized expenses | 5,048,412 | 4,349,762 |
| Transferred to property and equipment | (22,000) | (2,049,080) |
| Transferred to subscribers and rural fils contributions assets | (7,902,189) | (8,143,237) |
| Ending balance | 6,618,631 | 3,803,532 |

The estimated cost to complete the above projects is approximately JD 15,460,341 as at 31 December 2016 (2015: JD 12,729,125).

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

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

| | Ownership percentage | 2016 | 2015 |
|---|---|---|---|
| | % | JD | JD |
| **Unquoted shares- Jordan** | | | |
| Electrical Equipment Industries Company LLC | 11.47 | 286,719 | 286,719 |

## (8) INVENTORIES

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Medium and low pressure electrical tools and subscribers' accessories | 7,689,740 | 6,438,559 |
| Tools and cars' spare parts | 346,243 | 274,093 |
| Stationery, furniture and computers equipment | 24,507 | 20,980 |
| Returned and damaged materials | 1,072,306 | 1,969,411 |
| | 9,132,796 | 8,703,043 |
| Less: allowance for slow moving inventories | (796,857) | (1,581,938) |
| | 8,335,939 | 7,121,105 |
| Add: letter of credit and tenders expenses | 77,980 | 269,277 |
| | 8,413,919 | 7,390,382 |
| Strategic inventories* | 6,892,883 | 4,856,621 |
| Inventories | 1,521,036 | 2,533,761 |
| | 8,413,919 | 7,390,382 |

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

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 1,581,938 | 1,448,385 |
| Provision for the year | 443,743 | 517,324 |
| Write off during the year | (1,228,824) | (383,771) |
| Ending balance | 796,857 | 1,581,938 |

## (9) ACCOUNTS RECEIVABLE

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Normal subscribers - Housing | 20,709,297 | 16,381,895 |
| Normal subscribers – Non housing | 77,902 | 180,827 |
| Governmental departments | 9,667,119 | 6,599,684 |
| Employees receivables - Housing | 56,763 | 50,377 |
| Commercial sector | 6,738,460 | 6,192,029 |
| Temporary meters | 213,588 | 205,159 |
| Telecommunication sector | 1,431,649 | 1,479,029 |
| Banking sector | 103,354 | 84,138 |
| Television sector | 21,645 | 23,408 |
| Hotels sector | 15,992 | 16,485 |
| Manufacturing sector / Small | 1,307,688 | 1,461,883 |
| Manufacturing sector / Medium | 3,016,274 | 3,062,053 |
| Water authority | 31,283,150 | 31,586,118 |
| Agricultural sector | 2,376,470 | 2,417,142 |
| Street lighting | 5,918,282 | 2,633,806 |
| Agricultural / Commercial | 194,965 | 233,338 |
| Army departments | 6,462,110 | 9,670,083 |
| Agricultural / Trio tariff | 716,527 | 517,876 |
| Total receivables of subscribers | 90,311,235 | 82,795,330 |
| Delay interest receivables | 14,744,907 | 9,995,377 |
| Other receivables | 284,114 | 952,878 |
| Governmental- other lighting projects | 2,355,493 | 1,277,443 |
| Municipalities | 530 | 3,035 |
| Employee receivables | 98,246 | 88,964 |
| | 107,794,525 | 95,113,027 |
| Less: allowance for doubtful accounts | (2,258,829) | (1,649,637) |
| | 105,535,696 | 93,463,390 |

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

Movement on the allowances for doubtful accounts is as follows:

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 1,649,637 | 1,455,530 |
| Provision for the year | 609,192 | 194,107 |
| Amounts written off during the year | - | - |
| Ending balance | 2,258,829 | 1,649,637 |

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

| | | Past due but not impaired | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired | 1 – 60 days | 61 – 90 days | > 90 days | Total |
| | JD | JD | JD | JD | JD |
| 2016 | 38,992,418 | 9,430,009 | 7,375,113 | 49,738,156 | 105,535,696 |
| 2015 | 33,537,953 | 8,248,135 | 5,668,912 | 46,008,390 | 93,463,390 |

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

## (10) CASH AND BANK BALANCES

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Cash on hand | 30,641 | 19,681 |
| Banks accounts | 306,490 | 2,028,160 |
| | 337,131 | 2,047,841 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Cash on hand and at banks | 337,131 | 2,047,841 |
| Bank overdrafts (note 19) | (20,106,072) | (17,398,213) |
| | (19,768,941) | (15,350,372) |

## (11) EQUITY

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

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

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

**Dividends -**
In its ordinary meeting held on 07 April 2016, the General Assembly approved the Board of Directors recommendations to distribute 60% of its capital as dividends amounted to JD 4,800,000 (2015: JD 4,800,000).

## (12) ADVANCES FROM SUBSCRIBERS

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

## (13) EXCESS OF SUBSCRIBERS CONTRIBUTIONS

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

## (14) Provision for end- of- service indemnity

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 2,314,264 | 2,646,976 |
| Charge for the year | 1,234,006 | 296,958 |
| Paid during the year | (324,921) | (629,670) |
| | 3,223,349 | 2,314,264 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Interest on obligation | 176,757 | 140,510 |
| Current service costs | 1,057,249 | 156,448 |
| | 1,234,006 | 296,958 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| General and administrative expenses | 916,127 | 230,503 |
| Capitalized on projects in progress | 317,879 | 66,455 |
| Ending balance | 1,234,006 | 296,958 |

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

| | 2016 | 2015 |
|---|---|---|
| Discount rate* | 6,1% | 6% |
| Mortality rate | 0.12% | 0.12% |
| Annual salaries increase rate | 5% | 5% |
| Resignation rate | 7% | 7% |
| Company's contribution to social security deducted from employees' end of service indemnify | 8% | 9.5% |

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

| Increase in rate by 1 % | Effect on end-of-service benefits | |
|---|---|---|
| | 2016 | 2015 |
| | JD | JD |
| Discount | (867,972) | (115,054) |
| Salaries increase | 1,320,924 | 204,674 |
| Resignation | 3,564 | 12,769 |

| Decrease In rate by 1 % | Effect on end-of-service benefits | |
|---|---|---|
| | 2016 | 2015 |
| | JD | JD |
| Discount | 1,319,500 | 125,914 |
| Salaries increase | (881,358) | (182,158) |
| Resignation | (3,561) | (13,383) |

## (15) LONG TERM LOANS

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

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

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

| Year | Amount |
|---|---|
| | JD |
| 2018 | 3,111,110 |
| 2019 | 3,111,110 |
| 2020 | 3,111,110 |
| 2021 | 3,111,110 |
| 2022 and after | 15,555,560 |
| | 28,000,000 |

## (16) SUBSCRIBERS' DEPOSITS

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

## (17) ACCOUNTS PAYABLE

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| National Electricity Power Company – energy purchases | 61,721,775 | 55,898,427 |
| National Electricity Power Company – interest on late payments | 14,208,636 | 11,235,710 |
| Al Badya for Energy Company- renewable energy purchases | 315,744 | 298,232 |
| Suppliers | 3,322,361 | 2,233,644 |
| Municipalities - garbage fees | 3,544,444 | 2,314,699 |
| Ministry of finance - television fees | 1,631,423 | 1,518,409 |
| Rural fils | 1,423,074 | 891,967 |
| Others | 27,082 | 75,502 |
| | 86,194,539 | 74,466,590 |

## (18) OTHER CURRENT LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Deposits – subscription requests | 27,184 | 26,811 |
| Advances from customers | 272,015 | 240,252 |
| General deposits | 701,274 | 131,590 |
| Subscribers deposits | 2,859,342 | 510,060 |
| Post offices deposits | 80,916 | 45,630 |
| Governmental deposits – projects | 134,209 | 9,817 |
| Due to sales tax | 63,053 | 39,593 |
| Board of directors remuneration | 55,000 | 55,769 |
| Health insurance fund | 1,798,031 | 1,455,050 |
| Contractors retentions | 630,587 | 645,926 |
| Dividends payable | 1,195,985 | 1,046,082 |
| Others | 598,043 | 399,063 |
| | 8,415,639 | 4,605,643 |

## (19) BANKS OVERDRAFTS

This item represents the credit facilities granted to the Company from local banks with a ceiling of JD 43,000,000, bearing an average interest rate of 4.98% per annum.

## (20) Other Provisions

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

| | 2016 | | | | | 2015 |
|---|---|---|---|---|---|---|
| | Vacations | Takaful | Social Services | Lawsuits | Total | Total |
| | JD | JD | JD | JD | JD | JD |
| Beginning balance | 516,751 | 913,433 | 10,621 | 423,336 | 1,864,141 | 1,706,031 |
| Charge for the year* | 168,932 | 229,485 | - | - | 398,417 | 296,107 |
| Employees contribution | - | 107,100 | 9,059 | - | 116,159 | 116,067 |
| Paid during the year | (22,717) | (133,427) | - | - | (156,144) | (254,064) |
| Ending balance | 662,966 | 1,116,591 | 19,680 | 423,336 | 2,222,573 | 1,864,141 |

* The charge for the year includes capitalized expenses amounted to JD 57,851 (2015: JD 63,940).

## (21) PROVISION FOR INCOME TAX

**Deferred tax assets-**

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

Movement on deferred tax assets is as follows:

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 781,044 | 503,142 |
| Charge for the year | 253,272 | 277,902 |
| Ending balance | 1,034,316 | 781,044 |

**Income tax provision -**

Movement on provision for income tax is as follows:

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Beginning balance | 1,133,900 | 1,062,649 |
| Income tax for the year | 3,270,287 | 1,086,251 |
| Income tax paid | (1,864,932) | (1,015,000) |
| Ending balance | 2,539,255 | 1,133,900 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Accounting profit before tax | 11,569,914 | 4,161,228 |
| Non-taxable revenues | (631,226) | (943,017) |
| Non-deductible expenses | 2,687,508 | 1,307,833 |
| Taxable income | 13,626,196 | 4,526,044 |
| Income tax for the year | 3,270,287 | 1,086,251 |
| Less: deferred tax during the year | (253,272) | (277,902) |
| Income tax for the year | 3,017,015 | 808,349 |
| **Statutory income tax rate** | 24% | 24% |
| **Effective income tax rate** | 26.08% | 19.43% |

Income tax provision was calculated for the year ended 31 December 2016 in accordance with the Income Tax Law No. (34) of 2014.

The Company obtained a final tax clearance up to the year 2014. The Income and Sales Tax Department has not reviewed the Company's records for the year 2015 up to the date of these financial statements.

## (22) RELATED PARTIES

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

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Due to Electrical Equipment Industries Company LLC (sister company) | 48,386 | 73,646 |
| Due to Electricity Distribution Company (parent company) | 38,992 | 249 |
| | 87,378 | 73,895 |
| Purchases from Electricity Distribution Company (parent company) | 1,746,883 | 534,391 |
| Purchases from Electrical Equipment Industries Company (sister company) | 1,015,153 | 1,238,218 |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Transportation and remuneration of Board of Directors | 282,076 | 290,222 |
| Dividends from Electrical Equipment Industries Company | 17,203 | - |

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Salaries and benefits | 421,162 | 424,757 |

## (23) Gross Profit

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

Sales tariff is determined by the EMRC, the tariff has been increased in February 2015.

Electricity power is purchased from National Electricity Power Company and purchase tariff is determined by the EMRC, the tariff has been increased in February and January 2016.

## (24) OTHER OPERATING REVENUES, NET

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Subscribers connection fees | 1,250,221 | 1,366,682 |
| Municipalities connection fees | 14,706 | 4,661 |
| Meters fees | 1,270,471 | 1,193,666 |
| Miscellaneous fees | 126,063 | 106,566 |
| Workshops fees | 29,379 | 34,419 |
| Net losses from rural fils projects | (418,355) | (518,147) |
| Net losses from subscribers contributions projects | (1,039,363) | (352,412) |
| Electricity reconnection fees | 322,460 | 263,209 |
| Meters replacement fees | 21,564 | 22,412 |
| Others | 7,996 | 181 |
| | 1,585,142 | 2,121,237 |

## (25) ADMINISTRATIVE EXPENSE

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Salaries and related benefits | 15,288,092 | 13,975,607 |
| Employees' benefits | 1,734,063 | 1,786,962 |
| End-of-service indemnity | 1,234,006 | 296,958 |
| Social employees services | 229,485 | 248,715 |
| Employees vacations | 168,932 | 33,570 |
| Maintenance expenses | 400,982 | 338,040 |
| Vehicles rent expense | 915,978 | 951,208 |
| Stationery, printing and advertising | 246,938 | 216,535 |
| Stamps | 372,829 | 449,371 |
| Compensations | 200,249 | 225,740 |
| Lawsuit provision | - | 9,281 |
| Connection expenses | 638,524 | 688,217 |
| Insurance expenses | 254,320 | 213,714 |
| Vehicles expense | 412,358 | 385,965 |
| Postage and telephone expenses | 192,140 | 184,137 |
| Board of Directors remuneration and transportations | 39,600 | 39,600 |
| Security and cleaning expenses | 406,723 | 295,794 |
| Electricity, water and heating | 202,217 | 132,943 |
| Legal fees | 908,043 | 230,000 |
| Professional fees | 22,249 | 131,823 |
| Subscriptions, conferences and seminars | 67,850 | 26,353 |
| License and governmental fees | 32,832 | 33,174 |
| Distribution license fee | 282,597 | 258,042 |
| Rent | 166,262 | 160,913 |
| Computers expenses | 35,747 | 42,749 |
| Hospitality expenses | 32,918 | 51,819 |
| Employee meals | 18,273 | 41,723 |
| Collection commission- post offices | 273,416 | 263,460 |
| Provision of doubtful accounts | 609,192 | 194,107 |
| Social activities and donations | 18,140 | 16,644 |
| Performance expenses | 62,282 | 18,798 |
| Others | 57,042 | 42,951 |
| | 25,524,279 | 21,984,913 |
| Less: Capitalization of salaries and related benefits | (3,847,973) | (3,326,443) |
| Capitalization of-end-of service indemnity | (317,879) | (66,455) |
| Capitalization of social employee's services expenses | (57,851) | (56,944) |
| Capitalization of administrative expenses | (824,709) | (892,924) |
| Capitalization of employees vacation expenses | - | (6,996) |
| Total capitalized expenses on project in progress | (5,048,412) | (4,349,762) |
| Transfers to cost of non-core activities | (177,417) | (139,473) |
| | 20,298,450 | 17,495,678 |

## (26) DEPRECIATION AND AMORTIZATION

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Property and equipment deprecation for the year | 7,128,960 | 6,392,695 |
| Lawsuits payments amortization | 57,534 | 76,588 |
| Depreciation of subscribers and rural fils contributions assets | 4,653,376 | 4,329,710 |
| Less: amortization of subscribers and rural fils contributions liabilities | (4,653,376) | (4,329,710) |
| Depreciation and amortization in the statement of comprehensive income | 7,186,494 | 6,469,283 |

The depreciation and amortization are distributed as follows:

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Depreciation and amortization | 7,125,546 | 6,419,577 |
| Portion related to non-core activities | 60,948 | 49,706 |
| | 7,186,494 | 6,469,283 |

## (27) PROFIT FROM CORE ACTIVITIES

According to the distribution and supplies license granted to the Company on 30 June 2008 from Energy and Mineral Regulatory Commission (EMRC), the annual return from core activities before tax is determined based on the Regulatory Asset Base set by EMRC. The Company computed the annual return for the core activities which resulted in a surplus from the annual return as determined in the license by JD 622,776 for the year 2016, as a result, the net cumulative amount up to the end of 2016 became a deficit of JD 814,825. Accordingly, this deficit will be recovered by determining the tariff for the upcoming tariff period as per the tariff determination methodology stated in the license; additionally the deficit amount is subject to EMRC revision and amendment as mentioned in the license.

## (28) REVENUE FROM NON–CORE ACTIVITIES

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Television fees collection revenue | 279,876 | 263,906 |
| Garbage fees collection revenue | 1,216,974 | 950,796 |
| Street lighting maintenance revenue | 158,431 | 270,357 |
| Compensations revenue | 267,739 | 215,078 |
| Compensations revenue on burned materials | 529,654 | - |
| Rent revenue | 3,719 | 5,253 |
| Biddings revenue | 35,030 | 39,915 |
| Late payments penalties revenue | 140,892 | 151,570 |
| Proceeds from sale of damaged goods (property and equipment) | 276,544 | 34,777 |
| Electricity poles rental revenue | 218,696 | 232,703 |
| Dividends revenue | 17,203 | - |
| Late postal deposit interest revenue | 109,195 | 67,984 |
| Foreign currency exchange gains | 32,636 | 18,828 |
| Revenue from amortization of deferred revenues until 2 July 2008 | 270,685 | 270,685 |
| Revenue from disposals of property and equipment | - | 5,963 |
| Revenue from renewable energy sources consulting | 163,070 | 34,250 |
| Others | 3,948 | 4,482 |
| | 3,724,292 | 2,566,547 |

## (29) COST OF NON–CORE ACTIVITIES

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Loss on sale of property and equipment | 3,016 | 10,635 |
| Maintenance of street lights | 110,330 | 123,357 |
| Cost of damaged goods sales (property and equipment) | 767,985 | - |
| Donations | 13,593 | 10,298 |
| Foreign currency exchange losses | 5,804 | 12,803 |
| Board of Directors remuneration | 239,378 | 251,391 |
| Cost of burned materials | 581,337 | - |
| Others | 10,466 | 113,751 |
| | 1,731,909 | 522,235 |
| Add: non-core activities share of common expenses | 177,417 | 139,473 |
| non-core activities share of depreciation expense | 60,948 | 49,706 |
| | 1,970,274 | 711,414 |

## (30) EARNINGS PER SHARE

| | 2016 | 2015 |
|---|---|---|
| Profit for the year (JD) | 8,552,899 | 3,352,879 |
| Weighted average number of shares (share) | 8,000,000 | 8,000,000 |
| | JD/Fils | JD/Fils |
| Basic and diluted earnings per share from profit for the year | 1/069 | 0/419 |

The basic and diluted earnings per share are equal.

## (31) SEGMENT INFORMATION

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

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Normal subscribers - Housing | 83,472,783 | 78,478,949 |
| Normal Subscribers – Non housing | 1,823,325 | 2,236,741 |
| Government departments | 30,002,681 | 28,106,518 |
| Normal subscribers – Employee housing | 280,657 | 288,320 |
| Commercial sector | 32,993,768 | 30,873,997 |
| Temporary meters | 691,593 | 747,168 |
| Telecommunication sector | 8,098,934 | 7,468,084 |
| Banking sector | 2,196,865 | 2,201,503 |
| Television sector | 233,470 | 194,478 |
| Hotels sector | 160,146 | 161,025 |
| Manufacturing sector / Small | 7,562,784 | 8,046,954 |
| Manufacturing sector / Medium | 13,360,438 | 14,603,489 |
| Water authority | 21,491,777 | 20,605,068 |
| Agricultural sector | 18,548,531 | 17,887,644 |
| Street lighting | 14,623,172 | 13,060,668 |
| Commercial / Agricultural | 1,438,684 | 1,438,180 |
| Army department | 8,590,016 | 7,683,922 |
| Consumption differences | 1,305,499 | 1,038,717 |
| Agricultural / Trio tariff | 4,715,662 | 3,184,645 |
| | 251,590,785 | 238,306,070 |

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

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

## (32) CONTINGENT LIABILITIES

**Guarantees and letters of credit -**
As at the date of the financial statements, the Company has outstanding bank guarantees and letters of credit of JD 2,975,221 (2015: JD 1,452,236).

**Litigations -**
The Company is a defendant in a number of lawsuits in the ordinary course of business representing legal claims amounting to JD 327,484. The Company's management and its legal advisor believe that the provision taken against these claims of JD 423,336 (2015: JD 423,336) is adequate to meet any obligations that may arise.

**Dispute with National Electricity Power Company –**
National Electricity Power Company claiming an amount of JD 721,881 which is mainly represent a difference of interest on late payments. The Company and its legal advisor believe that the Company will not have any obligation as per the electricity tariff (Wholesale Tariff) issued by EMRC.

**Operating lease commitments-**

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

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

**Company as a lessor -**

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

| | 2016 | 2015 |
|---|---|---|
| | JD | JD |
| Within one year | 3,719 | 5,253 |

## (33) RISK MANAGEMENT

**Interest rate risk**

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

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

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

| | Increase in interest rate | Effect on profit before tax |
|---|---|---|
| **2016 -** | (BASIS POINTS) | JD |
| JD | 50 | (240,530) |
| **2015 -** | | |
| JD | 50 | (216,850) |

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

**Credit risk**

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

The Company seeks to limit its credit risk with respect to banks by dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Government receivables represent more than 65% of accounts receivable as at 31 December 2016.

**Liquidity risk**

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

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

| | On demand | 1 to 12 months | 1to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2016** | JD | JD | JD | JD | JD |
| Accounts payable | - | 87,694,539 | - | - | 87,694,539 |
| Accrued expenses and other payables | - | 7,046,008 | - | - | 7,046,008 |
| Long term loan | - | 1,504,611 | 19,891,338 | 15,753,325 | 37,149,274 |
| Due to banks | 20,106,072 | - | - | - | 20,106,072 |
| **Total** | 20,106,072 | 96,245,158 | 19,891,338 | 15,753,325 | 151,995,893 |
| **At 31 December 2015** | | | | | |
| Accounts payable | - | 75,966,590 | - | - | 75,966,590 |
| Accrued expenses and other payables | - | 3,428,836 | - | - | 3,428,836 |
| Long term loan | - | 1,521,554 | 17,559,033 | 19,821,836 | 38,902,423 |
| Due to banks | 17,398,213 | - | - | - | 17,398,213 |
| **Total** | 17,398,213 | 80,916,980 | 17,559,033 | 19,821,836 | 135,696,062 |

**Currency risk**

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

## (34) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

## (35) CAPITAL MANAGEMENT

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

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

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 20,157,038 as at 31 December 2016 (2015: JD 16,404,139).

## (36) STANDARD ISSUED BUT NOT YET EFFECTIVE

**IFRS 9 Financial Instruments**

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

**IFRS 16 Leases**

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

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

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

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

**IFRS 15 Revenue from Contracts with Customers**

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

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

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

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

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

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

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

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

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

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

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

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

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