

THE JORDANIAN ELECTRIC POWER COMPANY LTD.



JEPCO

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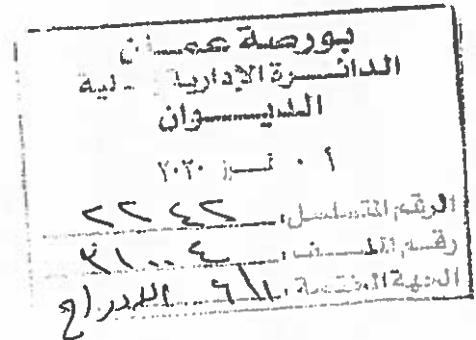
**To: Jordan Securities Commission
Amman Stock Exchange**

**Subject: Audited Financial Statements for the Fiscal
Year Ended 31/12/2019**

**Kindly Find Attached the Audited Financial Statements of THE JORDANIAN
ELECTRIC POWER COMPANY LIMITED for the Fiscal Year Ended 31/12/2019.**

Kindly Accept Our High Appreciation and Respect

Jordan Electric Power Company Limited



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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019
TOGETHER WITH THE INDEPENDENT
AUDITORS' REPORT**

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

For the Year Ended December 31, 2019

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Kawasmy & Partners CO.
Amman - Jordan
Shmeisani, Al-Shareef Abdul Hameed Sharaf Str. BLD # 28
Tel : +962 6 5650700, Fax : +962 6 5688598

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

Qualified opinion

We have audited the consolidated financial statements of **Jordan Electric Power Company ("The Company")**, and its subsidiary ("**the Group**") which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of profit or loss and other comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matters described in the basis of qualified opinion paragraph below, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of qualified opinion

- As mentioned in note (13) to the consolidated financial statements, and according to the exemption issued from Energy and Mineral Regulatory Commission in their letter no. 3/11/2726 which is related to exempting the Company from the application of expected credit losses part of International Financial Reporting Standard no. (9) "Financial Instruments", the Company did not provide us with study showing the calculation of the expected credit losses on the financial instruments in accordance with the requirements of International Financial Reporting Standard (9) "Financial Instruments" since its mandatory application date on January 1, 2018 and for the subsequent years. Accordingly, we were unable to determine the necessary adjustments to the accompanying consolidated financial statements.
- As mentioned in the note (3) to the consolidated financial statements, and according to the Energy and Mineral Regulatory Commission in their letter no. 3/11/10671 which is related to exempting the Company from the application of International Financial Reporting Standard (16) "Leases" that is required to be mandatory applied starting from January 1, 2019 regarding the recognition of right of use of assets and related lease liabilities. Accordingly, we were unable to determine the necessary adjustments to the accompanying consolidated financial statements.

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters descriptions are as follows:

1- Infrastructure Assets and Other Fixed Assets

Description of Key Audit matter	How the Matter was Addressed in our Audit
<p>The Group own Infrastructure assets and other fixed assets with carrying amounts of JOD 373,097,444 as of December 31, 2019 which represents 39% of the Group's total assets. In accordance with the requirements of IFRS (36) "Impairments of assets", the Group should measure if there is any indication of impairment in its value, such matter requires significant judgments and estimates from management to determine the recoverable amounts as management exercise judgment and estimates over the inputs used to determine the fair value/impairment including expert valuator. Accordingly, the determination of fair value/impairment of these assets by management is considered a key audit matter.</p> <p>The accounting policies and critical judgments relative to Infrastructure assets and other fixed assets are summarized respectively in notes (2), (3) and (6) to the consolidated financial statements.</p>	<p>Our audit procedures include the assessment of the Group's internal controls for the method used to determine the recoverable amounts of Infrastructure and other fixed assets and compare the fair value to the carrying amount for the purpose of identify impairment, in addition to the assessment of the estimates used by management to determine the recoverable amounts of Infrastructure assets and other fixed assets. We have compared these estimates with the requirements of consolidated IFRS and discussed with management based on the available information.</p> <p>Furthermore, our audit procedures include the assessment of the methodology used, the acceptability of the measurement models and the inputs used. To determine the recoverable amounts of the Infrastructure and other fixed assets. Review the relevancy of the key inputs used through the review of the valuation performed by external independent valuator and the reasonability of depreciation rates on these assets and other inputs. In addition, we assessed the sufficiency of disclosures made by the group over significant estimates.</p>

2- Revenue from Sale of Energy

Description of Key Audit matter	How the Matter was Addressed in our Audit
<p>The revenue from sale of energy amounted to JOD 982,302,324 for the year ended December 31, 2019 (JOD 972,467,318 for the year ended December 31, 2018).</p> <p>The revenue from sale of energy was considered as key audit matter due to its size and the mechanism for calculating it, which is calculated according to the electricity tariff segments approved by the Energy and Mineral Regulatory Commission, and being important to the readers of the consolidated financial statements, shareholders and stakeholders. The associated significant risks are the accuracy and occurrence of this revenue, which is connected with billing accounting systems.</p>	<p>The audit procedures included evaluating internal control procedures on the verification, accuracy and completeness of the revenue recognized in the consolidated financial statements and the extent of its compliance with the requirements of IFRS 15 "Revenue from Contracts with Customers".</p> <p>In addition, we have performed a set of procedures that include testing the systems used by the Company using the information technology team and performing some alternative procedures around it, in addition to verifying the settlements that are made on a daily and / or monthly and / or selective basis to determine the accuracy, occurrence and completeness of the results and the posting to the accounting system, its conformity with the daily receipts, recalculation of revenues for a sample of subscribers and other analytical procedures.</p> <p>We also carried out an objective study over revenues journal entires to verify the validity of the registration, recognition of revenue in the correct period and the adequacy of the related disclosures in the consolidated financial statements in accordance with the requirements of International Financial Reporting Standards.</p>

Other Information

Management is responsible for the other information. The other information does not include the consolidated financial statements and our auditors' report on the consolidated financial statements. We expect to provide the annual report on a date subsequent to that date of our audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We were not provided with the annual report of the group or any other information as it relates to this paragraph until the date of this report.

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

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



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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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




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

Report on Other Legal and Regulatory Requirements

The Group maintains proper accounting records. The accompanying consolidated financial statements are, in all material aspects, in agreement with the Group's accounting records, and we recommend that the group's General Assembly approves these consolidated financial statements after taking into consideration the basis of qualified opinion.

KPMG Kawasmy and Partners


Hatem Kawasmy
License no. (656)

Amman - Jordan
June 15, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In Jordanian Dinar		As of December 31,		As of
	Note	2019	2018	December 1, 2018
Assets				
Infrastructure and other fixed assets	6	373,097,444	358,668,239	341,201,648
Intangible assets	7	31,177,652	31,748,218	30,045,657
Project under construction		6,805,220	6,052,965	6,652,950
Investments in associate	8	1,186,399	1,245,593	1,379,984
Investment in joint venture		25,500	-	-
Due from related parties	12	1,682,555	-	-
Deferred tax assets	9	7,715,068	7,389,340	5,920,302
Total Non - Current Assets		421,689,838	405,104,355	385,200,541
Inventory	10	1,864,959	1,150,447	1,335,003
Financial assets through profit or loss	11	2,006,347	1,658,565	1,674,065
Due from related parties	12	-	497,736	2,821,197
Subscriber's receivables	13	486,835,440	532,620,152	443,501,513
Receivables	14	45,552,519	58,263,820	43,040,768
Other debit balances	15	2,599,482	2,730,269	2,665,049
Cash on hand and at banks	16	957,574	394,320	571,985
Total Current Assets		539,816,321	597,315,309	495,609,580
Total Assets		961,506,159	1,002,419,664	880,810,121
Contra Accounts				
Subscribers contribution – deposits	36	168,590,935	165,605,228	159,956,189
Rural fils - deposits	36	21,240,478	21,045,458	21,453,215
Equity and Liabilities				
Owner's Equity				
Paid up capital	1	86,080,154	86,080,154	83,572,965
Statutory reserve	17	22,996,837	22,996,837	21,861,867
Reserves		(3,168,624)	-	-
Retained earnings		17,266,604	14,413,249	12,816,777
Total Owner's Equity		123,174,971	123,490,240	118,251,609
Non-Controlling interest		-	13,746	113,248
Total Equity		123,174,971	123,503,986	118,364,857
Liabilities				
License Obligation / Government – Long term	7	30,171,857	32,419,908	34,501,437
Loans – due more than one year	19	139,375,670	48,543,000	50,000,000
Subscribers' refundable deposits	20	123,637,292	116,760,301	108,785,375
Provision for end-of-service indemnity	21	21,460,531	20,254,127	19,554,127
Obligation for employees funds	22	18,522,170	20,010,906	18,374,138
Total Non - Current liabilities		333,167,520	237,988,242	231,215,077
Paybles	23	222,945,470	381,245,453	278,214,360
Due to related parties	12	1,096,291	364,626	242,933
Loans – due within one year	19	4,166,664	1,457,000	4,375,000
License Obligation / Government – Short term	7	5,000,000	5,000,000	5,000,000
Income tax provision	9	1,789,050	3,265,176	2,165,274
Other credit balances	24	12,106,197	8,802,867	6,464,259
Sales financing loans	19	86,768,430	72,010,397	67,740,133
Due to Banks	16	171,291,566	168,781,917	167,028,228
Total Current Liabilities		505,163,668	640,927,436	531,230,187
Total Liabilities		838,331,188	878,915,678	762,445,264
Total Equity and Liabilities		961,506,159	1,002,419,664	880,810,121
Contra Account				
Subscribers Contribution – Liabilities	36	168,590,935	165,605,228	159,956,189
Rural fils- Liabilities	36	21,240,478	21,045,458	21,453,215

The companying notes on pages from (10) to (52) are integral parts of these consolidated financial statements and to be read therewith and with the independent auditor report.

The consolidated financial statements were approved from page (6) to (52) by the Board of Directors and approved by:

Deputy Manager / Chief Financial Officer

Chief Executive Officer

Chairman of board of Directors

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In Jordanian Dinar	Note	For the Year Ended December 31,	
		2019	2018
Revenues from sale of energy	25	982,302,324	972,467,318
Purchased energy	26	(847,291,398)	(838,117,352)
Gross profit from sales of energy		135,010,926	134,349,966
Revenues / expenses from other core operations	27	6,263,259	4,904,051
Administrative, operating and subscribers' services expense	28	(83,734,977)	(85,749,485)
Depreciation		(25,153,708)	(23,915,323)
Depreciation on material in warehouse		(103,438)	(112,855)
Bank interest revenues		295	246
Late payments interest revenues	32	7,152,452	11,365,496
Amortization	7	(2,300,774)	(1,694,055)
Finance cost	31	(27,882,503)	(24,379,843)
Late power payments interest expense	33	(3,283,363)	(9,642,345)
Total revenues/ expenses from core operations		(129,042,757)	(129,224,113)
Profit from core operations		5,968,169	5,125,853
Net Income (losses) from non- core activities	29	7,523,124	6,687,977
Expenses from non-core operations	30	(1,737,290)	(717,198)
Profit from non-core operations		5,785,834	5,970,779
Profit for the year before income tax		11,754,003	11,096,632
Income tax expense	9	(1,905,482)	(1,778,855)
Profit for the Year		9,848,521	9,317,777
Other comprehensive items:			
Provision for end of service indemnity - actuarial losses	21	(3,168,624)	-
Total Other Comprehensive Income For The Year		6,679,897	9,317,777
Total Other Comprehensive Income Attributable To:			
Company's Shareholders		9,834,729	9,417,279
Non-Controlling Interest		13,792	(99,502)
		9,848,521	9,317,777
Total comprehensive income for the year attributable to:			
Company's Shareholders		6,666,105	9,417,279
Non-Controlling Interest		13,792	(99,502)
		6,679,897	9,317,777
Basic and Diluted Earning per Share from Profit for the Year	34	0,11	0,11

The companying notes on pages from (10) to (52) are integral parts of these consolidated financial statements and to be read therewith and with the independent auditor report.

The consolidated financial statements were approved from page (6) to (52) by the Board of Directors and approved by:

Deputy Manager / Chief Financial Officer

Chief Executive Officer

Chairman of board of Directors

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

In Jordanian Dinar	Paid up Capital	Statutory Reserve	Reserves (Provision for end of service indemnity - Actuarial losses)	Retained Earnings*	Shareholders' Equity	Non- Controlling Interest	Total Equity
For the Year Ended December 31, 2019							
Balance at January 1st, 2019	86,080,154	22,996,837	-	14,413,249	123,490,240	13,746	123,503,986
Total comprehensive income for the year	-	-	(3,168,624)	9,834,729	6,666,105	13,792	6,679,897
Distributed dividends – Note (18)	-	-	-	(6,886,412)	(6,886,412)	-	(6,886,412)
Change in non-controlling interest	-	-	-	(94,962)	(94,962)	(27,538)	(122,500)
Balance as of December 31, 2019	86,080,154	22,996,837	(3,168,624)	17,266,604	123,174,971	-	123,174,971
For the Year Ended December 31, 2018							
Balance at January 1st, 2018	83,572,965	21,861,867	-	12,816,777	118,251,609	113,248	118,364,857
Total comprehensive income for the year	-	-	-	9,417,279	9,417,279	(99,502)	9,317,777
Capital increase – Note (1)	2,507,189	-	-	(2,507,189)	-	-	-
Distributed dividends – Note (18)	-	-	-	(4,178,648)	(4,178,648)	-	(4,178,648)
Transferred to statutory reserve	-	1,134,970	-	(1,134,970)	-	-	-
Balance as of December 31, 2018	86,080,154	22,996,837	-	14,413,249	123,490,240	13,746	123,503,986

* The retained earnings include deferred tax assets of JOD 7,715,068 as of December 31, 2019 (JOD 7,389,340 as of December 31, 2018) are restricted in accordance with the instructions of the Jordanian Securities Commission.

The accompanying notes on pages from (10) to (52) are integral parts of these consolidated financial statements and to be read therewith and with the independent auditor report.

**JORDAN ELECTRIC POWER COMPANY
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CONSOLIDATED STATEMENT OF CASH FLOWS

In Jordanian Dinar	Note	For the Year Ended December 31	
		2019	2018
Profit for the year before income tax		11,754,003	11,096,632
Adjustments for:			
Depreciation and amortization	7,6	27,753,133	25,886,258
Company's share of investment in associate	8	59,194	134,391
Loss from the valuation of financial assets at fair value through profit or loss	29	(347,782)	23,299
Provision for end-of-service indemnity	21	1,836,434	4,407,525
Allowance for doubtful receivables	13	-	2,000,000
Provision for lawsuits		939,475	
Finance expenses		25,130,554	21,643,372
Interest revenues		(7,152,452)	(11,365,742)
Late power payment interest expense	33	3,283,363	9,642,345
License obligation expenses / Government		2,751,949	2,918,471
Changes in Working Capital items:		66,007,871	66,204,551
Inventory		(714,512)	184,556
Subscribers receivables		52,937,164	(79,752,897)
Receivables		12,711,301	(15,223,052)
Other debit balances		130,787	(65,220)
Due from related parties		(1,184,819)	2,323,461
Accounts payable		(161,583,346)	93,388,748
Subscribers' refundable deposits		6,876,991	7,974,926
Due to related parties		731,665	121,693
Other credit balances		(439,857)	2,611,956
Obligation for employees' funds		(1,488,736)	1,636,768
Net cash flow from operating activities before income tax paid and end-of-service indemnity payment		(26,015,491)	79,405,490
Income tax paid	9	(3,707,336)	(2,147,991)
Payment for end-of-service indemnity	21	(3,798,654)	(3,707,525)
Net Cash flow from Operating Activities		(33,521,481)	73,549,974
Cash flow from investing activities:			
Acquisition of property, plant and equipment and project under construction		(40,633,819)	(41,069,863)
Payments on acquisition of intangible assets	7	(1,730,208)	(3,396,616)
Proceeds from sale of property, plant and equipment		-	11,054
Change in non-controlling interest		(122,500)	-
Paid for investment in a joint venture		(25,500)	(7,799)
Net Cash Flow (Used in) Investing Activities		(42,512,027)	(44,463,224)
Cash flow from financing activities:			
Loans		108,300,367	67,635,397
Distributed dividends	18	(6,886,412)	(4,178,648)
Finance expenses paid		(22,326,842)	(21,734,720)
Paid on License obligation expenses / Government		(5,000,000)	(5,000,000)
Net Cash Flow from Financing Activities		74,087,113	36,722,029
Net (decrease) increase in cash and cash equivalents		(1,946,395)	65,808,779
Cash and cash equivalents at beginning of the year		(168,387,597)	(234,196,376)
Cash and Cash Equivalents at the End of the Year for Cash Flow Purpose	16	(170,333,992)	(168,387,597)

The companying notes on pages from (10) to (52) are integral parts of these consolidated financial statements and to be read therewith and with the independent auditor report.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) GENERAL

Jordan Electric Power Company (the Company) was incorporated on January 1st, 1938 as a public shareholding company with registration number (2) with paid up capital 2,500 pond, the paid up capital has been increased in several stages to reach JOD 86,080,154 where last capital increase occurred in April 26, 2018 through capitalizing of JOD 2,507,189 from retained earnings. the legal procedures over the increase in capital has been completed on May 28, 2018, where the General Assembly approved in its extraordinary meeting held on May 15, 2016 to increase the authorized capital to Reach JOD 100 million.

- During the year 1962 the Company has signed with the Jordanian Government a concession agreement for 50 years to distribute electricity for the concession area that includes: Amman, Zarqa, Madaba and Salt. The concession agreement expired on November 22, 2012 which was extended by temporary license until May 22, 2014. On May 23, 2014 the Company signed a settlement agreement with the Jordanian Government under which the Company had obtained a license to distribute the electricity for 20 years instead of the expired concession and temporary licenses similar to the other distribution companies after they reached to final settlement with the Government.
- The Company's objectives are limited to transmission and distribution, purchase and sale of electricity to ensure the needs of all consumers in the license area and any other area covered by the expanded area under the license agreement.
- The Company's head office location is the Mecca Street - Amman - Jordan.
- The consolidated financial statements were approved by the financial, administrative, nominations and remunerations committee with is athurized by the Board of Directors on 14th of June 2020 and is subject to the approval of the General Assembly.

2) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of compliance

- As stated in Note (39) on the consolidated financial statements, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.
- The accounting policies mentioned in note (3) to the consolidated financial statements have been applied in preparing the consolidated financial statements for the year ended December 31, 2019 and for the comparative figures presented for the year ended December 31, 2018 and for the preparation of the opening consolidated statement of financial position in accordance with the International Financial Reporting Standards as of January 1, 2018.
- In preparing the opening statement of the consolidated financial position in accordance with the International Financial Reporting Standards, the Group has adjusted some of the balances shown in the previous consolidated financial statements prepared in accordance with the International Financial Reporting Standards and in accordance with the instructions of the Council of Ministers and the Energy and Minerals Regulatory Commission. Clarification of the transition from the previous accounting framework to International Financial Reporting Standards is explained in Note (39).

b) Basis of Consolidation Financial Statements

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

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AMMAN- JORDAN**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- The Group owns the following subsidiary as of December 31, 2019:

Company Name	Authorized Capital	Paid up Capital	Ownership Percentage	Main Activity	Location
Lightning Gate for Cloud Services*	250,000	250,000	%100	Providing technology to facilitate payment of bills and claims by electronic means	Amman -- Jordan

*On November 27,2019 ,the company has acquired non-controlling intrest in Lighting Gate for Cloud Services at which all of the related procedures have been completed at the end if the year 2019, accordingly, non-controlling interest rights have been calculated in the consolidated statement of profit or loss to the date of transferring the shares to Jordan Electric Power Company on December 31, 2019.

- The following table shows the financial position and financial performance of the subsidiary:

In Jordanian Dinar	As of December 31,			
	Total Assets	Total Liabilities	Total Revenues	Profit / Loss for the year
31 December 2019	778,010	546,735	1,393,776	28,147
31 December 2018	1,199,276	996,148	2,740,955	(30,309)

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

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

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

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

c) Basis of measurement

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

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d) Functional and presentation currency

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

e) Use of estimates and Judgments

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

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

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

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

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

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

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

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

- Fair value hierarchy:

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

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

3) Significant Accounting Policies

The accounting policies listed below have been followed in all financial periods appropriately in the consolidated financial statements and in preparing the consolidated financial position statement as at the first of January 2018 for the purposes of transferring to the International Financial Reporting Standards, which were also applied to all companies of the group. The following are the most important financial policies followed:

International Financial Reporting Standards, which came into effect from January 1, 2019 onwards:

- IFRS 16 "Leases"
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments on Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Amendments on Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The management expects that each of the above-mentioned standards and modifications will be applied in the consolidated financial statements on the above-mentioned dates and will not have a material impact on the consolidated financial statements except for not implementing the International Financial Reporting Standard (16) "Leases" in accordance with the requirements of the Energy and Mineral Regulatory Authority under Book No. 3/11/10671.

- **The most important accounting policies used:**

a) Financial Assets and Liabilities

Initial Recognition and Measurement

Receivables, loans and debt instruments are recognized initially when they arise. All other financial assets and financial liabilities are recognized initially when the Group becomes a party to the contractual provisions of the financial assets or liabilities.

Financial assets and financial liabilities are initially measured at fair value plus the instrument that is not classified as a financial instrument at fair value through the consolidated statement of profit or loss on

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transaction costs that are directly attributable to their purchase or issue. Financial assets are initially measured at amortized cost without a significant financing component at the transaction price.

Classification and subsequent measurement of financial assets and liabilities:

- Financial Assets:

Under International Financial Reporting Standard (9), on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss. The classification of financial assets under International Financial Reporting Standard (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through the consolidated statement of comprehensive income:

- It's held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through consolidated profit or loss:
- It's held within a business model whose objective is achieved by both collecting contractual cash flows and/or selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment:

The Group assesses the objectives of the business model in which the financial assets are held at the portfolio level because this best reflects the way business is managed and information is provided to management. The information considered includes:

Existing portfolio policies and goals and practice for these policies. This includes whether the management strategy focuses on earning contractual interest income, while maintaining a particular interest rate, or matching the maturity of the financial assets with the maturity of any related obligations or expected cash uses or achieving cash flows through the sale of assets.

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- Risks that affect the performance of the business model (and the financial assets held in the business model) and how to manage these risks.
- How the returns are calculated for portfolio managers - for example, whether compensation is based on the fair value of the assets managed or the contractual contractual cash flows.
- According to the number of times, size and timing of sales of financial assets in previous periods, the justifications for this process and expectations for future sales.

The transfer of financial assets to a third party through transactions that do not meet the conditions for cancellation of recognition is not considered as a sale for this purpose in line with the Group's ongoing recognition of the assets.

Financial assets held for trading or managed and whose performance is evaluated on a fair value basis are evaluated at fair value through the consolidated statement of profit or loss.

Financial assets - evaluation of whether contractual cash flows are payments of principal and interest only:

For the purposes of this evaluation, "principal amount" is defined as the fair value of a financial asset at the date of the initial recognition. "Interest" is defined as the consideration of the time value of money, the credit risk associated with the principal of the amount outstanding during a specified time period, other basic lending costs (such as liquidity risk and administrative costs), and profit margin.

In assessing whether contractual cash flows are only payments of principal and interest, the Group has considered the contractual terms of the instrument. This includes assessing whether the financial assets involve a contractual period that can change the timing or amount of contractual cash flows and therefore the condition only meets payments for the principal amount and interest. In making this assessment, the group considers:

- Emergency events that change the amount or timing of cash flows.
- Prepaid features and the possibility to extend.
- Conditions determining the group's claim for cash flows from the specified assets.

The prepayment feature only matches the payments for principal and interest rate if the prepayment amount substantially represents unpaid amounts for the principal outstanding, which may include reasonable additional compensation to terminate the contract early. In addition, for financial assets acquired with a discount or premium on its contractual amount, the prepay feature allows or requires prepayment in an amount that represents the value of the base contract plus the contractual (but unpaid) interest (contractual benefit) (Which may also include reasonable additional amounts for early termination compensation) and is treated as compatible with this feature if the fair value of the prepayment feature is insignificant upon initial recognition.

Financial assets - post measurement of profits and losses

Debt investments at fair value through consolidated other comprehensive income.	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statements of profit or loss. Other net gains and losses are recognized in the consolidated statements of other comprehensive income. On derecognition, accumulated gains and losses transferred from the consolidated statement of other compressive income to consolidated statement of profit or loss.
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Financial assets at fair value through consolidated profit or loss	Subsequent measurement of these assets is carried at fair value. Net profits and losses, including any interest or dividends, are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	Subsequent measurement of these assets is carried at amortized cost using the effective interest method. Amortized cost is reduced by the amount of the impairment loss. Interest income, foreign exchange gains and losses, and impairment are recognized in the statement of profit or loss. Any gain or loss on disposal of the assets is recognized in the consolidated statement of profit or loss.
Equity investments at fair value through other comprehensive income	Subsequent measurement of these assets is carried at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the investment cost. Other net profit or loss is recognized in other comprehensive income and is not reclassified to consolidated profit or loss.

Financial liabilities:

Financial liabilities - classification and subsequent measurement, profit and loss:

Financial liabilities are classified as at amortized cost or fair value through the consolidated statement of profit or loss. Financial liabilities are classified as at fair value through the consolidated statement of profit or loss if they are classified as held for trading, and are derivatives or are designated as such upon initial recognition. Financial liabilities are measured at fair value through profit or loss and gains and losses are recognized in net, including any interest expense in the consolidated profit or loss.

Other financial liabilities are subsequently measured at amortized cost, using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on sale is also recognized in profit or loss.

Cancellation of recognition

Financial Assets

The Group revokes the recognition of financial assets when the contractual rights to the cash flows from the financial assets expire, or substantially transfers the rights to receive the contractual cash flows and all the risks and benefits of ownership of the financial assets in a transaction to another party. Or in which the group has not materially transferred or retained all of the risks and rewards of ownership and does not retain control of the financial assets.

Financial Liabilities

The Group revokes the recognition of financial liabilities when their contractual obligations are fulfilled, canceled or expired. The Group also eliminates recognition of financial liabilities when adjusting their terms and cash flows for substantially modified liabilities, in which case the new financial liabilities are recognized based on the terms adjusted at fair value.

When the financial liabilities are not verified, the difference between the amount paid is amortized and the consideration paid (including any non-cash transferred assets or liabilities incurred) is included in the consolidated profit or loss.

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- Modifications of Financial Assets and Financial Liabilities

Adjusted Financial Assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in exemption of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Adjusted Financial Liabilities

The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the statement of profit or loss.

b) Impairment of Financial Asset

Financial Assets

- Financial assets are evaluated at the end of each fiscal year to determine whether there is objective evidence of impairment in their value.
- An objective evidence of impairment in the value of financial assets when one or more events have a negative impact on the estimated future cash flows from those assets.
- Impairment in financial assets shown at amortized cost is calculated by taking the difference between their carrying amount and the present value of the estimated future cash flows from these assets discounted at the effective original interest rate.
- Impairment of significant financial assets is tested on an individual basis.
- The impairment loss is reversed if that matter is related objectively to a justifiable event that occurred after the impairment loss was recognized.

Non-Financial Assets:

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

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c) Infrastructure Assets and other Fixed Assets

(1) Infrastructure assets

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

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

d) Intangible assets

Intangible assets, which have finite useful lives, are amortized over their useful lives. Amortization is recognized in the statement of profit or loss and comprehensive income; however, intangible assets without definite useful lives should not be amortized and are required to be tested for impairment as of the date the financial statement. Impairment loss shall be recognized in the consolidated statement of profit or loss.

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<u>Intangible assets</u>	<u>Amortization rate</u>
Distribution license	5%
Systems under development	10%

e) Inventory

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

f) Construction in progress

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

g) Revenues recognition and expenses realization

Revenue is recognized to the extent that the economic benefits flow to the group becomes probable and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or due, taking into account the contractually defined terms of payment, with the exception of taxes.

The Group acts as a primary party in all of its management arrangements as it is the primary obligor in all revenue arrangements and operates under pricing scope and is exposed to credit risk. The criteria for recognition are defined as follows:

Revenue from the sale of electrical energy is recognized when the customer obtains control of electrical energy at a specific time, that is, when the electricity is connected and consumed. Revenue from sale of electrical energy is measured at the fair value of the consideration received or due, net of returns, provisions and volume discounts. The Group calculates fair guarantee provisions to cover general reforms in line with business practices. The Group does not provide any additional guarantees or maintenance contracts for its clients.

The group mainly generates revenue from services provided to its customers. Revenue is measured based on the considerations specified in the contract with the customer. Where the Group recognizes revenue when control is transferred at a specified time or over time - over a good or service to a customer in accordance with IFRS 15 as follows:

1. Defining the contract (s) with the customer: The contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.
2. Determine performance obligations in the contract.
3. Determination of the transaction price: The transaction price is the amount of consideration that the group expects to receive in exchange for transferring the promised goods or services to the customer, except for the amounts that are collected on behalf of third parties.
4. Assigning the transaction price to the performance obligations in the contract. For a contract that contains more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that indicates the amount of consideration that the Group expects to receive in return for the performance of each performance obligation.

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5. The Group recognizes revenue when (or as) the Group fulfills a performance obligation at a specified point in time or over time.

The Group meets a performance obligation and recognizes revenue over time if one of the following criteria is met:

- The customer receives and consumes the benefits at the same time the group is performing the service or commodity; or
- The group's performance creates or improves the assets that the customer controls when creating or improving the asset; or
- The performance of the group does not lead to the creation of an asset using an alternative to the group and the group has an enforceable right to pay for the performance completed so far.

h) Foreign Currency Transactions

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

i) Fair value

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

j) End-of-service indemnity

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

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

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k) Leased assets or finance leases

Lease contracts for which the terms of the contract require the tenant to bear substantially all the risks and benefits of ownership are classified as finance leases.

On initial recognition, the leased assets are measured by finance leases at an amount equal to the fair value of the assets or the present value of the minimum lease payments, whichever is less.

Subsequent to initial recognition, those assets are accounted for using the accounting policy that applies to those assets, according to their nature.

Other leases are regarded as operating leases and are not shown in the statement of the company's financial position.

l) Provisions

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

m) Finance expenses

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

n) Subscribers' refundable deposits

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

o) Income tax

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

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- Current tax payable is calculated at the tax rate of 24% in accordance with prevailing income tax law in Jordan, and the deferred tax assets were calculated at a rate of 27% in accordance with amended income tax law for the year 2018.

p) Investments that apply equity accounting

The group's investments that apply equity accounting consist of an investment in an allied company and an investment in a joint venture.

Allied companies are companies in which the Group has a significant influence on its financial and operating policies but has neither control nor joint control. The group has joint control over investing in a joint venture, whereby the group has a right to the net assets of the project rather than the right to the project assets and commitment to project liabilities.

Investment in the affiliate company and investment in the joint venture are accounted for through the equity method. Where the cost is recognized initially, which contains the transaction costs, and after that the consolidated financial statements include the group's share of profit or loss and other comprehensive income until the fundamental influence or joint control is interrupted.

q) Earnings per share

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

r) Capital

The equity instrument is any contract that evidences a residual interest in the entity's assets after deducting all of its liabilities. The equity instruments issued by the company are recognized in accordance with the returns received, after deduction of direct issuance costs.

4) New standards and interpretations not yet adopted

The following new and revised IFRSs have been issued for the periods starting after January 1, 2019 and early adopyon is allowed, the Company has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

- Amendments to the references of the conceptual framework of the International Financial Reporting Standards.
- Definition of business activity (amendments to IFRS 3).
- Intrinsic definition (Amendments to IAS 1 and 8 of IAS).
- IFRS 17 Insurance Contracts.

The Group management expects to apply these standards and amendments when preparing the consolidated financial statements on the dates specified above, which will not have a material impact on the group's consolidated financial statements.

5) Operating Segment

The Group has a single reporting segment represented by distributing energy and all services with their related revenues and balances are domiciled in the region of Jordan. The revenues derived from government and semi government entities is amounted to JOD 150,918,004 (2018: JOD 138,499,141).

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6) Infrastructure Assets and Other Fixed Assets

In Jordanian Dinar	Infrastructure Assets						Other Fixed Assets						
	Lands	Buildings*	Transformers	OHL networks	Under Ground cables	Leased Meters	Total infrastructure assets	Lands*	Buildings	Furniture	Vehicles	Others	Total
Cost													
Balance as of January 1 st , 2019	5,094,427	24,184,378	202,570,698	143,105,705	228,170,710	36,658,882	639,784,800	9,152,033	5,676,699	14,293,066	9,411,323	24,004,649	702,322,570
Additions	500,306	2,388,969	14,297,986	10,288,148	16,382,445	2,676,417	46,534,271	1,373,002	462,149	406,279	1,332,878	2,054,525	52,163,104
Disposals	-	-	(275,117)	(877,715)	(1,599,848)	(3,671,140)	(6,423,820)	-	-	(8,000)	-	(15,847)	(6,447,667)
Spare parts transferred to projects	-	-	(5,101,021)	(3,529,574)	(3,011,789)	(594,152)	(12,236,536)	-	-	-	-	(45,004)	(12,281,540)
Balance as of December 31, 2019	5,594,733	26,573,347	211,492,546	148,986,564	239,941,518	35,070,007	667,658,715	10,525,035	6,138,848	14,691,345	10,744,201	25,998,323	735,756,467
Balance as of January 1 st , 2018	4,561,130	21,389,690	193,827,614	136,255,046	212,317,218	34,460,150	602,810,848	9,146,783	5,255,947	14,041,896	7,552,623	21,866,077	660,674,174
Additions	533,297	2,794,688	13,069,568	9,346,645	17,469,519	2,553,567	45,767,284	5,250	420,752	251,170	1,880,139	2,138,585	50,463,180
Disposals	-	-	-	-	-	-	-	-	-	-	(21,439)	(13)	(21,452)
Spare parts transferred to projects	-	-	(4,326,484)	(2,495,986)	(1,616,027)	(354,835)	(8,793,332)	-	-	-	-	-	(8,793,332)
Balance as of December 31, 2018	5,094,427	24,184,378	202,570,698	143,105,705	228,170,710	36,658,882	639,784,800	9,152,033	5,676,699	14,293,066	9,411,323	24,004,649	702,322,570
Accumulated depreciation													
Balance as of January 1 st , 2019	-	5,984,896	121,460,106	80,933,502	75,143,097	22,047,355	305,568,956	-	1,179,254	11,103,496	6,385,095	19,417,530	343,654,331
Depreciation for the year	-	507,577	9,437,606	4,922,595	6,513,932	1,773,497	23,155,207	-	118,156	476,001	618,489	1,084,506	25,452,359
Disposals	-	-	(275,117)	(877,715)	(1,599,848)	(3,671,140)	(6,423,820)	-	-	(8,000)	-	(15,847)	(6,447,667)
Balance as of December 31, 2019	-	6,492,473	130,622,595	84,978,382	80,057,181	20,149,712	322,300,343	-	1,297,410	11,571,497	7,003,584	20,486,189	362,659,023
Balance as of January 1 st , 2018	-	5,529,155	112,393,648	76,223,255	69,004,661	20,342,676	283,493,395	-	1,069,928	10,894,323	5,969,888	18,044,992	319,472,526
Depreciation for the year	-	455,741	9,066,458	4,710,247	6,138,436	1,704,679	22,075,561	-	109,326	209,173	425,605	1,372,538	24,192,203
Disposals	-	-	-	-	-	-	-	-	-	-	(10,398)	-	(10,398)
Balance as of December 31, 2018	-	5,984,896	121,460,106	80,933,502	75,143,097	22,047,355	305,568,956	-	1,179,254	11,103,496	6,385,095	19,417,530	343,654,331
Net Book value													
As of December 31, 2019	5,594,733	20,080,874	80,869,951	64,008,182	159,884,337	14,920,295	345,358,372	10,525,035	4,841,438	3,119,848	3,740,617	5,512,134	373,097,444
As of December 31, 2018	5,094,427	18,199,482	81,110,592	62,172,203	153,027,613	14,611,527	334,215,844	9,152,033	4,497,445	3,189,570	3,026,228	4,587,119	358,668,239

*Some of the Company's energy transmission stations included in the Companies building are constructed on leased lands owned by subscribers and its depreciated over the rent period or useful life of these buildings whatever is lower.

Total fully depreciated assets amount to JOD 157,832,982 as of December 31, 2019 (December 31, 2018: JOD 156,091,198).

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7) Intangible Assets

This account consist the following:

In Jordanian Dinar	As of December 31,	
	2019	2018
(A) Distribution license	24,389,665	26,083,718
(B) Systems under development	6,787,987	5,664,500
Balance at the End of the Year	31,177,652	31,748,218

A) Distribution license

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

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

In Jordanian Dinar	As of December 31,	
	2019	2018
Intangible assets	33,881,070	33,881,070
Accumulated amortization*	(9,491,405)	(7,797,352)
Net book value	24,389,665	26,083,718
License Obligation / Government – long term	30,171,857	32,419,908
License Obligation / Government – Short term	5,000,000	5,000,000
Total License Obligation	35,171,857	37,419,908

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

In Jordanian Dinar	2019	2018
Balance at the beginning of the year	7,797,352	6,103,297
Amortization for the year	1,694,053	1,694,055
Balance at the End of the Year	9,491,405	7,797,352

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B) Systems under development

This item represents payments incurred by the Company against the purchase of a new accounting system (SAP), cost to develop ERP system and mobile application, the development of these systems was not completed as of the date of the consolidated financial statements.

The movement of this balance during the year is as follows:

Jordanian Dinar

	As of December 31,	
	2019	2018
Balance at the beginning of the year	5,664,500	2,267,884
Additions during the year	1,730,208	3,396,616
Amortization during the year	(606,721)	-
Balance at year end	6,787,987	5,664,500

The movement of the amortization balance during the year is as follows:

Jordanian Dinar

	As of December 31,	
	2019	2018
Balance at the beginning of the year	-	-
Amortization during the year	606,721	-
Balance at year end	606,721	-

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8) Investments in Associate

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

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

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

	As of December 31,	
In Jordanian Dinars	2019	2018
Balance at the beginning of the year	1,245,593	1,379,984
Company's share in associates operations	(59,194)	(134,391)
Balance at the End of Year	1,186,399	1,245,593

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

In Jordanian Dinars	Ownership Percentage %	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Revenue	Expenses	(Loss) Profit
As of December 31, 2019										
Electrical Equipment Industries Company	27,5	5,050,402	870,268	5,920,670	1,606,493	-	1,606,493	2,906,854	(2,828,895)	39,835
As of December 31, 2018										
Electrical Equipment Industries Company	27,5	4,888,615	973,121	5,861,736	1,332,307	-	1,332,307	2,651,115	(2,839,396)	(188,281)

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9) Taxes

A- Deferred tax assets

The details of this account is as follows

Items which Produced Deferred Tax Assets	Deferred tax Assets				As of December 31, 2019
	Beginning Balance	Additions	Releases	Ending Balance	
In Jordanian Dinar					
End-of-service provision	20,254,127	5,005,058	(3,798,654)	21,460,531	5,794,342
Provision for doubtful debts*	7,113,800	-	-	7,113,800	1,920,726
	27,367,927	5,005,058	(3,798,654)	28,574,331	7,715,068

Items which Produced Deferred Tax Assets	Deferred tax Assets				As of December 31, 2018
	Beginning Balance	Additions	Releases	Ending Balance	
In Jordanian Dinar					
End-of-service provision	19,554,127	4,407,525	(3,707,525)	20,254,127	5,468,614
Provision for doubtful debts*	5,113,800	2,000,000	-	7,113,800	1,920,726
	24,667,927	6,407,525	(3,707,525)	27,367,927	7,389,340

* The deferred tax assets calculated on provision for doubtful debts balance on the limit of management expectation of get benefit from it in the near future.

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

In Jordanin Dinar	As of December 31,	
	2019	2018
Beginning balance for the year	7,389,340	5,920,302
Additions for the year	-	740,038
Effect of adjustment of income tax	1,351,365	1,730,032
Paid during the year	(1,025,637)	(1,001,032)
Balance at the End of the Year	7,715,068	7,389,340

The deferred tax assets were calculated at a rate of 27% as of December 31, 2019 and 2018.

B- Income tax provision

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

In Jordanin Dinar	As of December 31,	
	2019	2018
Beginning balance for the year	3,265,176	2,165,274
Paid during the year	(3,707,336)	(2,147,991)
Income tax expense for the year	2,231,210	3,247,893
Balance at the End of the Year	1,789,050	3,265,176

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

In Jordanin Dinar	2019	2018
Income tax on current year profits	2,231,210	3,247,893
Deferred tax assets for the year	(1,351,365)	(2,470,070)
Paid from deferred tax assets	1,025,637	1,001,032
	1,905,482	1,778,855

- C- The following is a summary of the reconciliation between accounting profit and taxable profit for the the Jordan Electric Power Company:

In Jordanin Dinar	2019	2018
Accounting profit	11,725,853	11,299,697
Add: non-deductable tax expenses	6,043,326	7,273,105
Less: deductible tax expenses	(10,321,202)	(5,039,913)
	7,447,977	13,532,889
Income tax Expense	2,010,953	3,247,893
Income tax from previous years	220,258	
Income tax rate	%27	24 %
Effctive tax rate	%19	28.7 %

The Company has obtained a final settlement from the Income and Sales Tax Department on income tax until the end of year 2016, moreover the Company has submitted it's tax declaration for the years 2017 and 2018, where the 2018 declaration was accepted through the sampling system, while the 2017 declaration was not audited by the Income and Sales Tax Department yet. The Company also submitted sales tax returns until December of 2019. In the opinion of the management and the tax advisor of the company, the allocations provided in the consolidated financial statements are sufficient to meet the tax obligations.

The subsidiary is exempt from income and sales tax under the exemption issued by the Jordan Investment Authority and therefore no income tax provision has been included in the results of its operations.

10) Inventory

This item represents the company's inventory of consumer spare parts, at a cost of JD 1,864,959 as of December 31, 2019 (2018: 1,150,447 JD).

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11) Financial Assets at Fair Value Through profit or loss

This details of this account is as follows:

In Jordanian Dinar	Number of shares	Fair value	As of December 31,	
			2019	2018
Arab Bank	65,988	6.210	379,430	409,785
Phosphate Mines	40,384	2.840	111,864	114,691
Petroleum Refinery	375,312	2.270	1,212,258	851,958
General Company for Mining	14,300	5.380	42,770	42,770
Capital Bank	258,286	0.920	258,286	237,623
Commercial buildings Co.	625	-	1,739	1,738
			2,006,347	1,658,565

12) Balances and Transactions with Related Parties

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

In Jordanian Dinar	Nature of relationship	Balance as of December 31,	
		2019	2018
<u>(12-1) Due from related parties</u>			
Jordanian Advanced Optical Fiber Company	Joint venture	1,682,555	-
Business Innovation Company	Partner in the subsidiary Company	-	497,736
		1,682,555	497,736

The above balances have been classified in the consolidated statement of financial position as follows:

	As at December 31, 2019		As at December 31, 2018	
	Short Term	Long Term	Short Term	Long Term
Jordanian Advanced Optical Fiber Company	-	1,682,555	-	-
Business Innovation Company	-	-	497,736	-
	-	1,682,555	1,096,291	-

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(12-2) Due to related parties

	Nature of relationship	Balance as of December 31*	
		2019	2018
Electrical Equipment Industries Company	Associated Company	1,096,291	363,724
Business Innovation Company	Copartner in subsidiary Company	-	902
		1,096,291	364,626

* The above balances do not charge any interest and do not have a specific timetable for payment except for the balance required by the Jordan Advanced Fiber Company which will not be paid during the year 2020, according to a study of cash flows prepared from the project.

(12-3) Transactions with Related Parties

In JOD	Nature of relationship	Nature of transactions	As at December 31,	
			2019	2018
Electrical Equipment Industries Company	Associate Company	Purchases	732,567	3,416,186
Jordanian Advanced Optical Fiber Company	Copartner in subsidiary Company	Financing	1,682,555	-

(12-4) Salaries and benefits of senior executive management

The senior executive management and board of directors' salaries and benefits have amounted to JOD 654,221 the year ended December 31, 2019 (JOD 849,630 for the year ended December 31, 2018).

(12-5) Investment in Joint Venture

The company owns a 51% stake in the Jordanian Advanced Optical Fiber Company, which applies equity accounting in accordance with the requirements of IFRS 11, and the project details are as follows:

	Primary Activity	Place of Incorporation	Percentage of ownership	As at December 31,	
				2019	2018
Jordan Advanced Fiber Company	Providing internet fiber	Jordan	51%	25,500	-

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13) Subscribers' Receivables

This details of this account is as follows:

<i>In Jordanian Dinar</i>	As of December 31,	
	2019	2018
Residential subscribers	158,833,436	156,377,437
Commercial subscribers	66,535,391	64,043,873
Small industrial users	12,931,008	13,263,884
Government departments*	21,893,791	33,919,418
Pumps subscribers	24,413,417	18,763,960
Street lighting subscribers	15,278,448	21,376,879
Radio and TV subscribers	228,195	297,956
Hotels subscribers	730,613	781,186
Company's employees	222,207	261,082
Charities	15,796,739	23,685,900
Armed Forces	27,554,670	79,802,866
Banks	511,705	1,446,344
Telecommunications subscribers	11,727,276	10,078,012
Temporary meters subscribers	6,196,076	5,651,219
Commercial farming subscribers	657,579	673,742
Medium industrial subscribers	18,720,922	20,476,679
Agricultural subscribers	3,491,699	3,323,482
Agricultural / three part tariff subscribers	3,416,086	2,677,152
Accrued receivables	98,666,978	78,793,812
Private Hospitals	5,535,318	4,309,591
Large Industrial	575,168	662,216
Charging Electric Vehicles	19,107	15,478
Triple Tariff hotels	2,360,680	2,004,260
Allotments	523,569	-
Renewable energy wheeling	259,208	177,570
Total Subscribers receivables before allowance	497,079,286	542,863,998
Provision for doubtful subscribers receivables	(10,243,846)	(10,243,846)
Total	486,835,440	532,620,152

During the year 2019, the Jordan Electric Power Company and the National Electric Power Company carried out offset over the receivable balances of several government agencies in the amount of JD 104,988,495, such clearing sessions have been conducted in accordance to Prime Minister decisions No. 2682 on January 19, 2019, No. 4739 on May 22, 2019 and No. 6007 on August 21, 2019.

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

<i>In Jordanian Dinar</i>	2019		2018	
	Gross Receivables	Allowance of Doubtful Debts	Gross Receivables	Allowance of Doubtful Debts
Less than one year	367,436,535	-	378,922,341	-
1-5 years	115,292,687	(7,170,692)	159,965,979	(7,170,692)
More than 5 years	14,350,064	(3,073,154)	8,217,885	(3,073,154)
	497,079,286	(10,243,846)	547,106,205	(10,243,846)

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

In Jordanian Dinars	2019	2018
Balance at the beginning of the year	10,243,846	8,243,846
Provision for the year	-	2,000,000
Balance at the End of the Year	10,243,846	10,243,846

The Company did not calculate the expected credit loss in accordance with the requirements of IFRS (9) based on Energy and Mineral Regulatory Commission in their letter no 3/11/2726 which contain an exemption from calculating expected credit loss on the subscribers receivables.

14) Receivables

This details of this account is as follows:

In Jordanian Dinars	As of December 31,	
	2019	2018
Municipalities and rural councils	940,036	1,424,535
Government entites	42,232,580	52,177,214
Companies and contractors	3,907,740	3,727,811
Others	3,111,750	5,573,847
	50,192,106	62,903,407
Less : provision of doubtful debts	(787,559)	(787,559)
Less : provision of government entities interest	(3,852,028)	(3,852,028)
	45,552,519	58,263,820

* This item includes the accumulated balance of required interest from government agencies. In accordance to Prime Minister's decisions No. 2682 on January 19, 2019 and No. 4739 on May 22, and No. 6007 on August 21, 2019, the Company held a meeting with the Energy and Mineral Regulatory Commission and the National Electric Power Company on November 26, 2019, and an offset has been made on the interest balance between Jordan Electric Power Company and National Electric Power Company in the amount of JOD 19,328,367.

15) Other Debit Balances

This details of this account is as follows:

In Jordanian Dinars	As of December 31,	
	2019	2018
Prepaid expenses	1,671,756	1,477,314
Refundable for departments of land	868,921	771,713
Sales tax deposit	4,280	417,281
Construction under process	-	37,202
Refundable deposit	54,525	26,759
	2,599,482	2,730,269

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16) Cash on hand and at Banks

In Jordanian Dinars	As of December 31,	
	2019	2018
Current accounts at Banks	957,574	394,320
Total Current Accounts at Banks	957,574	394,320
Less : Due to Banks*	(171,291,566)	(168,781,917)
Cash and Cash equivalents for the purpose of cash flow	(170,333,992)	(168,387,597)

*The due to banks items represent:

Bank	Interest	Collateral	Maturity date	As of December 31,	
				2019	2018
In Jordanian Dinar					
Due to local banks	% 6 - %7.25	Company's gurantee	Annually renewed	171,291,566	168,781,917
				171,291,566	168,781,917

17) Statutory Reserve

According to Jordanian Companies Law No. 22 of 1997; the public shareholding company shall deduct 10% of their annual profits to calculate statutory reserve and will continue on this deduction every year so that it does not exceed the total of 25% of the Group's authorized capital. Noting that the Company calculated the statutory reserve based on the previously authorized capital which is approved by the general assembly.

18) Dividend Distribution

At its ordinary meeting held on April 25, 2019, the General Assembly decided to distribute cash dividends in the amount of 6,886,412 Jordanian dinars, equivalent to 8% of the paid-up capital (December 31, 2018: the General Assembly approved in its ordinary meeting held on April 26, 2018 a cash dividend of 4,178,648 Jordanian dinars, which is equivalent to 5% of the paid-up capital, and the distribution of bonus shares to shareholders by 2,507,189 Jordanian dinars, equivalent to 3% of the paid-up capital.

19) Bank Loans

This item consist of the following:

In Jordanian Dinar	As of December 31,	
	2019	2018
Loans due within one year**	4,166,664	1,457,000
Loans due more than one year**	139,375,670	48,543,000
	143,542,334	50,000,000

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*The Company obtained sales financing loans to finance energy purchases from the National Electric Power Company from local banks, and the table below shows the details of these loans:

In Jordanian Dinar				December 31,	
	Interest	Collateral	Maturity date	2019	2018
Sales financing loans	6.5%	Company's gurantee	August 5, 2025	86,768,430	72,010,397
				86,768,430	72,010,397

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

In Jordanian Dinar				December 31,	
	Interest	Collateral	Maturity date	2019	2018
Declining Loans	5%	Company's gurantee	Several, the last one in August 30, 2031	143,542,334	50,000,000
				143,542,334	50,000,000

20) Subscribers' Refundable Deposits

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

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

In Jordanian Dinar	As of December 31,	
	2019	2018
Balance at the beginning of the year	116,760,301	108,785,375
Collected during the year	8,658,297	9,746,323
Paid during the year	(1,781,306)	(1,771,397)
Balance at the End of the Year	123,637,292	116,760,301

21) Provision of End-of-Service Indemnity

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

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

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

In Jordanian Dinar	As of December 31,	
	2019	2018
The present value for the commitment to employees in service	21,218,650	20,012,246
Additional provision over the employee out-of-service	241,881	241,881
Balance at the End of the Year	21,460,531	20,254,127

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

In Jordanian Dinar	2019	2018
Balance beginning of the year	20,254,127	19,554,127
Provision for end of service indemnity - actuarial losses	1,836,434	4,407,525
Current year service and interest expense	3,168,624	-
Less: Provision for end-of-service indemnity paid during the year	(3,798,654)	(3,707,525)
Balance at the End of the Year	21,460,531	20,254,127

c- Basic assumptions

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

	2019	2018
Discount rate	6.16%	7.5%
Salary escalation rate	4.50%	4.5%
Employee data:		
Number of employees	2,287	2,278
Average age factor	44	45
Average service	19.4	19.8
Total monthly wages subject to the end-of-service for employees	2,822,249	2,688,690

d- Sensitivity Analysis

JOD	2019		2018	
	Addition	Deduction	Addition	Deduction
Discount factor (1% change)	1,919,909	(1,802,029)	4,686,966	1,760,219
Salary escalation rate (1% change)	(3,904,634)	3,778,348	5,239	6,249,129
Worker's life expectancy (1% change)	209,563	193,731	3,328,954	3,332,273
Service rate (1% change)	(204,779)	664,692	3,294,645	3,373,382
	1,979,941	2,834,742	11,315,804	14,715,003

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22) Obligation for Employee Funds

In Jordanian Dinar	As of December 31,	
	2019	2018
Medical Services Fund	6,293,836	6,607,145
Employees Provident Fund	8,440,502	9,299,305
Health Insurance Fund after Retirement	3,286,258	3,303,606
Life Insurance Fund	199,226	207,945
Solidarity Fund	302,348	592,905
	18,522,170	20,010,906

These funds are considered a separate legal entity. The Company is responsible for the management of these funds on behalf of employees and union workers, all funds associated with these transactions are recorded through the Company's accounts, which require registration of amounts due from these transactions as liabilities for these funds. The interest rate on part of these liabilities was 2.5% -5.25%.

23) Payables

In Jordanian Dinar	As of December 31,	
	2019	2018
National Electric Power Co- NEPCO	132,715,262	336,881,771
Government entities	33,157,473	29,523,043
Companies payables and other	56,087,468	13,671,272
Employee payables	985,267	1,169,367
	222,945,470	381,245,453

24) Other Credit Balances

The details of this account is as follows:

In Jordanian Dinar	As of December 31,	
	2019	2018
Undistributed dividends	3,276,299	3,092,166
Other provisions	2,273,235	1,314,015
Expenses and accrued interest	5,866,619	3,712,857
Social security deposit	541,785	540,819
Unearned Revenue	70,000	64,750
Network Insurance	67,850	67,850
Insurance of lines bidding	10,409	10,410
	12,106,197	8,802,867

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25) Revenues from Sales of Energy

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Residential	312,662,714	289,703,705
Governmental	67,879,373	62,061,938
Commercial	210,151,687	209,290,481
Small Industrial	45,628,069	46,002,398
Large Industrial	110,144,628	121,967,898
Agricultural	8,655,974	8,579,091
Water Pumps	48,049,748	40,282,416
Regular	15,313,998	30,298,256
Hotels	5,131,866	4,711,951
Radio and TV	946,216	958,376
Commerical Agricultural	913,962	1,019,787
Triple Tariff Agricultural	5,865,830	4,695,720
Employees	890,539	797,506
Armed Forces	38,255,202	35,835,681
Banks	8,273,810	20,877,582
Telecommunication	27,057,433	30,410,692
Temporary Meters	13,017,090	14,817,311
Estimated Lumps	6,491,431	8,014,778
Street Lighting	17,836,708	20,048,436
Renewable Energy Transit	33,279	22,883
Private Hospitals	15,092,703	12,521,667
Large Industrials	6,289,832	3,685,801
Charging Electric Vehicles	199,006	68,987
Triple Tarrif Hotels	11,422,281	5,793,977
Allotments	6,098,945	-
	982,302,324	972,467,318

26) Cost of Energy Purchases

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Energy purchased – Day	589,561,638	587,682,390
Energy purchased – Night	191,895,338	189,548,688
Maximum load	64,946,671	60,886,274
Purchases of Renewable energy	887,751	-
	847,291,398	838,117,352

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27) Revenues / Expenses from Other Core Operations

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Meter installation revenue	2,181,603	1,966,717
Leased meters expenses	(2,252,017)	(2,163,593)
Leased meters fees	4,130,236	4,034,389
Private networks revenue	1,980,557	1,065,700
Private networks expenses	(1,074,390)	(607,677)
Wheeling of electrical energy revenue	808,870	556,745
Differences from the implementation of rural projects	(267,969)	(600,207)
Stamps and fees on the claims for rural fils	(9,165)	(7,860)
Fees in reconnecting meters	765,533	659,837
Total	6,263,259	4,904,051

28) Administrative, Operating and Subscribers' Services

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Maintenance of transmission lines expenses (28-a)	2,395,828	2,173,903
Maintenance of distribution lines expenses (28-b)	24,345,862	24,719,749
Administrative expenses (28-c)	27,027,144	32,615,863
Subscribers' services expenses (28-d)	28,030,829	24,403,670
Control center expenses	1,294,562	1,117,394
Maintenance of general assets	640,752	718,906
	83,734,977	85,749,485

(28-a) Maintenance of Transmission Lines Expense

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Overhead lines	748,361	662,866
Sub- stations	1,201,462	915,831
Supervision and engineering	255,228	344,420
Ground cables	29,537	56,594
Buildings	13,310	47,416
Miscellaneous	147,930	146,776
	2,395,828	2,173,903

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(28-b) Maintenance of Distribution Lines Expense

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Overhead lines	8,257,582	9,258,353
Meters	5,633,931	5,517,695
Sub – stations	3,485,971	3,011,907
Ground cables	1,641,658	1,514,874
Supervision and engineering	1,294,067	1,465,559
Rent	1,303,161	1,274,075
Street lighting	352,785	446,960
Miscellaneous	2,376,707	2,230,326
	24,345,862	24,719,749

(28-c) Administrative Expense

This details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Salaries and employee benefits	20,044,008	22,972,733
Variety and General	5,021,479	4,593,910
Assets insurance	525,099	518,079
Doubtful debt provision expense	-	2,000,000
Rent	737,211	778,963
Consulting	201,770	787,986
End of service indemnity expense	200,000	700,000
Office Supplies	247,577	214,192
Board of director's remunerations	50,000	50,000
	27,027,144	32,615,863

(28-d) Subscribers' Services Expenses

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Meter reading and distribution of bills	23,342,784	20,286,431
Other services	2,711,760	2,364,640
Salaries and employee benefits	1,976,285	1,752,599
	28,030,829	24,403,670

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29) Revenues / Expense from Non-Core Operations

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Garbage fee revenue	2,952,436	2,830,306
Provision no longer required	1,000,000	-
TV fee revenues	813,031	795,978
Revenue from studies of renewable energy systems	729,499	880,564
Sale of scrap materials	473,766	987,127
(Loss) from valuation of shares	347,782	(23,299)
Jordanian advanced fiber company rent	276,356	-
Divdends	233,022	53,218
Various revenues (subscriptions change and others)	158,439	367,835
Network damage – Subscribers breakers replaced	144,500	179,500
Entrepreneurial profits / losses	121,020	-
Rent poles / Umniah	117,900	118,800
Rent poles / Zain	78,250	73,875
Rent poles / Orange	56,700	60,300
Software sales	50,000	-
Fiber optic networks rent revenues	33,760	16,880
Gain on sale of Vehicles	-	7,494
(Expenses) revnues of street-lighting maintenance	(646)	482,219
(Loss) on currency differences	(3,497)	(8,429)
(loss) from investments in Electrical Equipment Industrial Company	(59,194)	(134,391)
	7,523,124	6,687,977

30) Expenses from Non-Core Operations

The details of this account is as follows:

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Legal expenses	939,475	-
Property tax and fees	120,326	123,111
Donations	36,000	48,347
The share of non-core activities of the common expenses	430,513	381,715
The share of non-core activities of depreciation expenses	195,213	164,025
Others	15,763	-
	1,737,290	717,198

31) Finance Cost

The details of this account is as follow

In Jordanian Dinar	For the Year Ended December 31,	
	2019	2018
Loans interest	5,937,221	2,645,757
Credit facilities interest – due to banks	18,512,816	18,201,120
Interest for employees funds	680,517	614,495
License obligation interest	2,751,949	2,918,471
	27,882,503	24,379,843

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32) Late Payments Interest Revenues

This item represents the interest income earned on the ministries, departments and governmental institutions due to the delay in paying electricity bills in favor of the Jordan Electric Power Company in accordance with Article (5) of the Electricity Tariff issued by the Energy and Minerals Regulatory Authority.

33) Late Power Payments Interest Expense

This item represents the interest expense charged to Jordan Electric Company as a result of the delay in paying energy bills purchased from the National Electric Power Company.

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

In Jordanian Dinar

	2019	2018
Profit for the year	9,834,729	9,417,279
Weighted average of number of share*	86,080,154	86,080,154
Basic earnings per share of current year profit	0.11	0.11
Diluted earnings per share of current year profit	0.11	0.11

35) Contingent Liabilities

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

In Jordanian Dinar	As of December 31,	
	2019	2018
Determined value of legal Cases against the Company	939,475	1,353,556
Bank guarantees	341,436	100,000

*Moreover, the total cases filed by the Company against others as of December 31, 2019 amounted to JOD 17,740,250 (2018: JOD 17,342,994) in addition to other cases with non-determined value.

36) Contra Accounts

This account consists of the following:

In Jordanian Dinar	Contra Accounts - Assets		Contra Accounts - Liabilities	
	As of December 31,		As of December 31,	
	2019	2018	2019	2018
Subscribers Contribution	168,590,935	165,605,228	168,590,935	165,605,228
Rural Fils	21,240,478	21,045,458	21,240,478	21,045,458
	189,831,413	186,650,686	189,831,413	186,650,686

In accordance to Prime Ministers decisions No. 33/11/6189, and in accordance to settlement agreement with Jordanian Government, the ownership of these assets are belong to Jordanian Government and the Company is responsible to manage these assets only.

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37) Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

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

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

- Credit risk

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

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

In Jordanian Dinar	Net book value As of December 31,	
	2019	2018
Subscribers receivables	486,835,440	532,620,152
Receivables	45,552,519	58,263,820
Other debit balances	927,726	1,252,955
Due from related parties	1,682,555	497,736
Cash on hand and at banks	957,574	394,320
	535,955,814	593,028,983

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

The Group exclusively operates in the four cities Amman, Zarqa, Madaba and Salt. All the consumers in these cities are its customer. The impaired amounts under subscriber receivables are detailed in note (13). Any customer which is past due is considered as impaired and included in the provision calculation and estimates. Provisions are calculated based on net realizable value calculated in accordance with management's expectations for payment of these receivables.

- Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains line of credit from its bank for sudden cash requirements. Therefore, the group maintains line of credit facilities to meet short-term obligations in an overdraft accounts taken from several local banks in which the ceiling of the facilities from 50,000 to JOD 40,000,000, on interest rates on these facilities ranging between 6% to 7.25%.

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

Non-derivative financial liabilities:

In Jordanian Dinars	Book value	Within a year	More than one year
2019			
Bank loans	143,542,334	4,166,664	139,375,670
Subscribers' refundable deposits	123,637,292	-	123,637,292
Obligation for Employees benefit funds	18,522,170	-	18,522,170
Due to related parties	1,096,291	1,096,291	-
Payables	222,945,470	222,945,470	-
Other credit balances	12,106,197	12,106,197	-
Due to banks	171,291,566	171,291,566	-
Sales financing loans	86,768,430	86,768,430	-
Provision for end-of-service indemnity	21,460,531	-	21,460,531
License obligation/ government	35,171,857	5,000,000	30,171,857
	836,542,138	503,374,618	333,167,520
2018			
Bank loans	50,000,000	1,457,000	48,543,000
Subscribers' refundable deposits	116,760,301	-	116,760,301
Obligation for Employees benefit funds	20,010,906	-	20,010,906
Due to related parties	364,626	364,626	-
Payables	390,404,524	390,404,524	-
Other credit balances	8,802,867	8,802,867	-
Due to banks	168,781,917	168,781,917	-
Sales financing loans	72,010,397	72,010,397	-
Provision for end-of-service indemnity	20,254,127	-	20,254,127
License obligation/ government	37,419,908	5,000,000	32,419,908
	884,809,573	646,821,331	237,988,242

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

In Jordanian Dinars	As of December 31,	
	2019	2018
Current assets	539,816,321	597,315,309
Less : Current liabilities	505,163,668	640,927,436
Surplus (Deficit) in working capital	34,652,653	(43,612,127)

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

Market risk

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

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

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- Currency Risk

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

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

In Jordanian Dinars

2019	JOD	EURO	USD	GBP	LBP
Cash on hand and at banks	612,327	179,714	163,020	2,514	-
Financial assets at fair value through profit or loss	2,004,609	-	-	-	1,738
	2,616,936	179,714	163,020	2,514	1,738
2018					
Cash on hand and at banks	45,502	183,293	163,093	2,432	-
Financial assets at fair value through profit or loss	1,656,827	-	-	-	1,738
	1,702,329	183,293	163,093	2,432	1,738

- Sensitivity analysis

A strengthening (weakness) of the JOD, as indicated below, against the EURO, USD, GBP and LBP as of December 31 would have increased (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2017, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

In Jordanian Dinars

	Decrease		Increase	
	Equity	Loss	Equity	Income
2019				
EURO (10% change)	(17,971)	(17,971)	17,971	17,971
USD (10% change)	(16,302)	(16,302)	16,302	16,302
GBP (10% change)	(251)	(251)	251	251
LBP (10% change)	(174)	(174)	174	174
	(34,698)	(34,698)	34,698	34,698

In Jordanian Dinars

	Decrease		Increase	
	Equity	Loss	Equity	Income
2018				
EURO (10% change)	(18,329)	(18,329)	18,329	18,329
USD (10% change)	(16,309)	(16,309)	16,309	16,309
GBP (10% change)	(243)	(243)	243	243
LBP (10% change)	(174)	(174)	174	174
	(35,055)	(35,055)	35,055	35,055

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- Interest rate risk

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

In Jordanian Dinar	2019	2018
Fixed Rate Instruments:		
Financial Liabilities	420,124,500	310,803,220
	420,124,500	310,803,220

Sensitivity Analysis

An increase in the interest average rate by 1% will lead to increase in finance expense with an amount of JOD 4,201,245 a decrease in the interest average rate by 1% will lead to decrease in finance expense with an amount of JOD 4,201,245.

Fair value sensitivity analysis for fixed rate instruments

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

- Other market price risk

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

Sensitivity analysis for equity price risk

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

	Profit or loss		Equity	
	5% Increase	5% decrease	5% Increase	5% decrease
2019				
In Jordanian Dinar				
Financial assets at fair value through profit or loss	100,317	(100,317)	100,317	(100,317)
	100,317	(100,317)	100,317	(100,317)
2018				
In Jordanian Dinar				
Financial assets at fair value through profit or loss	82,928	(82,928)	82,928	(82,928)
	82,928	(82,928)	82,928	(82,928)

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- Capital management

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

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

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

38) Fair Value Hierarchy

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

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

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

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

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

		December 31, 2019		
Jordanian Dinar	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Financial assets at fair value through profit or loss	2,006,347	2,006,347	-	
Investment in associate	1,186,399	-	1,186,399	
Investment in joint venture	25,500	-	25,500	
		December 31, 2018		
Jordanian Dinar	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Financial assets at fair value through profit or loss	1,658,565	1,658,565	-	
Investment in associate	1,245,593	-	1,245,593	

There were no transfers between level 1 and level 2 during the year 2018 and 2019.

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

Jordanian Dinar	December 31, 2019			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Cash at hands and at banks	957,574	-	-	-
Subscribers receivables	486,835,440	-	-	-
Due from related parties	1,682,555	-	-	-
Receivables	45,552,519	-	-	-
Financial Liabilities				
Due to banks	(171,291,566)	(171,291,566)	-	-
Sales financing loans	(86,768,430)	(86,768,430)	-	-
Subscribers refundable deposits	143,542,334	-	-	-
Bank Loans	123,637,292	-	-	-
Obligation for employee funds	18,522,170	-	-	-
Payables	222,945,470	-	-	-

Jordanian Dinar	December 31, 2018			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Cash at hands and at banks	394,320	-	-	-
Subscribers receivables	532,620,152	-	-	-
Due from related parties	497,736	-	-	-
Receivables	58,263,820	-	-	-
Financial Liabilities				
Due to banks	(168,781,917)	-	-	-
Sales financing loans	(72,010,397)	-	-	-
Subscribers refundable deposits	50,000,000	-	-	-
Bank Loans	116,760,301	-	-	-
Obligation for employee funds	20,010,906	-	-	-
Payables	390,404,524	-	-	-

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

There were no transfers between level 1 and level 2 during the year 2018 and 2019.

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39) Clarifications on conversion to International Financial Reporting Standards

The Company has prepared all consolidated financial statements for all previous periods, including the year ending and as of December 31, 2018 in accordance with the International Financial Reporting Standards and in accordance with the instructions of the Prime Ministers and the Energy and Minerals Regulatory Commission. The consolidated financial statements for the year ended December 31, 2019 are the first to be prepared in accordance with International Financial Reporting Standards.

The Company has prepared its consolidated financial statements which is in line with International Financial Reporting Standards for the periods ending on or after December 31, 2019. When preparing these consolidated financial statements, the Company has re-presented the Company's consolidated financial position statement as of December 31, 2018 and as of January 1, 2018, which is the date of the Company's transition to implement the International Financial Reporting Standards. This clarification explains the main amendments made by the Company to its consolidated financial statements, including the consolidated financial position statement as of January 1, 2018 and the consolidated financial statements for the year ended December 31, 2018.

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The following table shows the impact of the initial application of the IFRS in addition to the restatement of the financial statements for the year ended December 31, 2018:

	According to IFRS and with the instructions of the Presidency of the Council of Ministers and the Energy and Minerals Regulatory Comission	Representation	Remeasurment	According to IFRS
Assets				
Infrastructure and other fixed assets	358,668,239	-	-	358,668,239
Intangible assets	31,748,218	-	-	31,748,218
Subscribers contribution – deposits *	165,605,228	(165,605,228)	-	-
Rural fils – deposits *	21,045,458	(21,045,458)	-	-
Project under construction	6,052,965	-	-	6,052,965
Investments in associate	1,245,593	-	-	1,245,593
Deferred tax assets	7,389,340	-	-	7,389,340
Total Non - Current Assets	591,755,041	(186,650,686)	-	405,104,355
Current Assets				
Inventory	1,150,447	-	-	1,150,447
Financial assets through profit or loss	1,658,565	-	-	1,658,565
Due from related parties	497,736	-	-	497,736
Subscriber's receivables	541,779,223	(9,159,071)	-	532,620,152
Receivables	58,263,820	-	-	58,263,820
Other debit balances	2,730,269	-	-	2,730,269
Cash on hand and at banks	394,320	-	-	394,320
Total Current Assets	606,474,380	(9,159,071)	-	597,315,309
Total Assets	1,198,229,421	(195,809,757)	-	1,002,419,664
Equity and Liabilities				
Owner's Equity				
Paid up capital	86,080,154	-	-	86,080,154
Statutory reserve	22,996,837	-	-	22,996,837
Retained earnings	14,413,249	-	-	14,413,249
Total Owner's Equity	123,490,240	-	-	123,490,240
Non-Controlling interest	13,746	-	-	13,746
Total Equity	123,503,986	-	-	123,503,986
Liabilities				
Subscribers Contributions	165,605,228	(165,605,228)	-	-
Rural fils	21,045,458	(21,045,458)	-	-
License Obligation / Government –				
Long term	32,419,908	-	-	32,419,908
Loans – due more than one year	48,543,000	-	-	48,543,000
Subscribers' refundable deposits	116,760,301	-	-	116,760,301
Provision for end-of-service indemnity	20,254,127	-	-	20,254,127
Obligation for employees' funds	20,010,906	-	-	20,010,906
Total Non - Current liabilities	424,638,928	(186,650,686)	-	237,988,242
Current Liabilities				
Payables				
Due to related parties	390,404,524	(9,159,071)	-	381,245,453
Loans – due within one year	364,626	-	-	364,626
License Obligation / Government –	1,457,000	-	-	1,457,000
Short term				
Income tax provision	5,000,000	-	-	5,000,000
Other credit balances	3,265,176	-	-	3,265,176
Sales financing loans	8,802,867	-	-	8,802,867
Due to Banks	72,010,397	-	-	72,010,397
Total Current Liabilities	168,781,917	-	-	168,781,917
Total Liabilities	650,086,507	(9,159,071)	-	640,927,436
Total Equity and Liabilities	1,198,229,421	(195,809,757)	-	1,002,419,664

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Reconciliation of the consolidated statement of financial position for the year ended January 1, 2018 (date of transition to IFRS):

	According to IFRS and with the instructions of the Presidency of the Council of Ministers and the Energy and Minerals Regulatory Comission	Representation	Remeasurment	According to IFRS
Assets				
Infrastructure and other fixed assets	341,201,648	-	-	341,201,648
Intangible assets	30,045,657	-	-	30,045,657
Subscribers contribution – deposits*	159,956,189	(159,956,189)	-	-
Rural fils – deposits*	21,453,215	(21,453,215)	-	-
Project under construction	6,652,950	-	-	6,652,950
Investments in associate	1,379,984	-	-	1,379,984
Deferred tax assets	5,920,302	-	-	5,920,302
Total Non - Current Assets	566,609,945	(181,409,404)	-	385,200,541
Inventory	1,335,003	-	-	1,335,003
Financial assets through profit or loss	1,674,065	-	-	1,674,065
Due from related parties	2,821,197	-	-	2,821,197
Subscriber's receivables	451,488,036	(7,986,523)	-	443,501,513
Receivables	43,040,768	-	-	43,040,768
Other debit balances	2,665,049	-	-	2,665,049
Cash on hand and at banks	571,985	-	-	571,985
Total Current Assets	503,596,103	(7,986,523)	-	495,609,580
Total Assets	1,070,206,048	(189,395,927)	-	880,810,121
Equity and Liabilities				
Owner's Equity				
Paid up capital	83,572,965	-	-	83,572,965
Statutory reserve	21,861,867	-	-	21,861,867
Retained earnings	12,816,777	-	-	12,816,777
Total Owner's Equity	118,251,609	-	-	118,251,609
Non-Controlling interest	113,248	-	-	113,248
Total Equity	118,364,857	-	-	118,364,857
Liabilities				
Subscribers Contributions	159,956,189	(159,956,189)	-	-
Rural fils	21,453,215	(21,453,215)	-	-
License Obligation / Government – Long term	34,501,437	-	-	34,501,437
Loans – due more than one year	50,000,000	-	-	50,000,000
Subscribers' refundable deposits	108,785,375	-	-	108,785,375
Provision for end-of-service indemnity	19,554,127	-	-	19,554,127
Obligation for employees' funds	18,374,138	-	-	18,374,138
Total Non - Current liabilities	412,624,481	(181,409,404)	-	231,215,077
Payables	286,200,883	(7,986,523)	-	278,214,360
Due to related parties	242,933	-	-	242,933
Loans – due within one year	4,375,000	-	-	4,375,000
License Obligation / Government – Short term	5,000,000	-	-	5,000,000
Income tax provision	2,165,274	-	-	2,165,274
Other credit balances	6,464,259	-	-	6,464,259
Sales financing loans	67,740,133	-	-	67,740,133
Due to Banks	167,028,228	-	-	167,028,228
Total Current Liabilities	539,216,710	(7,986,523)	-	531,230,187
Total Liabilities	951,841,191	(189,395,927)	-	762,445,264
Total Equity and Liabilities	1,070,206,048	(189,395,927)	-	880,810,121

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*In prior years, the Group recognize the subscribers contribution assets and rural fils asstes within the consolidated fianncial postion as assets for the Company in accordance with Prime Minister decion no. 33/11/6189, however the owenrship of these assests are belong to the government of Jordan, these items were adjusted in accordance with the requirments of International Financial Reporting Standares to be within the contra accounts outside the consolidated fianncial postion.

40) Comparative Figures

The prevalence of the new coronavirus (Covid-19) was confirmed across multiple geographical regions in early 2020, causing substantial uncertainty in the overall economy, and disruption of business and economic activities. The Company considers that this matter is non-adjusting event after the date of the financial statements. At this early stage, the Company is assessing any potential financial impact. Management and those charged with governance will continue to monitor the situation and thus update all stakeholders as more information becomes available.

In accordance to Prime Minister's decisions No. 2682 on January 19, 2019 and No. 4739 on May 22, and No. 6007 on August 21, 2019, the Company held a meeting with the Energy and Mineral Regulatory Commission and the National Electric Power Company on November 26, 2019, and an offset has been made on the interest balance between Jordan Electric Power Company and National Electric Power Company in the amount of JOD 19,244,907.

Annex 1

A) Medical Services Fund

<i>In Jordanian Dinar</i>	2019	2018
Revenues		
Company Contribution	2,193,888	2,111,307
Employees Deductions	675,988	650,548
Employees Contribution	498,662	508,412
Total Revenues	3,368,538	3,270,267
Expenses	(3,681,847)	(3,546,889)
(Deficit) for the Year	(313,309)	(276,622)
Surplus at beginning of the year	6,607,145	6,883,767
Contributions and interests adjustments	-	-
Surplus at the end of the year	6,293,836	6,607,145

B) Employees Provident Fund

<i>In Jordanian Dinar</i>	2019	2018
Assets		
Balances of Housing loans	11,643,670	8,882,943
Investments in financial assets at fair through other comprehensive income	624,335	745,947
Advances to employees	12,545,156	12,652,782
Total Assets	24,813,161	22,281,672
Liabilities		
Employees savings and provisions	32,158,586	30,463,826
Dividend income	12,302	12,302
Imports	545,810	450,372
Fair value reserve	563,965	654,478
Total Liabilities	33,253,663	31,580,978
Balance at end of the year	8,440,502	9,299,306

C) Health Insurance Fund after Retirement

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

<i>In Jordanian Dinar</i>	2019	2018
Revenues		
Company Contribution	335,946	323,291
Employees Deductions	335,946	323,291
Retirement subscriptions	151,390	118,246
Other	219,467	158,150
Total Revenues	1,042,749	922,978
Expenses	(1,060,097)	(762,252)
(Deficit) Surplus for the year	(17,348)	160,726
Surplus at beginning of the year	3,303,606	3,142,879
Additions to surplus	-	-
Surplus at the end of the year	3,286,258	3,303,605

D) Life Insurance Fund

<i>In Jordanian Dinar</i>	2019	2018
Revenues		
Company Contribution	194,098	192,092
Employees Deductions	194,098	192,092
Total Revenues	388,196	384,184
Expenses		
Paid deposit	(396,914)	(313,589)
(Deficit) Surplus for the year	(8,719)	70,595
Surplus at beginning of the year	207,945	137,351
Surplus at the end of the year	199,226	207,946

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

E) Solidarity Fund

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

In Jordanian Dinar

	2019	2018
Revenues		
Company Contribution	638,719	522,915
Employees Deductions	638,719	522,915
Purchase of employee Subscription	7,005	13,263
Total Revenues	1,284,443	1,059,093
Expenses		
Employees compensation	(1,575,000)	(1,325,000)
(Deficit) for the year	(290,557)	(265,907)
Surplus at beginning of the year	592,905	858,812
Surplus at the end of the year	302,348	592,905