

هيئة الأوراق المالية
الادارة الادارية / الديوان

٣١ شتوز ٢٠١٧
الرقم المتسلسل ٥١١٥١
الجهة المختصة ا.ب.ص.ح.

السادة هيئة الاوراق المالية
السادة بورصة عمان

الموضوع: الإفصاح عن التقرير نصف السنوي كما هو في 2017/06/30 لشركة الاتصالات الاردنية

مرفق طيه نسخة من التقرير نصف السنوي
لشركة الاتصالات الاردنية كما هو بتاريخ
2017/06/30 م.

مع فائق الاحترام،

رسلان ديرانية
نائب الرئيس التنفيذي
المدير التنفيذي للمالية

شركة الاتصالات الاردنية

**Jordan Telecommunications Company
(Jordan Telecom)**

Public Shareholding Company

**Unaudited Interim Condensed
Consolidated Financial Statements**

30 June 2017

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
TO THE BOARD OF DIRECTORS OF JORDAN TELECOMMUNICATIONS COMPANY
(JORDAN TELECOM)- PUBLIC SHAREHOLDING COMPANY**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Jordan Telecommunications Company and its subsidiaries (the Group), comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
27 July 2017



JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	219,151,987	206,821,776
Intangible assets	5	238,830,946	249,144,857
Deferred tax assets	7	5,340,872	5,340,872
		463,323,805	461,307,505
Current assets			
Inventories		3,974,840	4,466,836
Trade receivables and other current assets		86,642,921	75,060,361
Balances due from telecom operators		17,674,447	17,698,179
Cash and short-term deposits	11	62,627,222	65,696,230
		170,919,430	162,921,606
TOTAL ASSETS		634,243,235	624,229,111
EQUITY AND LIABILITIES			
Equity			
Paid in capital	9	187,500,000	187,500,000
Statutory reserve		62,500,000	62,500,000
Retained earnings		12,779,730	18,213,941
TOTAL EQUITY		262,779,730	268,213,941
Liabilities			
Non-current liabilities			
Long term liability	8	88,459,856	86,595,425
Interest bearing loans		2,948,741	2,866,076
Employees' end of service benefits		256,115	372,850
		91,664,712	89,834,351
Current liabilities			
Trade payables and other current liabilities		202,688,586	184,066,479
Balances due to telecom operators		46,396,040	51,863,631
Interest bearing loans		433,479	406,807
Due to banks	11	30,167,486	29,786,964
Employees' end of service benefits		113,202	56,938
		279,798,793	266,180,819
TOTAL LIABILITIES		371,463,505	356,015,170
TOTAL EQUITY AND LIABILITIES		634,243,235	624,229,111

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months and six months ended 30 June 2017 (Unaudited)

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2017	2016	2017	2016
		JD	JD	JD	JD
Net revenues		81,818,717	83,536,502	164,105,412	169,103,750
Cost of services		(37,713,185)	(40,211,609)	(76,711,926)	(83,401,256)
Gross margin		44,105,532	43,324,893	87,393,486	85,702,494
Administrative expenses		(4,875,886)	(6,265,595)	(11,156,733)	(12,396,217)
Selling and distribution expenses		(10,217,159)	(10,831,567)	(20,648,289)	(20,811,759)
Government revenue share		(1,715,162)	(1,788,647)	(3,429,007)	(3,561,676)
Business support fees and brand fees		(1,693,461)	(1,807,369)	(3,498,219)	(3,626,731)
Impairment loss	4	-	(3,109,740)	-	(8,030,167)
Depreciation of property and equipment		(10,687,691)	(9,608,227)	(20,962,038)	(19,504,247)
Amortization of intangible assets		(5,375,485)	(5,285,988)	(10,731,213)	(10,578,457)
Operating profit		9,540,688	4,627,760	16,967,987	7,193,240
Net foreign currency exchange differences		(166,171)	31,530	(410,565)	93,490
Finance costs		(410,825)	(60,779)	(784,776)	(70,496)
Finance cost on long term liability	8	(932,215)	-	(1,864,431)	-
Finance income		235,647	296,933	421,902	851,621
Gain on sale of property and equipment	4	1,903,366	665,089	1,906,383	1,550,805
Profit before income tax		10,170,490	5,560,533	16,236,500	9,618,660
Income tax expense	7	(2,197,101)	(2,058,371)	(3,670,711)	(3,770,206)
Profit for the period		7,973,389	3,502,162	12,565,789	5,848,454
Add: Other comprehensive income		-	-	-	-
Total comprehensive income for the period		7,973,389	3,502,162	12,565,789	5,848,454
Earnings per share	14	0.043	0.016	0.067	0.026

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six months ended 30 June 2017 (Unaudited)

	Paid in capital JD	Statutory reserve JD	Retained Earnings JD	Total JD
At 1 January 2017	187,500,000	62,500,000	18,213,941	268,213,941
Dividends paid (Note 13)	-	-	(18,000,000)	(18,000,000)
Total comprehensive income for the period	-	-	12,565,789	12,565,789
At 30 June 2017 (Unaudited)	187,500,000	62,500,000	12,779,730	262,779,730
At 1 January 2016	250,000,000	62,500,000	16,139,854	328,639,854
Dividends paid	-	-	(16,000,000)	(16,000,000)
Capital reduction	(62,500,000)	-	-	(62,500,000)
Total comprehensive income for the period	-	-	5,848,454	5,848,454
At 30 June 2016 (Unaudited)	187,500,000	62,500,000	5,988,308	255,988,308

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six months ended 30 June 2017 (Unaudited)

		For the six months ended 30 June	
	Notes	2017 JD	2016 JD
<u>Operating activities</u>			
Profit before income tax		16,236,500	9,618,660
Non – cash adjustments to reconcile profit before tax to net cash flows			
Finance costs		784,776	70,496
Finance cost from long term liability	8	1,864,431	-
Finance income		(421,902)	(851,621)
Provision for doubtful accounts		202,642	310,479
Provision for slow moving inventories		51,146	15,435
Depreciation and impairment of property and equipment		20,962,038	27,534,414
Amortization of intangible assets		10,731,213	10,578,457
Employees' end of service benefits		117,259	49,607
Gain from sale of property and equipment	4	(1,906,383)	(1,550,805)
Net foreign currency exchange difference		210,575	25,252
Working Capital Changes			
Inventories		440,850	(439,680)
Trade receivables and other current assets		(11,426,336)	(11,181,798)
Balances due from telecom operators		23,732	2,280,035
Trade payables and other current liabilities		6,919,367	4,544,368
Balances due to telecom operators		(5,467,591)	(3,759,969)
Employees' end of service paid		(177,730)	97,559
Income tax paid		(1,987,224)	(8,471,571)
Net cash flows from operating activities		37,157,363	28,869,318
<u>Investing activities</u>			
Purchase of property and equipment	4	(33,476,125)	(24,545,864)
Purchase of intangible assets		(417,302)	(25,262,327)
Proceeds from sale of property and equipment		2,090,259	1,741,230
Finance income received		63,036	35,673
Net cash flows used in investing activities		(31,740,132)	(48,031,288)
<u>Financing activities</u>			
Proceeds from murabha financing	10	-	20,000,000
Repayment of murabha financing and interest bearing loan		(101,238)	(2,950,516)
Capital reduction payment		(169,686)	(61,568,124)
Finance costs paid		(784,776)	(70,496)
Dividends paid		(7,811,061)	(15,933,152)
Net cash flows used in financing activities		(8,866,761)	(60,522,288)
Net decrease in cash and cash equivalents		(3,449,530)	(79,684,258)
Cash and cash equivalent at 1 January		35,909,266	110,665,422
Cash and cash equivalent at 30 June	11	32,459,736	30,981,164

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2017 (Unaudited)

1. Corporate information

Jordan Telecom was registered as a public shareholding Company on 8 October 1996, and adopted the Orange brand in 2007.

On 10 December 2015, the General Assembly, in its extraordinary meeting, has approved the reduction of the authorized and paid in capital by 25%, to become 187,500,000 shares at a value of one Jordanian Dinar each. The capital reduction has been approved by the Ministry of Industry and Trade on 6 April 2016 and it was approved by ASE on 21 April 2016.

The interim condensed consolidated financial statements of Jordan Telecom Company (The Group) for the six months ended 30 June 2017 were authorized for issue in accordance with the Board of Directors' resolution on 27 July 2017.

The principal activities of the Company and its subsidiaries are described in Note 3.

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual report as of 31 December 2016. In addition, the results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

2.2 Changes in accounting policies:

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except for the following:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

2.3 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of Jordan Telecom and its wholly owned subsidiaries, which are: Petra Jordanian Mobile Telecommunications Company, Jordan Data Communications Ltd. and Dimension Company for Digital Development of Data (E-Dimension) (E-Dimension is 51% owned by Jordan Telecom and the remaining 49% is owned by Petra Jordanian Mobile Telecommunications Company). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Basis of Consolidation (Continued)

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

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

Investors with significant influence on the Group:

The Joint Investment Telecommunications Company, Jordanian Social Security Corporation and Noor Financial Investment own 51%, 28.9% and 10% of the Company's issued shares, respectively.

3. Segment information

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services.

The Fixed-line voice segment constructs, develops and maintains fixed telecommunication network services.

The Mobile communications segment installs, operates and manages a cellular network in Jordan.

The Data services segment provides, furnishes, installs, maintains, engineers and operates communication facilities for the provision of data network and internet access services to its customers and helping companies to be more efficient in the way they do their business on internet.

The following tables represent revenue and profit and certain asset and liability information regarding the Group's business segments for the three and six months ended 30 June 2017 and 2016.

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2017 (Unaudited)

3. Segment information (continued)

For the three months period ended 30 June 2017

	<i>Fixed-line voice</i>	<i>Mobile Communications</i>	<i>Data services</i>	<i>Total</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
Net Revenues				
External customers	32,308,554	36,765,526	12,744,637	81,818,717
Inter-segment revenues	11,538,117	1,786,941	9,845	13,334,903
	<u>43,846,671</u>	<u>38,552,467</u>	<u>12,754,482</u>	<u>95,153,620</u>
Segment results				
Operating profit before depreciation, amortization, interest and tax	<u>1,728,823</u>	<u>14,532,240</u>	<u>11,246,167</u>	27,507,230
Depreciation and amortization				(16,063,176)
Net foreign currency exchange Differences				(166,171)
Finance costs				(410,825)
Finance income				235,647
Finance cost from long term liability				(932,215)
Profit before income tax				10,170,490
Income tax expense				(2,197,101)
Profit and comprehensive income for the period				<u>7,973,389</u>
Assets and liabilities				
Segment assets	<u>190,448,935</u>	<u>389,356,665</u>	<u>54,437,635</u>	<u>634,243,235</u>
Segment liabilities	<u>159,084,665</u>	<u>199,965,398</u>	<u>12,413,442</u>	<u>371,463,505</u>
Other segment information				
Property and equipment	111,594,921	99,619,925	7,937,141	219,151,987
Intangible assets	15,392,860	218,712,127	4,725,959	238,830,946

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2017 (Unaudited)

3. Segment information (continued)

For the three months period ended 30 June 2016

	<i>Fixed-line voice JD</i>	<i>Mobile Communications JD</i>	<i>Data services JD</i>	<i>Total JD</i>
Net Revenues				
External customers	35,304,566	34,732,261	13,499,675	83,536,502
Inter-segment revenues	12,079,438	2,197,644	10,240	14,287,322
	<u>47,384,004</u>	<u>36,929,905</u>	<u>13,509,915</u>	<u>97,823,824</u>
Segment results				
Operating profit before depreciation, amortization, impairment, interest and tax	(813,064)	12,215,704	11,894,164	23,296,804
Depreciation, amortization and Impairment loss				(18,003,955)
Net foreign currency exchange Differences				31,530
Finance costs				(60,779)
Finance income				296,933
Profit before income tax				5,560,533
Income tax expense				(2,058,371)
Profit and comprehensive income for the period				3,502,162
Assets and liabilities				
Segment assets	189,541,176	311,117,100	49,754,056	550,412,332
Segment liabilities	156,726,428	123,894,019	13,803,577	294,424,024
Other segment information				
Property and equipment	95,367,664	93,043,875	5,897,214	194,308,753
Intangible assets	15,507,731	151,658,960	5,356,768	172,523,459

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2017 (Unaudited)

3. Segment information (continued)

For the six months period ended 30 June 2017

	<i>Fixed-line voice</i>	<i>Mobile Communications</i>	<i>Data services</i>	<i>Total</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
Net Revenues				
External customers	65,581,236	72,749,122	25,775,054	164,105,412
Inter-segment revenues	22,249,482	3,678,127	19,727	25,947,336
	<u>87,830,718</u>	<u>76,427,249</u>	<u>25,794,781</u>	<u>190,052,748</u>
Segment results				
Operating profit before depreciation, amortization, interest and tax	<u>(232,901)</u>	<u>28,058,820</u>	<u>22,741,702</u>	50,567,621
Depreciation and amortization				(31,693,251)
Net foreign currency exchange Differences				(410,565)
Finance costs				(784,776)
Finance income				421,902
Finance cost from long term liability				<u>(1,864,431)</u>
Profit before income tax				16,236,500
Income tax expense				<u>(3,670,711)</u>
Profit and comprehensive income for the period				12,565,789
Assets and liabilities				
Segment assets	<u>190,448,935</u>	<u>389,356,665</u>	<u>54,437,635</u>	<u>634,243,235</u>
Segment liabilities	<u>159,084,665</u>	<u>199,965,398</u>	<u>12,413,442</u>	<u>371,463,505</u>
Other segment information				
Property and equipment	111,594,921	99,619,925	7,937,141	219,151,987
Intangible assets	15,392,860	218,712,127	4,725,959	238,830,946

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2017 (Unaudited)

3. Segment information (continued)

For the six months period ended 30 June 2016

	<i>Fixed-line voice</i>	<i>Mobile Communications</i>	<i>Data services</i>	<i>Total</i>
	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
Net Revenues				
External customers	72,808,200	69,272,220	27,023,330	169,103,750
Inter-segment revenues	24,075,183	4,202,366	20,340	28,297,889
	<u>96,883,383</u>	<u>73,474,586</u>	<u>27,043,670</u>	<u>197,401,639</u>
Segment results				
Operating profit before depreciation, amortization, impairment, interest and tax	<u>(1,111,189)</u>	<u>24,081,651</u>	<u>23,886,454</u>	46,856,916
Depreciation, amortization and Impairment loss				(38,112,871)
Net foreign currency exchange Differences				93,490
Finance costs				(70,496)
Finance income				851,621
Profit before income tax				9,618,660
Income tax expense				<u>(3,770,206)</u>
Profit and comprehensive income for the period				<u>5,848,454</u>
Assets and liabilities				
Segment assets	<u>189,541,176</u>	<u>311,117,100</u>	<u>49,754,056</u>	<u>550,412,332</u>
Segment liabilities	<u>156,726,428</u>	<u>123,894,019</u>	<u>13,803,577</u>	<u>294,424,024</u>
Other segment information				
Property and equipment	95,367,664	93,043,875	5,897,214	194,308,753
Intangible assets	15,507,731	151,658,960	5,356,768	172,523,459

4. Property and equipment

Acquisition and disposals

During the six months ended 30 June 2017, the Group acquired property and equipment with a cost of JD 33,476,125 (30 June 2016: JD 24,545,864).

Assets with a net book value of JD 183,876 were disposed by the Group during the six months ended 30 June 2017 (30 June 2016: JD 190,425) resulting in a net gain on disposal of JD 1,906,383 (30 June 2016: JD 1,550,805).

During 2015, a new vendor has been introduced by the Group, through a tendering process, for the mobile network expansion and 4G equipment. These equipment has been received during 2015 and 2016.

After the completion of the installation of the new assets during 2016. The Group management has provided a full impairment of the replaced assets based on the best available information regarding the usability and saleability of the replaced assets as of the date of the financial statements. Therefore, management recorded JD 32,603,472 over the years 2015 and 2016 as an impairment loss, which represents the Net Book Value of the replaced assets.

5. Intangible assets

During June 2016, Petra Jordanian Mobile Telecommunications Company (Orange Mobile) has acquired additional frequency license (5 + 5 MHz) in 2100 MHz band for 3G services valid for 15 years with a cost of JD 25,150,000.

The 900 MHz spectrum license that was obtained by Petra Jordanian Mobile Telecommunications Company (Orange Mobile) on 8 May 1999 for the 2G services and valid for 15 years. Accordingly it expired on 8 May 2014. Therefore, Orange Mobile applied during 2013 for renewal of the license to continue providing the same services, however the Company received a letter from the Telecommunications Regulatory Commission (TRC) in the last week of April 2014 informing the Company that the fees for the renewal and continued usage of the 900 MHz spectrum will be JD 156.4 million due to be settled by the 9th of May 2014. Despite the objections raised, Orange Mobile had to renew its 900MHz spectrum license for a period of 5 years in return of JD 52,437,750.

TRC aforesaid decision was made on the assumption that Orange Mobile is licensed to utilize the spectrum for "Technology Neutrality" as if it is a new acquisition of spectrum, which was not the case since most of the frequency is preoccupied with the existing users of the 2G services, not to mention that the said decision was contrary to Orange Mobile clear request of renewal for 2G services and not "Technology Neutrality".

5. Intangible assets (Continued)

During October 2016, the Company, along with Orange France, has entered into a settlement agreement with the Government of Jordan, in which the parties have agreed to renew the 900MHz spectrum license for a further period of 10 years, starting from 9 May 2019 for an amount of JD 104,250,000, to be paid in two equal instalments of JD 52,125,000 by 8 May 2019, and the same amount by 8 May 2024.

The Group has calculated the cash price equivalent of the deferred payments at JD 86,595,425 using discounted cash flows method and recognized JD 86,595,425 as intangible assets, against a liability by the same amount during 2016.

Furthermore, based on the settlement agreement, the parties have agreed to drop any legal proceedings between them, and the Group will get for a cumulative period of six years a full exemption from the annual spectrum fees for the 900MHz spectrum license.

6. Commitments and contingencies

Legal claims

The Group is a defendant in a number of lawsuits with a value of JD 15,004,717 (31 December 2016: JD 20,004,717) representing legal actions and claims incident to its ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Accordingly, a provision of JD 1,684,232 has been made (2016: JD 1,684,232).

Capital commitments

The Group enters into commitments in the ordinary course of business for major capital expenditures, primarily in connection with network expansion projects. Outstanding capital expenditure amounted to JD 14,856,452 as of 30 June 2017 (31 December 2016: JD 26,541,892).

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7. Income tax

The provision for income tax for the six months period ended 30 June 2017 was calculated in accordance with Jordanian Income Tax Law No. (34) of 2014.

The major components of income tax expense in the interim consolidated statement of comprehensive income are:

	<i>For the Six months ended 30 June</i>	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Current year income tax charge	3,670,711	5,157,398
Deferred income tax expense (benefits)	-	(1,387,192)
	3,670,711	3,770,206

Income tax assessments have been agreed with the Income Tax Department for all the years up to 31 December 2014, with exception for Jordan Telecom and Jordan Data Communications, no final tax clearance was issued for the year 2011.

8. Long Term Liability

During October 2016, the Group, along with Orange France, has entered into a settlement agreement with the Government of Jordan, in which the parties have agreed drop any legal proceedings between them and to renew the 900MHz spectrum license for a further period of 10 years, starting from 9 May 2019 for an amount of JD 104,250,000, to be paid in two equal instalments of JD 52,125,000 by 8 May 2019, and the same amount by 8 May 2024.

The Group has calculated the balance of the deferred payments at JD 86,595,425 by discounting the liability and recognized JD 86,595,425 as intangible assets and a liability by the same amount. The discount rate used was 4%, which represents the average borrowing rate for the Group.

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8. Long Term Liability (Continued)

The difference between this amount and the total payments will be recognised as interest expense over the period. During the period ended 30 Jun 2017 an amount of JD 1,864,431 was recognized as an interest expense.

Future payments under settlement agreement together with the present value of the payments are, as follows:

	<u>2017</u>	<u>2016</u>
	<u>Payments</u>	<u>Payments</u>
	<u>JD</u>	<u>JD</u>
Within one year	-	-
After one year but not more than five years	52,125,000	52,125,000
More than five years	52,125,000	52,125,000
Total minimum payments	104,250,000	104,250,000
Less: amounts representing finance charges	(15,790,144)	(17,654,575)
Present value of liability	88,459,856	86,595,425

9. Paid in Capital

Jordan Telecommunications Company (Jordan Telecom) authorized and paid in capital consists of 187,500,000 shares (30 June 2016: 187,500,000 shares) with par value of one Jordanian Dinar each.

On 10 December 2015, the General Assembly, in its extra ordinary meeting, has approved the reduction of the authorized and paid in capital by 25%, to become 187,500,000 shares at a value of one Jordanian Dinar each. The capital reduction has been approved by the Ministry of Industry and Trade on 6 April 2016 and it was approved by Amman Stock Exchange on 21 April 2016.

10. Murabaha financing

On 7 June 2016, Petra Jordanian Mobile Telecommunications Company (Orange Mobile) has signed a Murabaha financing agreement with a local bank in Jordan to finance the acquisition of additional frequency license (5 + 5 MHz) in 2100 MHz band for 3G services by JD 20 million. The profit amount of this Murabaha financing is JD 256,630. The loan was fully paid and settled during December 2016.

This Murabaha financing was secured by Jordan Telecommunications Company.

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11. Due to banks

This item represents the utilized amount of the credit facilities granted during 2016 to the Group from three Jordanian commercial banks with a ceiling of JD 30 million. Interest rates on the credit facilities granted are between 4.75% to 4.98%. These overdrafts are unsecured and Group's management expect these amounts to be settled within one year.

The cash and cash equivalent at 30 June 2017. In the consolidated statement of cash flows represent the balance of cash and short-term deposits netted by the balance of the overdrafts as of 30 June 2017

	<u>30 June 2017</u>	<u>30 June 2016</u>
	<i>JD</i>	<i>JD</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash and short-term deposits	62,627,222	60,811,194
Less: Due to Banks	(30,167,486)	(29,830,030)
	<u>32,459,736</u>	<u>30,981,164</u>

12. Related parties disclosures

Related parties are shareholders, senior management of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

The following is a summary of balances with related parties included in the statement of financial position:

Consolidated statement of financial position items:

Government of Jordan and Orange Group and its subsidiaries (shareholder)

	<u>30 June</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
	<i>JD</i>	<i>JD</i>
	<i>(Unaudited)</i>	<i>(audited)</i>
Amounts due from related parties	7,347,436	7,473,796
Amounts due to related parties	7,920,333	5,052,931

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12. Related parties disclosures (continued)

Transactions with related parties included in the interim consolidated statement of comprehensive income are as follows:

Consolidated statement of comprehensive income items:
Orange Group and its subsidiaries (shareholder)

	<i>For the six months ended 30 June</i>	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Business support fees and brand fees	3,498,219	3,626,731
Operating expenses	1,652,537	1,661,913
Revenues	5,557,257	6,297,196
Government of Jordan (shareholder)		
Government revenue share	3,429,007	3,561,676
Key management personal		
Executives' salaries and bonus	706,485	699,741

13. Dividends

On 27 April 2017, the general assembly approved a cash dividend of JD 0.096 per share totalling JD 18,000,000 (2016: JD 16,000,000).

14. Earnings Per Share

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to the equity holders of parent (JD)	7,973,389	3,502,162	12,565,789	5,848,454
Weighted average number of shares during the year	187,500,000	223,066,298	187,500,000	223,066,298
Basic earnings per share	0.043	0.016	0.067	0.026

No figure for diluted earnings per share has been calculated, as there are no potentially dilutive ordinary shares outstanding.