

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Electricity Distribution Company- Public Shareholding Company  
Amman – Hashemite Kingdom of Jordan**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Qualified Opinion**

We have audited the consolidated financial statements of Electricity Distribution Company - Public Shareholding Company (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

#### **Basis for Qualified Opinion**

As disclosed in note (13) to the consolidated financial statements, the Group has not implemented the requirements of International Financial Reporting Standards 9 (IFRS 9) regarding the expected credit loss related to accounts receivables.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

<b>Key audit matter 1: Revenue recognition (Tariff)</b>	
Disclosures on revenue recognition are included in note (32) to the consolidated financial statements.	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
We identified electricity power sales revenue as a key audit matter due to high volume of sales revenue originated from electricity power sales to subscribers. The significant risks associated with the measurement and accuracy of recognized revenues are related to billing systems and revenue recognition. Total revenues recognized during 2021 amounted to JD 563,276,576.	Our audit procedures included considering the appropriateness of the Group’s revenue recognition accounting policies and assessing compliance with the policies in terms of applicable International Financial Reporting Standards. In addition to that, we have tested the Group’s internal controls over the completeness, measurement and occurrence of revenue recognized including reconciliations between sales and cash receipts and testing the billing system controls. We selected a representative sample of transactions and tested proper revenues recording and recognition. In addition, we selected a sample before and after the cutoff period to check proper recognition. Additionally, we performed substantive analytical procedures for the gross margin and sales revenues on a monthly basis.

**Key audit matter 2: Provision for employees' end-of-service indemnity**

Disclosures on the provision for end-of-service indemnity are included in note (18) to the consolidated financial statements

**Key audit matter**

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

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

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

**Other information included in the Group's 2021 annual report**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's 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 of the consolidated financial statement.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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 exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The Company maintains duly organized accounting records, which in all material respects, agree with the attached consolidated financial statements and we recommend approving them, taking into consideration the matter described in the basis for qualified opinion section.

For and on behalf of Ernst & Young – Jordan

Waddah Issam Barkawi  
License No. 591

Amman – Jordan  
29 March 2022

**ERNST & YOUNG**  
Amman - Jordan

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
		JD	JD
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	3	219,869,510	217,444,786
Subscribers' and rural fils contributions assets	4	201,928,056	201,153,613
Projects in progress	5	18,157,582	19,581,814
Dispute lawsuits payments	6	46,365	41,358
Long-term loan receivable	7	1,262,588	1,148,708
Deferred tax assets	8	3,063,200	2,611,393
Strategic inventory	12	14,357,726	14,829,704
Intangible assets	9	18,698,044	20,238,737
Investment in an associate	10	903,208	991,043
Right-of-use assets	11	435,570	536,085
		<u>478,721,849</u>	<u>478,577,241</u>
<b>CURRENT ASSETS</b>			
Inventory	12	6,810,969	6,789,227
Accounts receivable	13	394,574,066	280,310,576
Other current assets	14	16,880,931	17,755,324
Cash and bank balances	15	196,509	1,587,585
		<u>418,462,475</u>	<u>306,442,712</u>
<b>TOTAL ASSETS</b>		<u>897,184,324</u>	<u>785,019,953</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY-</b>			
	16		
Paid in capital		12,000,000	10,000,000
Statutory reserve		3,000,000	2,500,000
Voluntary reserve		698,677	698,677
Retained earnings		16,312,672	17,387,344
<b>Total equity - attributable to shareholders</b>		<u>32,011,349</u>	<u>30,586,021</u>
Non-controlling interest	34	18,100,359	17,513,016
<b>Total equity</b>		<u>50,111,708</u>	<u>48,099,037</u>
<b>LIABILITIES -</b>			
<b>NON-CURRENT LIABILITIES -</b>			
Subscribers and rural fils contributions liabilities	4	201,928,056	201,153,613
Lease liabilities	11	333,106	413,306
Advances from subscribers	17	18,940,444	17,237,721
Provision for end-of-service indemnity	18	18,508,216	16,250,316
Excess of subscribers' contribution	19	4,723,815	5,609,555
Unearned revenues		3,079,269	2,602,426
Subscribers' deposits	20	79,158,844	74,033,681
Long-term loans	21	32,666,670	33,555,560
		<u>359,338,420</u>	<u>350,856,178</u>
<b>CURRENT LIABILITIES -</b>			
Current portion of long-term loans	21	6,000,000	9,111,110
Short-term loan	21	6,000,000	6,000,000
Current portion of lease liabilities	11	124,902	138,139
Due to banks	22	81,311,947	68,032,430
Accounts payable	23	365,932,959	279,950,868
Accrued expenses and other current liabilities	24	19,884,819	15,112,440
Excess of subscribers' contributions	19	885,741	1,078,304
Other provisions	25	2,842,838	2,802,709
Income tax provision	8	4,750,990	3,838,738
		<u>487,734,196</u>	<u>386,064,738</u>
<b>Total Liabilities</b>		<u>847,072,616</u>	<u>736,920,916</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>897,184,324</u>	<u>785,019,953</u>

The attached notes from 1 to 40 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
		JD	JD
Electricity power sales		563,276,576	566,575,134
Cost of electricity power		<u>(464,925,436)</u>	<u>(471,112,184)</u>
<b>Gross Profit</b>	27	98,351,140	95,462,950
Other operating revenues, net	28	760,889	3,060,568
General and administrative expenses	29	(57,193,639)	(52,398,683)
Depreciation	3	(20,428,024)	(19,457,623)
Amortization of dispute lawsuits payments	6	(19,357)	(22,295)
Provision for expected credit losses and doubtful debts	13,14	(3,280,257)	(3,174,133)
Provision for slow moving inventories	12	<u>(823,684)</u>	<u>(219,045)</u>
<b>Operating profit from core activities</b>		<u>17,367,068</u>	<u>23,251,739</u>
Revenue from non-core activities	30	7,790,774	5,820,898
Finance income		6,744	7,865
Interest income on late payments		22,380,874	14,519,314
Group's share of an associate's losses	10	(87,835)	(87,628)
Licenses amortization	9	(1,540,693)	(1,540,693)
Non-core activities expenses	31	(1,538,421)	(1,848,567)
Finance and Murabaha cost		(6,779,727)	(6,824,192)
Interest expense on late payments		<u>(22,489,626)</u>	<u>(17,664,534)</u>
<b>Loss from non-core activities</b>		<u>(2,257,910)</u>	<u>(7,617,537)</u>
<b>Profit before income tax</b>		15,109,158	15,634,202
Income tax expense	8	<u>(5,314,887)</u>	<u>(3,404,783)</u>
<b>Profit for the year</b>		9,794,271	12,229,419
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>9,794,271</u>	<u>12,229,419</u>
<b>Profit for the year and total comprehensive income for the year attributable to:</b>			
Shareholders		7,425,328	9,480,523
Non-controlling interest	34	<u>2,368,943</u>	<u>2,748,896</u>
		<u>9,794,271</u>	<u>12,229,419</u>
		<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share attributable to shareholders	26	<u>0/62</u>	<u>0/79</u>

The attached notes from 1 to 40 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Attributable to shareholders					Non- controlling interests	Total equity
	Paid-in capital	Statutory Reserve	Voluntary reserve	Retained earnings	Total		
	JD	JD	JD	JD	JD		
<b>2021 -</b>							
<b>Balance at 1 January 2021</b>	10,000,000	2,500,000	698,677	17,387,344	30,586,021	17,513,016	48,099,037
Total comprehensive income for the year	-	-	-	7,425,328	7,425,328	2,368,943	9,794,271
Capital increase	2,000,000	-	-	(2,000,000)	-	-	-
Transferred to statutory reserve	-	500,000	-	(500,000)	-	-	-
Dividends paid to non-controlling interest (note 16)	-	-	-	-	-	(1,781,600)	(1,781,600)
Dividends paid to shareholders (note 16)	-	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
<b>Balance at 31 December 2021</b>	<u>12,000,000</u>	<u>3,000,000</u>	<u>698,677</u>	<u>16,312,672</u>	<u>32,011,349</u>	<u>18,100,359</u>	<u>50,111,708</u>
<b>2020 -</b>							
<b>Balance at 1 January 2020</b>	10,000,000	2,500,000	698,677	13,906,821	27,105,498	16,367,560	43,473,058
Total comprehensive income for the year	-	-	-	9,480,523	9,480,523	2,748,896	12,229,419
Dividends paid to non-controlling interest (note 16)	-	-	-	-	-	(1,603,440)	(1,603,440)
Dividends paid to shareholders (note 16)	-	-	-	(6,000,000)	(6,000,000)	-	(6,000,000)
<b>Balance at 31 December 2020</b>	<u>10,000,000</u>	<u>2,500,000</u>	<u>698,677</u>	<u>17,387,344</u>	<u>30,586,021</u>	<u>17,513,016</u>	<u>48,099,037</u>

The attached notes from 1 to 40 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>Notes</u>	<u>2021</u> JD	<u>2020</u> JD
<b><u>OPERATING ACTIVITIES</u></b>			
Profit before tax		15,109,158	15,634,202
<b>Adjustments for:</b>			
License amortization		1,540,693	1,540,693
Depreciation and amortization	3	20,654,747	19,596,957
Gain on sale of property and equipment		(292,356)	(56,046)
Interest income		(6,744)	(7,865)
Interest income from late payment of energy bills		(22,380,874)	(14,519,314)
Finance and Murabaha cost		6,779,727	6,824,192
Interest expense from late payment of energy bills		22,489,626	17,664,534
End-of-service indemnity provision		4,529,658	2,411,373
Provision for expected credit losses and doubtful debts		3,280,257	3,174,133
Group's share of an associate's loss		87,835	87,628
Other provisions		287,759	567,135
Amortization profit of excess of subscribers' contributions		(1,078,304)	(1,078,304)
Provision for slow-moving inventories		823,684	219,045
Depreciation of right of use asset		100,515	100,515
Finance cost of leases		38,563	45,436
<b>Working capital changes:</b>			
Inventory		(373,448)	(2,200,697)
Accounts receivable and other current assets		(94,288,480)	94,376,343
Accounts payable, accrued expenses and other current liabilities		68,264,844	(112,230,228)
Advances from subscribers		18,605,755	16,370,439
Subscribers' deposits		5,125,163	3,709,979
Deferred revenues		476,844	42,413
End-of-service indemnity provision paid		(2,271,758)	(847,176)
Other provisions paid		(247,630)	(141,007)
Income tax paid		(4,854,442)	(1,546,279)
<b>Net cash flows from operating activities</b>		<b>42,400,792</b>	<b>49,738,101</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Projects in progress		(22,107,314)	(23,312,847)
Purchase of property and equipment.	3	(17,271,445)	(12,922,328)
Proceeds from sale of property and equipment		314,405	77,999
Interest income received		6,744	7,865
Dispute lawsuits payments		(24,364)	(10,764)
<b>Net cash flows used in investing activities</b>		<b>(39,081,974)</b>	<b>(36,160,075)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of loans, net		(4,000,000)	(1,111,110)
Interest expense paid		(6,792,223)	(6,848,001)
Dividends paid to non-controlling interest		(1,065,188)	(830,424)
Dividends paid		(6,000,000)	(6,000,000)
Lease liability and finance cost paid		(132,000)	(121,000)
<b>Net cash flows used in financing activities</b>		<b>(17,989,411)</b>	<b>(14,910,535)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(14,670,593)</b>	<b>(1,332,509)</b>
Cash and cash equivalents at 1 January		(66,444,845)	(65,112,336)
<b>Cash and cash equivalents at 31 December</b>	15	<b>(81,115,438)</b>	<b>(66,444,845)</b>

The attached notes from 1 to 40 form an integral part of these consolidated financial statements

**ELECTRICITY DISTRIBUTION COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**

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**(1) GENERAL**

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

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

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

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

According to the distribution and supplies retail license granted to the Company on 30 June 2008 by the Energy and Minerals Regulatory Commission, the annual return from core activities has been determined based on an average of 10.97% off assets according to the weighted average cost of capital agreed upon with the Energy and Minerals Regulatory Commission. The Company computed the actual realized return from core activities, where by the net deficit of this return over the average return determined in the license for the period from the license date to 31 December 2021 reached an amount of JD 5,995,214 knowing that this amount is still under negotiation and subject to review and adjustment by the Energy and Minerals Regulatory Commission in accordance with the license.

According to the distribution and supplies license granted to the subsidiary (Irbid District Electricity Company) a public shareholding company on 30 June 2008 from Energy and Minerals Regulatory Commission, the annual return from core activities has been determined. The company computed the actual realized return from core activities where by the net deficit of this return over the average return determined in the license for the year 2021 reached on amount of JD 3,435,847 so that the cumulative amount till 31 December 2021 is a deficit of JD 15,471,745 taking into account that no incentive or penalty for the loss rate has been calculated for the year 2021, as this percentage has not been approved by the Energy and Minerals Regulatory Commission until the date of the financial statements. This deficit is dealt with through the determination of the tariff for the next tariff period through the tariff determination mythology stated in the license granted, whereas, the deficit amount will be subject to revision and adjustment by the Energy and Mineral Regulatory Commission in accordance with the license.

The consolidated financial statements have been approved by the Board of Directors in their meeting held on 28 March 2022 The consolidated financial statements require approval of the Company’s General Assembly.

These financial statements are consolidated with the Ultimate Parent Company, Social Security Corporation Investment Fund.

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

**2.1 Basis of preparation**

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

The consolidated financial statements are prepared under the historical cost convention

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

**2.2 Basis of consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary (Irbid District Electricity Company) as at 31 December 2021:

	<u>Year of incorporation</u>	<u>Paid-in- capital</u>	<u>Nature of Activity</u>	<u>Ownership</u>
		JD		%
Irbid District Electricity Company	1957	10,000,000	Electricity distribution	55.46

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

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

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

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

### **2.3 Changes in accounting policies**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for that the Group adopted these changes starting from 1 January 2021:

#### **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the consolidated financial statements of the Group.

### **Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease Modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group did not receive any rent concessions related to Covid-19, but the Group will use this practical expedient if it becomes applicable within the permitted application period.

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

### **Property and equipment**

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

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

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

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

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, and relocated in the consolidated statement of comprehensive income.

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

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

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

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

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

### **Rural Fils assets**

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

Rural fils assets are depreciated on a straight-line basis at 4% annually, and the liability is amortized using the same rate, thus it does not affect the consolidated statement of comprehensive income.

### **Dispute lawsuits payments**

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

### **Intangible assets**

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

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

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent years.

### **Business combinations and Goodwill**

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

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

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

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

### **Projects in progress**

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

### **Investment in an associate**

An associate is an entity in which the Company has significant influence, and which is neither a subsidiary nor a joint venture. The Group's investment in its associate is accounted for using the equity method of accounting Under the equity method.

The investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate

### **Inventories**

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

### **Accounts receivable**

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

### **Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and at banks.

For the purpose of the preparation of the consolidated statement of cash flows, cash and cash equivalents consist of cash and at banks, net of outstanding bank overdrafts.

### **Loans**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of comprehensive income.

### **Borrowing costs**

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

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

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

### **Accounts payable and accruals**

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

## **Provisions**

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

## **Income Taxes**

Income tax expense represents current year income tax and deferred income tax.

Accrued tax expenses are calculated based on taxable income, which may be different from accounting income as it may include tax-exempt income, non-deductible expenses in the current year that are deductible in subsequent years, tax-accepted accumulated losses or tax-deductible items.

Current income tax is calculated based on the tax rates and laws that are applicable at the consolidated statement of financial position date and according to IAS 12.

Deferred income taxation is provided using the liability method on all temporary differences at the consolidated financial statement date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the financial position date. The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## **Revenue recognition**

Revenue is recognized in accordance with IFRS 15, which includes the 5 step approach where power sales revenues are recognized when power are consumed by customers and reliably measured.

Revenues are recognized upon rendering services and issuance of invoice.

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

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

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

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

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

Other revenues are recognized on accrual basis.

## **Leases**

### **Group as a lessee –**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

### **Company as a lessor –**

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

### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

## **Fair value**

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

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

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

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

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

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

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

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

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

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

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

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date.

All differences are taken to the consolidated statement of comprehensive income.

### **Segments information**

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

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

### **Offsetting**

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

### **Contingencies**

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

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

## **2.5 Significant Accounting Judgment, Estimates and Assumptions**

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

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

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

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**(3) PROPERTY AND EQUIPMENT**

	Land	Buildings and constructions	Underground cables	Transformation stations and network	Subscribers' meters	Telecommunication equipment	Computers	Vehicles	Laboratory equipment	Operating equipment	Tools	Other equipment	Furniture and other equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>2021</b>														
<b>Cost -</b>														
At 1 January 2021	4,270,840	12,501,643	52,650,060	239,056,595	38,223,271	17,685,982	16,394,029	14,650,685	3,099	10,414,677	4,173,753	3,362,247	2,827,955	416,214,836
Additions	-	2,878,224	626,871	8,817,957	3,475,791	46,817	592,389	30,451	-	100,942	404,689	134,962	162,352	17,271,445
Transferred from projects in progress (note 5)	-	106,117	3,520,454	2,303,481	1,290,910	-	4,475	-	-	-	58,326	3,835	4,157	7,291,755
Disposals	-	(200,409)	(134,053)	(2,276,421)	(422,910)	(21,017)	(47,666)	(43,301)	-	(10,740)	(371,618)	(12,399)	(106,094)	(3,646,628)
At 31 December 2021	<u>4,270,840</u>	<u>15,285,575</u>	<u>56,663,332</u>	<u>247,901,612</u>	<u>42,567,062</u>	<u>17,711,782</u>	<u>16,943,227</u>	<u>14,637,835</u>	<u>3,099</u>	<u>10,504,879</u>	<u>4,265,150</u>	<u>3,488,645</u>	<u>2,888,370</u>	<u>437,131,408</u>
<b>Accumulated Depreciation -</b>														
At 1 January 2021	-	3,711,883	13,320,012	115,737,369	23,333,998	4,433,319	11,484,270	11,209,747	3,097	7,643,553	3,666,685	2,134,560	2,091,557	198,770,050
Depreciation for the year *	-	297,055	1,540,004	10,857,220	1,642,749	2,056,764	1,713,478	1,200,097	-	660,860	207,915	327,988	150,617	20,654,747
Disposals	-	(197,821)	(35,858)	(1,094,773)	(224,440)	(20,971)	(135,804)	(31,073)	-	(8,328)	(353,813)	(7,966)	(52,052)	(2,162,899)
At 31 December 2021	<u>-</u>	<u>3,811,117</u>	<u>14,824,158</u>	<u>125,499,816</u>	<u>24,752,307</u>	<u>6,469,112</u>	<u>13,061,944</u>	<u>12,378,771</u>	<u>3,097</u>	<u>8,296,085</u>	<u>3,520,787</u>	<u>2,454,582</u>	<u>2,190,122</u>	<u>217,261,898</u>
<b>Net book value -</b>														
At 31 December 2021	<u>4,270,840</u>	<u>11,474,458</u>	<u>41,839,174</u>	<u>122,401,796</u>	<u>17,814,755</u>	<u>11,242,670</u>	<u>3,881,283</u>	<u>2,259,064</u>	<u>2</u>	<u>2,208,794</u>	<u>744,363</u>	<u>1,034,063</u>	<u>698,248</u>	<u>219,869,510</u>

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	Land	Buildings and constructions	Underground cables	Transformation stations and network	Subscribers' meters	Telecommunication equipment	Computers	Vehicles	Laboratory equipment	Operating equipment	Tools	Other equipment	Furniture and other equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>2020</b>														
<b>Cost -</b>														
At 1 January 2021	4,270,840	12,420,962	51,045,341	228,798,382	34,800,765	10,276,810	15,507,949	14,641,147	3,099	9,527,944	4,224,694	3,354,582	2,787,998	391,660,513
Additions	-	80,681	600,075	6,591,055	2,763,214	702,104	1,006,342	115,455	-	897,473	93,704	12,572	59,653	12,922,328
Transferred from Projects in progress (Note 5)	-	-	1,351,746	4,847,640	1,082,202	6,708,766	2,448	-	-	-	-	-	-	13,992,802
Disposals	-	-	(347,102)	(1,180,482)	(422,910)	(1,698)	(122,710)	(105,917)	-	(10,740)	(144,645)	(4,907)	(19,696)	(2,360,807)
At 31 December 2020	<u>4,270,840</u>	<u>12,501,643</u>	<u>52,650,060</u>	<u>239,056,595</u>	<u>38,223,271</u>	<u>17,685,982</u>	<u>16,394,029</u>	<u>14,650,685</u>	<u>3,099</u>	<u>10,414,677</u>	<u>4,173,753</u>	<u>3,362,247</u>	<u>2,827,955</u>	<u>416,214,836</u>
<b>Accumulated Depreciation -</b>														
At 1 January 2020	-	3,455,928	11,892,048	106,046,429	21,926,652	2,888,316	9,830,678	9,951,031	3,097	7,005,982	3,529,279	1,806,861	1,948,106	180,284,407
Depreciation for the year *	-	255,955	1,489,004	10,129,312	1,631,786	1,546,446	1,769,558	1,349,262	-	645,899	269,628	328,611	159,201	19,574,662
Disposals	-	-	(61,040)	(438,372)	(224,440)	(1,443)	(115,966)	(90,546)	-	(8,328)	(132,222)	(912)	(15,750)	(1,089,019)
At 31 December 2020	<u>-</u>	<u>3,711,883</u>	<u>13,320,012</u>	<u>115,737,369</u>	<u>23,333,998</u>	<u>4,433,319</u>	<u>11,484,270</u>	<u>11,209,747</u>	<u>3,097</u>	<u>7,643,553</u>	<u>3,666,685</u>	<u>2,134,560</u>	<u>2,091,557</u>	<u>198,770,050</u>
<b>Net book value -</b>														
At 31 December 2020	<u>4,270,840</u>	<u>8,789,760</u>	<u>39,330,048</u>	<u>123,319,226</u>	<u>14,889,273</u>	<u>13,252,663</u>	<u>4,909,759</u>	<u>3,440,938</u>	<u>2</u>	<u>2,771,124</u>	<u>507,068</u>	<u>1,227,687</u>	<u>736,398</u>	<u>217,444,786</u>

\* Depreciation for the year is distributed as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
Depreciation in the consolidated statement of comprehensive income	20,428,024	19,457,623
Depreciation of non-core activities (note 31)	<u>226,723</u>	<u>117,039</u>
	<u>20,654,747</u>	<u>19,574,662</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
<b>Cost -</b>		
At 1 January	381,923,531	357,287,939
Transferred from project in progress (note 5)	<u>15,727,341</u>	<u>24,635,592</u>
At 31 December	<u>397,650,872</u>	<u>381,923,531</u>
<b>Accumulated depreciation -</b>		
At 1 January	180,769,918	166,200,961
Depreciation for the year	<u>14,952,898</u>	<u>14,568,957</u>
At 31 December	<u>195,722,816</u>	<u>180,769,918</u>
<b>Net book value -</b>		
At 31 December	<u>201,928,056</u>	<u>201,153,613</u>

This item represents the infrastructure constructed by the Group to connect customers and rural areas with electricity. The cost of the infrastructure is paid by the customers and the Jordanian Rural Fils Fund Project and is recognised as an asset and a liability in the Group's consolidated statement of financial position.

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Subscribers' contributions liabilities	148,083,819	147,459,844
Rural fils contributions liabilities	<u>53,844,237</u>	<u>53,693,769</u>
	<u>201,928,056</u>	<u>201,153,613</u>

**(5) PROJECTS IN PROGRESS**

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Self-funded projects	9,370,004	10,104,962
Subscribers' contributions projects	7,222,321	7,788,820
Rural fils contributions projects	<u>1,565,257</u>	<u>1,688,032</u>
	<u>18,157,582</u>	<u>19,581,814</u>

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Movement on the project in progress is as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
At 1 January	19,581,814	33,615,728
Additions (issuances from stores)	11,097,220	15,385,398
Capitalized expenses*	10,497,644	9,209,082
Transferred to property and equipment (note 3)	(7,291,755)	(13,992,802)
Transferred to subscribers and rural fils contributions assets (note 4)	<u>(15,727,341)</u>	<u>(24,635,592)</u>
At 31 December	<u>18,157,582</u>	<u>19,581,814</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Salaries and other benefits	8,527,127	7,947,746
End-of-service indemnity (note 18)	859,606	403,147
Electricity	44,511	40,231
Water	3,827	7,789
Heating	1,138	963
Telecommunications	39,274	33,575
Hospitality	6,845	3,896
Perdiem	14,610	10,860
Stationary	33,472	28,448
Cleaning	36,208	29,715
Computer Expenses	46,340	28,679
Vehicles expenses	416,939	299,877
Rent	26,077	20,122
Insurance	12,978	5,811
Others	<u>428,692</u>	<u>348,223</u>
	<u>10,497,644</u>	<u>9,209,082</u>

\* The cost of completing the remaining parts of projects in progress is estimated at JD 15,544,584 as of 31 December 2021 (2020: JD 21,193,637).

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**(6) DISPUTE LAWSUITS PAYMENTS**

	<u>2021</u>	<u>2020</u>
	JD	JD
<b>Cost -</b>		
At 1 January	8,293,706	8,282,942
Payments during the year	<u>24,364</u>	<u>10,764</u>
At 31 December	<u>8,318,070</u>	<u>8,293,706</u>
<b>Accumulated amortization -</b>		
At 1 January	8,252,348	8,230,053
Amortization for the year	<u>19,357</u>	<u>22,295</u>
At 31 December	<u>8,271,705</u>	<u>8,252,348</u>
<b>Net book value -</b>		
At 31 December	<u>46,365</u>	<u>41,358</u>

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

This item represents housing loan granted to the Housing Fund employees at Murabaha rate of 2% annually calculated based on Islamic Murabaha. The number of employees who have borrowed are 90 employees up to 31 December 2021 (2020: 84 employees).

**(8) INCOME TAX**

**Deferred tax assets -**

This item represents deferred tax assets resulted from the accumulated losses of all areas (except Aqaba), and end-of-service indemnity provision and other provisions.

Movements on deferred tax assets are as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
At 1 January	2,611,393	2,404,580
Additions for the year	<u>451,807</u>	<u>206,813</u>
At 31 December	<u>3,063,200</u>	<u>2,611,393</u>

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**Income tax provision –**

Movement on income tax provision is as follows:

	2021	2020
	JD	JD
At 1 January	3,838,738	1,773,421
Income tax for the year	5,766,694	3,886,596
Recoveries of prior years' income tax	-	(275,000)
Income tax paid	(4,854,442)	(1,546,279)
At 31 December	<u>4,750,990</u>	<u>3,838,738</u>

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

	2021	2020
	JD	JD
Income tax for the year	5,766,694	3,611,596
Additions from the deferred tax assets	(451,807)	(206,813)
	<u>5,314,887</u>	<u>3,404,783</u>

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

	2021				2020	
	Irbid	EDCO	Aqaba	Eliminations	Total	Total
	JD	JD	JD	JD	JD	JD
Accounting profit (loss)	10,476,282	(9,003,627)	17,552,736	(3,916,233)	15,109,158	15,634,202
Non-taxable revenues	(1,414,652)	(3,031,545)	(789,044)	-	(5,235,241)	(3,491,455)
Non-deductible expenses	5,848,911	2,991,554	827,337	-	9,667,802	6,174,453
<b>Taxable profit (loss)</b>	<u>14,910,541</u>	<u>(9,043,618)</u>	<u>17,591,029</u>	<u>(3,916,233)</u>	<u>19,541,719</u>	<u>18,317,200</u>
Income tax expense for the year	4,025,846	-	1,740,848	-	5,766,694	3,886,596
Deduct: Deferred tax assets movements	(451,807)	-	-	-	(451,807)	(206,813)
Deduct: Recoveries of prior years' income tax	-	-	-	-	-	(275,000)
<b>Income tax expense for the year</b>	<u>3,574,039</u>	<u>-</u>	<u>1,740,848</u>	<u>-</u>	<u>5,314,887</u>	<u>3,404,783</u>
<b>Statutory income tax rate</b>	27%	27%	8%	8% - 27%	27%	5% - 27%
<b>Effective income tax rate</b>	34.12%	-	9.92%	-	35.18%	21.78%

Income tax provision was calculated for the years ended 31 December 2021 and 2020 in accordance with the income tax law no. (34) for the year 2014 which was implemented on 1 January 2019. The Group is subject to a statutory income tax rate of 24% in addition to a 3% national contribution tax in all the Group's areas except for Aqaba where the income tax was calculated in accordance with Aqaba Special Zone Law with a statutory income tax rate of 5% in addition to a 3% national contribution tax.

## **Tax Clearance**

### **Electricity Distribution Company**

The Company has obtained the final clearance from Income Tax Department for all years up to 2019. The Company has submitted its tax declaration till 2020. The Income and Sales Tax Department has not reviewed the Company's records up to the date of the consolidated financial statements.

### **Electricity Distribution Company - Aqaba**

The Company has obtained the final clearance from Income Tax Department for all years up to 2017. The Company has submitted its tax declaration for the years 2020, 2019, and 2018. which have not been reviewed by the Income Tax Department up to the date of preparation of the consolidated financial statements.

### **Irbid District Electricity Company**

The Company has obtained the final clearance from Income Tax Department for all years up to 2018. The Company has submitted its tax declaration for the years 2019, and 2020. which have not been reviewed by the Income Tax Department for the year 2020, and 2019 up to the date of preparation of the consolidated financial statements.

## **(9) INTANGIBLE ASSETS**

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

During 2009, the Group has purchased 55.46% share of Irbid District Electricity Company – Public Shareholding Company (the "Subsidiary") which resulted in intangible assets representing the distribution licence which was granted to the Subsidiary to distribute electricity power within the specific assigned area by the licence for 25 years, in the Company's management opinion the licence is renewable based on specific conditions and The Energy and Minerals Regulatory Commission approval. The Company amortizes the license over 17.5 years. Also, goodwill which represents the excess in the amount paid over the fair value of the Subsidiary's assets and liability including distribution licence, for the purpose of impairment test the power distributions was defined as cash generating unit.

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Intangible assets represent the following:

	2021		2020	
	Electricity power distribution licence JD	Goodwill* JD	Total JD	Total JD
<b>Cost:</b>				
As at 1 January 2021	26,962,131	980,071	27,942,202	27,942,202
As at 31 December 2021	26,962,131	980,071	27,942,202	27,942,202
<b>Accumulated amortization</b>				
As at 1 January 2021	7,703,465	-	7,703,465	6,162,772
Amortization during the year	1,540,693	-	1,540,693	1,540,693
As at 31 December 2021	9,244,158	-	9,244,158	7,703,465
<b>Net book value</b>	<b>17,717,973</b>	<b>980,071</b>	<b>18,698,044</b>	<b>20,238,737</b>

**\*Impairment test**

As of 31 December 2021, the Group has performed impairment test by calculating the recoverable amount based on the expected cash flows for the next five years which were set out in the estimated financial budgets that prepared by the Group's subsidiary and approved by senior management.

**Key assumptions used**

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

1. Power electricity distribution revenues: revenue from sale of electricity power is projected by management to decrease by a percentage from 2% to 4% in the next five years as a result of the increase in the demand on the renewable energy.
2. Cost of power distributions: based on distribution agreement, the cost of power purchased is linked to revenue since any changes to the purchase price is often reflected on the selling price. Therefore, management expected that cost of electricity distribution constitutes 84% of revenues, which represents the trend in the historical years.
3. General and administrative expense: general and administrative expenses are projected by the management to increase from 8% to 9% based on historical trends.

**Discount rate**

Management has used after tax weighted average cost of capital as a discount rate for the next five years, which was 12.38% after tax.

**Conclusions**

Based on the impairment test, the recoverable amount was determined at higher than the book value. Accordingly, no impairment was recorded during the year ended 31 December 2021.

**Sensitivity analysis**

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

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**(10) INVESTMENT IN AN ASSOCIATE**

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

<b>Unquoted shares – Local</b>	<u>Activity</u>	<u>Country</u>	<u>Percentage of ownership %</u>	<u>2021 JD</u>	<u>2020 JD</u>
Electricity Equipment Industries Company LLC	Manufacturing spare parts for machines and Electricity transformers	Jordan	18.3	<u>903,208</u>	<u>991,043</u>

Movement on investment in an associate account is as follows:

	<u>2021 JD</u>	<u>2020 JD</u>
At 1 January	991,043	1,078,671
Group's share from associate's loss	<u>(87,835)</u>	<u>(87,628)</u>
At 31 December	<u>903,208</u>	<u>991,043</u>

The below shows summary of Electrical Equipment's Industries Company financial statements:

	<u>2021 JD</u>	<u>2020 JD</u>
Current assets	3,944,737	3,536,215
Non-current assets	681,374	759,768
Current liabilities	<u>(782,672)</u>	<u>(78,781)</u>
Owners' equity	<u>3,843,439</u>	<u>4,217,202</u>
Group ownership percentage %	23,5%	23,5%
Actual group ownership percentage %	18,3%	18,3%
Investment carrying amount	903,208	991,043
Revenue	1,719,263	2,347,834
Cost of sales	(1,841,198)	(2,478,166)
Other income, net	106,655	158,789
Administrative expenses	(342,547)	(308,474)
Finance costs	<u>(9,234)</u>	<u>(2,795)</u>
<b>Loss before tax</b>	<u>(367,061)</u>	<u>(282,812)</u>
Income tax expense	<u>(6,702)</u>	-
<b>Loss for the year</b>	<u>(373,763)</u>	<u>(282,812)</u>
<b>Group's share of loss for the year</b>	<u>(87,835)</u>	<u>(87,628)</u>

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**(11) RIGHT OF USE AND LEASE CONTRACTS LIABILITIES**

Set out below are the carrying amounts for the right-of-use assets and lease contracts liabilities during the year:

	<u>Right of use assets</u>	<u>Lease contracts Liabilities*</u>
	JD	JD
<b>At 1 January 2021</b>	536,085	551,445
Depreciation	(100,515)	-
Finance costs	-	38,563
Lease payments	-	(132,000)
<b>At 31 December 2021</b>	<u>435,570</u>	<u>458,008</u>
	<u>Right of use assets</u>	<u>Lease contracts Liabilities*</u>
	JD	JD
<b>At 1 January 2020</b>	636,600	627,009
Depreciation	(100,515)	-
Finance costs	-	45,436
Lease payments	-	(121,000)
<b>At 31 December 2020</b>	<u>536,085</u>	<u>551,445</u>

\* Details of lease contracts liabilities as at 31 December 2021

<u>Short term</u>	<u>Long term</u>	<u>Total</u>
JD	JD	JD
<u>124,902</u>	<u>333,106</u>	<u>458,008</u>

The Group recognised rent expense from short-term leases and of low-value assets in the consolidated statement of comprehensive income of JD 1,144,345 for the year ended 31 December 2021 (2020: JD 858,517).

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**(12) INVENTORY**

	<u>2021</u>	<u>2020</u>
	JD	JD
Medium and low voltage electrical tools and subscribers' accessories	19,334,644	20,355,865
Tools and vehicles spare parts	283,276	358,629
Stationary, furniture and computers equipment	223,964	184,403
Returned and damaged materials*	3,866,912	2,985,998
	<u>23,708,796</u>	<u>23,884,895</u>
Deduct: provision for slow moving inventories*	(3,123,606)	(2,325,905)
	<u>20,585,190</u>	<u>21,558,990</u>
Add: letter of credit and tenders' expenses	583,505	59,941
	<u>21,168,695</u>	<u>21,618,931</u>
Strategic inventory**	14,357,726	14,829,704
Inventory	<u>6,810,969</u>	<u>6,789,227</u>
	<u>21,168,695</u>	<u>21,618,931</u>

\* The provision for slow moving inventories includes the value of all returned and damaged materials at 31 December 2021.

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

	<u>2021</u>	<u>2020</u>
	JD	JD
At 1 January	2,325,905	2,106,860
Provision for the year	823,684	219,045
Items written-off during the year	<u>(25,983)</u>	<u>-</u>
At 31 December	<u>3,123,606</u>	<u>2,325,905</u>

\*\* Strategic inventory consists of medium and low voltage material and other parts used in the Company's projects, maintenance operations, and replacements.

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**(13) ACCOUNTS RECEIVABLE**

	2021	2020
	JD	JD
Normal subscribers' receivables	146,632,202	144,944,628
Water Authority and Meyahuna receivables	147,023,820	82,136,912
Governmental departments receivables	52,604,008	33,529,798
Municipality receivables – Street lighting	29,866,926	19,695,294
Rural fils electricity project	158,022	40,502
Late interest receivables *	38,688,416	17,427,032
	<u>414,973,394</u>	<u>297,774,166</u>
Provision for excepted credit losses/ Allowance for doubtful debts	(20,399,328)	(17,463,590)
	<u>394,574,066</u>	<u>280,310,576</u>

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

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

	Neither past due nor impaired	Past due but not impaired			Total
		1-90 days	91 – 120 days	> 120 days	
	JD	JD	JD	JD	JD
2021	85,764,719	48,210,731	14,879,419	245,719,197	394,574,066
2020	85,420,525	56,835,886	16,059,111	121,995,054	280,310,576

Based on the group's management estimations, unimpaired receivables are expected to be fully recoverable. The Group obtains cash margins against these receivables.

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Movement on the expected credit losses/ allowance for doubtful accounts is as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
At 1 January	17,463,590	14,597,705
Charged for the year **	<u>2,935,738</u>	<u>2,865,885</u>
At 31 December	<u><u>20,399,328</u></u>	<u><u>17,463,590</u></u>

\*\* The Electricity Distribution Company has not applied International Financial Reporting Standard No. (9) with regard to the requirements of recording expected credit losses on the Company's receivables that are applicable starting from 1 January 2018, since the Electricity Distribution Company operates under a license issued by the Energy & Minerals Regulatory Commission (EMRC), and accordingly, the EMRC is the authority authorized to approve the operating and capital expenditure allocations for the Company, considering these expenditures are the basis for determining the electric tariff, whether the tariff for purchasing energy from the National Electric Power Company or the tariff for selling to the final consumer. Management of the Electricity Distribution Company requested the EMRC to calculate the value of the increase resulting from the application of the standard to be added to the allowance for doubtful accounts, and to consider that expense within the electric tariff accounts, but the EMRC in its letter No. (3/11/10669) dated 21 November 2019 exempted the Company from applying IFRS 9 from the date of application until 2021, provided that this standard is applied after the end of the aforementioned period.

**(14) OTHER CURRENT ASSETS**

	<u>2021</u>	<u>2020</u>
	JD	JD
Cheques under collection	6,210,816	5,710,153
Debit balances – Funds	3,496,326	3,091,899
Receivables – Housing Fund	157,769	131,223
Prepaid expenses	969,674	998,357
Refundable checks	3,166,190	3,173,220
Others	<u>4,973,396</u>	<u>6,474,990</u>
	18,974,171	19,579,842
Provision for doubtful debts	<u>(2,093,240)</u>	<u>(1,824,518)</u>
	<u><u>16,880,931</u></u>	<u><u>17,755,324</u></u>

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Movement on the provision for doubtful debts is as follows:

	<u>2021</u> JD	<u>2020</u> JD
At 1 January	1,824,519	1,516,270
Charged for the year	344,519	308,248
Recovered	<u>(75,798)</u>	<u>-</u>
At 31 December	<u>2,093,240</u>	<u>1,824,518</u>

**(15) CASH AND BANK BALANCES**

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

	<u>2021</u> JD	<u>2020</u> JD
Cash on hand	18,420	25,811
Current accounts at banks	<u>178,089</u>	<u>1,561,774</u>
	<u>196,509</u>	<u>1,587,585</u>

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

	<u>2021</u> JD	<u>2020</u> JD
Cash on hand and at banks	196,509	1,587,585
Due to banks (note 22)	<u>(81,311,947)</u>	<u>(68,032,430)</u>
	<u>(81,115,438)</u>	<u>(66,444,845)</u>

**(16) OWNERS EQUITY**

**Paid-in capital -**

The Company's authorized, subscribed and, paid-in-capital consist of 12,000,000 shares with JD 1 par value per share.

The General Assembly decided in its extraordinary meeting on 9 September 2021 to increase the Company's capital by an amount of JD 2,000,000 through capitalization from retained earnings balance, so that the Company's capital becomes JD 12,000,000. The increase procedures at the Companies Control Department were completed on 14 September 2021.

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The General Assembly of the subsidiary (Irbid District Electricity Company) decided in its extraordinary meeting on 25 August 2021 to increase the Company's capital by an amount of JD 2,000,000 through capitalization from retained earnings balance, so that the Company's capital becomes JD 10,000,000. The increase procedures at the Companies Control Department were completed on 31 August 2021.

**Statutory reserve -**

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

**Voluntary reserve -**

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

**Dividends –**

**2021-**

The General Assembly approved in its ordinary meeting held on 26 April 2021 the recommendation of the Board of Directors to distribute an amount of JD 6,000,000 as dividends to shareholders for the profits of 2020 representing 60% of the Company's share capital on the meeting date.

The General Assembly of the subsidiary (Irbid District Electricity Company) approved in its ordinary meeting held on 25 April 2021 to distribute an amount of JD 4,000,000 as dividends to shareholders for the profits of 2020 representing 50% of the Company's share capital on the meeting date, and the share of non-controlling interest amounted to JD 1,781,600.

**2020-**

The General Assembly approved in its ordinary meeting held on 11 June 2020 the recommendation of the Board of Directors to distribute an amount of JD 6,000,000 as dividends to shareholders for the profits of 2019 representing 60% of the Company's share capital on the meeting date.

The General Assembly of the subsidiary (Irbid District Electricity Company) approved in its ordinary meeting held on 4 June 2020 to distribute an amount of JD 3,600,000 as dividends to shareholders for the profits of 2019 representing 45% of the Company's share capital on the meeting date, and the share of non-controlling interest amounted to JD 1,603,440.

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**(17) ADVANCES FROM SUBSCRIBERS**

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

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

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

	<u>2021</u>	<u>2020</u>
	JD	JD
At 1 January	16,250,316	14,686,119
Charged for the year (note 29)	3,611,486	1,943,776
Capitalized on projects in progress (note 5)	859,606	403,147
Expenses allocated to factory of poles	58,566	64,450
End-of- service indemnity paid	<u>(2,271,758)</u>	<u>(847,176)</u>
At 31 December	<u>18,508,216</u>	<u>16,250,316</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Interest on obligations	1,737,580	863,449
Current service costs	<u>2,792,078</u>	<u>1,547,924</u>
	<u>4,529,658</u>	<u>2,411,373</u>

End-of-service indemnity was distributed as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
General and administrative expenses	3,611,486	1,943,776
Capitalized on projects in progress (note 5)	859,606	403,147
Transferred to poles factory costs	<u>58,566</u>	<u>64,450</u>
	<u>4,529,658</u>	<u>2,411,373</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Discount rate	5%	5,15%
Mortality rate	0.19%	0.18%
Annual increase in salaries rate	6%	4.3%
Resignation rate	3%	3%
Company social security contribution rate	8%	8%

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

<u>Increase by 1% in the rate</u>	Effect on the current value of the end of service indemnity provision	
	<u>2021</u>	<u>2020</u>
	JD	JD
Discount	(1,253,848)	(1,083,761)
Increase in salaries	1,669,135	1,434,393
Resignations	486,365	367,076

<u>Decrease by 1% in the rate</u>	Effect on the current value of the end of service indemnity provision	
	<u>2021</u>	<u>2020</u>
	JD	JD
Discount	1,533,658	1,334,116
Increase in salaries	(1,317,950)	(1,118,177)
Resignations	(486,365)	(367,076)

**(19) EXCESS OF SUBSCRIBERS CONTRIBUTION**

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

	<u>2021</u>	<u>2020</u>
	JD	JD
<b>Excess of subscribers' contribution -</b>		
At 1 January	24,621,089	25,122,254
Loss from subscribers contribution's projects	-	(501,165)
At 31 December	<u>24,621,089</u>	<u>24,621,089</u>
<b>Accumulated amortization of excess of subscribers' contribution -</b>		
At 1 January	17,933,230	17,356,091
Amortization for the year	1,078,303	577,139
At 31 December	<u>19,011,533</u>	<u>17,933,230</u>
<b>Net book value</b>		
At 31 December	<u>5,609,556</u>	<u>6,687,859</u>
Current portion of subscription contribution	885,741	1,078,304
Non-current subscription contribution	4,723,815	5,609,555
	<u>5,609,556</u>	<u>6,687,859</u>

Excess of subscribers' contribution amortization (transferred to revenues) has been allocated as follows:

	<u>2021</u>	<u>2020</u>
	JD	JD
Loss from operating activities	-	(501,165)
Revenues from non-core activities	1,078,303	1,078,304
	<u>1,078,303</u>	<u>577,139</u>

**(20) SUBSCRIBERS' DEPOSITS**

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

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**(21) LOANS**

This item represents long term loans granted from the following:

Currency	Loan instalments						
	2021			2020			
	Short Term	Long Term	Total	Short Term	Long Term	Total	
	JD	JD	JD	JD	JD	JD	
Housing bank	JOD	6,000,000	14,000,000	20,000,000	6,000,000	18,000,000	24,000,000
Jordan Kuwait bank	JOD	-	18,666,670	18,666,670	3,111,110	15,555,560	18,666,670
Short term loan	JOD	6,000,000	-	6,000,000	6,000,000	-	6,000,000
		12,000,000	32,666,670	44,666,670	15,111,110	33,555,560	48,666,670

**Housing bank - JOD**

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

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

Year	JD
2023	4,000,000
2024-2027	10,000,000
	14,000,000

**Jordan Kuwait bank - JOD**

During May of 2015, Irbid District Electricity Company (a subsidiary) has signed a loan agreement with Jordan Kuwait Bank amounting JD 28,000,000 including a grace period of three years from the date of the first withdrawal and that is for financing the Company's capital and operational projects. The entire loan was utilized during the year of 2015. The loan is repaid under 18 semi-annual instalments amounting JD 1,555,555 for each instalment including accrued interest for each instalment. The loan bears an interest amounting to the same interest rate applicable on the deposit of the Central Bank of Jordan adding to it the margin ratio of 2.65% as a maximum and the minimum amount of the interest rate applicable is 5.3% per annum.

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During 2021, Irbid District Electricity Company (a subsidiary) signed an agreement to restructure the loan, whereby the Company was granted a grace period of three years for instalments only, without interest, as of 17 January 2021. The loan is repaid according to 12 semi-annual instalments of JD 1,555,555 for each instalment except the last instalment is JD 1,555,565, so that the first payment is due on 3 December 2023. Interest will be at a fixed rate of 5% annually for the first year, which was later modified to become 4.8% as of 5 December 2021, after which a variable interest rate will be applied from 17 January 2022 to equal the applicable interest rate on the deposit window with the Central Bank of Jordan plus a margin of 2.65%, so that the minimum total interest rate is 4.8% annually for the duration of the loan.

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

Year	JD
2023	3,111,110
2024	3,111,110
2023	3,111,110
2026-2029	9,333,340
	18,666,670

**Short-term loan**

The Electricity Distribution Company signed an electric power supply agreement (financing electric energy prices) with the Jordan Islamic Bank on 29 December 2019 to pay part of the electric energy purchase bill from the National Electric Power Company with a credit ceiling including profit of JD 6,000,000 in return for an agreed annual profit rate of 4.9%. The agreement was extended for the year 2021 to become from the date of payment to the National Electricity Company on 15 March 2021 and for a period of one year, so that the entitlement of the instalment and the profit arising from it will be on 15 March 2022.

**(22) DUE TO BANKS**

This item represents the credit facilities granted to the Group by several local banks with a ceiling of JD 104,600,000 bearing an average annual interest rate of 4.77% (2020: the credit facilities granted to the Group by several local banks with a ceiling of JD 83,000,000 bearing an average annual interest rate of 5.83%)

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**(23) ACCOUNTS PAYABLE**

	<u>2021</u>	<u>2020</u>
	JD	JD
National Electricity Power Company - energy purchased	296,142,578	223,739,676
National Electricity Power Company - interests on late payment	35,093,959	24,493,195
Rural Fils deposits	6,358,304	5,621,442
Central Electricity Generating Company	154,330	159,720
Television fees deposits	5,303,469	4,462,957
Garbage deposits	10,302,424	10,308,769
Suppliers payables	9,454,691	8,003,587
Others	3,123,204	3,161,522
	<u>365,932,959</u>	<u>279,950,868</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Governmental and other deposits	4,142,012	2,086,301
Energy price received in advance	35,723	36,151
Post dated checks	1,100,011	1,043,719
Accrued expenses	5,275,260	3,210,592
Accrued bank interest	730,814	953,435
Contractors retentions	434,319	547,816
Dividends payable	716,412	773,016
Board of directors' remuneration	90,000	90,000
Payables – Funds	3,496,326	3,091,899
Others	3,863,942	3,279,511
	<u>19,884,819</u>	<u>15,112,440</u>

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**(25) OTHER PROVISIONS**

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

	2021			2020	
	Vacation provision	Social services provision	Lawsuits provision	Total	Total
	JD	JD	JD	JD	JD
At 1 January	1,990,455	9,245	803,009	2,802,709	2,376,581
Charged during the year	268,984	18,775	-	287,759	567,135
Paid during the year	(138,404)	(26,251)	(82,975)	(247,630)	(141,007)
At 31 December	<u>2,121,035</u>	<u>1,769</u>	<u>720,034</u>	<u>2,842,838</u>	<u>2,802,709</u>

**(26) BASIC AND DILUTED EARNINGS PER SHARE**

	2021	2020
Profit attributable to the owners of the parent (JD)	7,425,328	9,480,523
Weighted average number of shares (Share)	12,000,000	12,000,000
	JD/ Fils	JD/ Fils
Basic earnings per share attributable to owners of the parent	<u>0/62</u>	<u>0/79</u>

The basic and diluted earnings per share are equal.

**(27) GROSS PROFIT**

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

The sale tariff price is determined by the Energy & Minerals Regulatory Commission (EMRC), whereby the tariff for all water pumps sector has been decreased from 1 September 2021 for the Electricity Distribution Company, the tariff for all water pumps sector has been decreased from August 2021 for Irbid District Electricity Company (a subsidiary).

Electricity power is purchased from National Electricity Power Company and renewable energy sources. Purchase tariff is determined by the EMRC, the tariff has been decreased in May 2021 with a retroactive effect from the beginning of the year, as the new tariff for the year 2021 was fully implemented except for the month of December of 2021, when a special and reduced tariff was set for the month of December for the year 2021, noting that the Company will return to the revised tariff in May of 2021 with effect from 1 January 2022.

The purchase tariff for Irbid District Electricity Company has been decreased from January up to December 2021 compared to the average tariff in 2020.

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Electricity power subscription and connection fees	2,156,791	2,072,843
Meters fees	2,707,690	2,644,548
Loss from rural electrification projects	(1,432,938)	(1,367,200)
Amortization of deferred revenues after 2 July 2008	(3,322,491)	(822,435)
Others	651,837	532,812
	<u>760,889</u>	<u>3,060,568</u>

**(29) GENERAL AND ADMINISTRATIVE EXPENSE**

	<u>2021</u>	<u>2020</u>
	JD	JD
Salaries, wages and others	29,980,086	27,880,701
Employees' benefits	9,314,361	9,050,108
End-of-service indemnity (note 18)	3,611,486	1,943,776
Subscribers' services expense	1,210,274	883,874
Employees' vacation provisions	235,650	158,597
Electricity, water and heating expense	531,744	511,410
Vehicles expense	2,395,251	1,947,398
Mail, phone and fax expense	384,290	329,011
Hospitality and cleaning expense	378,529	318,673
Per diem and transportation expense	200,523	171,580
Stationary and printing	200,475	192,884
Stamps	593,831	642,730
Licenses and Government fees	1,368,739	1,015,626
Remuneration and incentives for different committees	1,903,167	1,839,769
Professional fees	427,059	270,652
Guardianship expense	799,344	773,136
Training expense	51,631	47,093
Computer expense	596,680	407,904
Insurance expense	379,988	473,056
Maintenance expense	1,420,093	1,300,592
Others	1,840,769	2,679,258
Transferred to non-core activities in accordance with tariff (note 31)	(630,331)	(439,145)
	<u>57,193,639</u>	<u>52,398,683</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Poles factory net revenue	1,246,147	433,199
Amortization of deferred revenue up to 2 July 2008	1,078,304	1,078,304
Revenues from television fees collections	473,949	436,573
Revenues from garbage fees collections	2,208,987	2,074,428
Tenders revenue	59,125	31,440
Late payment penalties revenues	146,222	106,875
Poles leases revenues	627,541	526,247
Gain on sale of damaged goods (property and equipment)	169,076	91,414
Damage compensation revenue received	260,993	255,207
Others	1,520,430	787,211
	<u>7,790,774</u>	<u>5,820,898</u>

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

	<u>2021</u>	<u>2020</u>
	JD	JD
Loss on sale of property and equipment	314	2,199
Cost of sale of damaged goods (property and equipment)	-	2,996
Street lighting maintenance	9,820	9,723
Non-core activities in accordance with tariff (note 29)	630,331	439,145
Board of directors' remuneration	35,000	35,000
Board of directors' expenses	261,400	261,400
Non-core activities incentives	49,736	90,000
Depreciation of non-core activities assets (note 3)	226,723	117,039
Others	325,097	891,065
	<u>1,538,421</u>	<u>1,848,567</u>

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**(32) SEGMENTATION REPORTS**

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

<b>For the year ended 31 December 2021</b>	Jordan					Poles		Unallocated	Total	Elimination	Total
	Valley	Tafyleh	Al-Karak	Ma'an	Aqaba	Factory	Irbid Energy				
	JD	JD	JD	JD	JD	JD	JD				
<b>Revenues-</b>											
Electricity power sales	116,186,091	11,824,347	43,092,008	43,864,489	81,618,864	-	266,690,777	-	563,276,576	-	563,276,576
Other operating revenue	221,785	(156,347)	175,365	(10,766)	66,831	-	464,021	-	760,889	-	760,889
Other non- operating revenue	310,563	29,071	103,029	109,147	470,056	5,392,378	3,313,806	350,430	10,078,480	(2,287,706)	7,790,774
<b>Total revenue</b>	<b>116,718,439</b>	<b>11,697,071</b>	<b>43,370,402</b>	<b>43,962,870</b>	<b>82,155,751</b>	<b>5,392,378</b>	<b>270,468,604</b>	<b>350,430</b>	<b>574,115,945</b>	<b>(2,287,706)</b>	<b>571,828,239</b>
<b>Operation result -</b>											
Segment profit (loss)	7,095,135	(1,338,073)	(4,934,557)	1,099,319	15,811,888	1,315,453	6,902,243	(12,328,738)	13,622,670	(3,828,399)	9,794,271
<b>Other information -</b>											
Depreciation and amortization	1,716,120	745,210	1,432,133	1,106,592	1,501,496	-	11,423,951	2,729,245	20,654,747	-	20,654,747
Expected credit losses provision	-	-	-	-	-	-	1,182,430	2,097,827	3,280,257	-	3,280,257
Interest expenses and interest expense on late payment	-	-	-	-	-	-	8,217,348	21,052,005	29,269,353	-	29,269,353
Interest income and interest income on late payment	-	-	-	-	-	-	4,529,592	17,858,026	22,387,618	-	22,387,618
Group's share from an associate's loss	-	-	-	-	-	-	-	(87,835)	(87,835)	-	(87,835)
<b>As of 31 December 2021</b>											
<b>Segment's assets and liability -</b>											
Segment assets	56,590,242	19,538,649	33,808,816	30,744,502	56,213,019	5,249,654	375,409,935	321,991,431	899,546,248	(2,361,924)	897,184,324
Segment liabilities	46,708,085	12,624,874	24,260,538	22,436,758	56,554,824	-	352,972,875	332,209,151	847,767,105	(694,489)	847,072,616
Investment in an associate	-	-	-	-	-	-	286,719	300,781	587,500	315,708	903,208

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<b>For the year ended 31 December 2020</b>	Jordan		Al-Karak	Ma'an	Aqaba	Poles		Unallocated	Total	Elimination	Total
	Valley	Tafyleh				Factory	Irbid Energy				
	JD	JD				JD	JD				
<b>Revenues-</b>											
Electricity power sales	130,319,560	11,678,789	51,381,338	43,902,022	76,364,452	-	252,928,973	-	566,575,134	-	566,575,134
Other operating revenue	349,662	73,805	112,059	(33,724)	202,082	-	2,356,684	-	3,060,568	-	3,060,568
Other non- operating revenue	310,565	29,071	103,029	109,147	255,809	3,167,735	3,200,353	751,031	7,926,740	(2,105,842)	5,820,898
<b>Total revenue</b>	<b>130,979,787</b>	<b>11,781,665</b>	<b>51,596,426</b>	<b>43,977,445</b>	<b>76,822,343</b>	<b>3,167,735</b>	<b>258,486,010</b>	<b>751,031</b>	<b>577,562,442</b>	<b>(2,105,842)</b>	<b>575,456,600</b>
<b>Operation result -</b>											
Segment profit (loss)	15,016,842	(2,118,112)	(1,191,160)	(1,051,585)	12,849,804	497,788	7,755,236	(15,882,859)	15,875,954	(3,646,535)	12,229,419
<b>Other information -</b>											
Depreciation and amortization	1,708,871	729,811	1,385,424	1,104,643	1,572,797	44,694	10,575,276	2,475,441	19,596,957	-	19,596,957
Expected credit losses provision	-	-	-	-	-	-	1,185,147	1,988,986	3,174,133	-	3,174,133
Interest expenses and interest expense on late payment	-	-	-	-	-	-	10,285,731	14,202,995	24,488,726	-	24,488,726
Interest income and interest income on late payment	-	-	-	-	-	-	3,752,913	10,774,266	14,527,179	-	14,527,179
Group's share from an associate's loss	-	-	-	-	-	-	-	(87,628)	(87,628)	-	(87,628)
<b>As of 31 December 2020</b>											
<b>Segment's assets and liability -</b>											
Segment assets	56,452,468	19,491,673	33,492,016	21,163,174	66,115,549	2,209,433	333,981,480	255,743,201	788,648,994	(3,629,041)	785,019,953
Segment liabilities	47,101,031	12,557,604	24,217,460	13,243,690	64,164,436	-	314,446,663	261,855,713	737,586,597	(665,681)	736,920,916
Investment in an associate	-	-	-	-	-	-	286,719	300,781	587,500	403,543	991,043

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**(33) RELATED PARTIES TRANSACTIONS**

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

	Paid in capital JD	Principal activities	Ownership %
Irbid District Electricity Company PSC	10,000,000	Electricity power distributions	55.46

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

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

**Amount due to a related party:**

	2021 JD	2020 JD
Electricity Equipment Industries Company (Associate)	-	-

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

	2021 JD	2020 JD
Purchases from Electricity Equipment Industries Company (Associate)	1,038,995	650,195

Following is a summary of the benefits (salaries, bonuses and other benefits) of the group's senior executive management:

	2021 JD	2020 JD
Salaries and other benefits	1,392,525	1,402,560
Board of Directors transportations and remuneration	500,400	496,091

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**(34) PARTIALLY OWNED SUBSIDIARIES**

Below are the financial statements for Irbid Electricity Distribution Company before the elimination transactions and balances between the Company's entities which includes non – controlling interest:

	<u>2021</u>	<u>2020</u>
<b>Group ownership percentage</b>	55.46%	55.46%
<b>Country of incorporation and operation</b>	Jordan	Jordan
	<u>2021</u>	<u>2020</u>
	JD	JD
<b>Cumulative non – controlling interest balance</b>	18,100,359	17,513,016
<b>Non – controlling interest share of profit</b>	2,368,943	2,748,896
<b>Summary statement of financial position:</b>		
Current assets	140,205,825	101,815,853
Non-current assets	235,204,110	232,165,627
Current liabilities	(177,940,414)	(150,016,604)
Non-current liabilities	(175,032,461)	(164,430,059)
<b>Owners' equity</b>	<u>22,437,060</u>	<u>19,534,817</u>
<b>Attributable to:</b>		
Parent shareholders	12,443,593	10,834,010
Non-controlling interests	9,993,467	8,700,807
<b>Summary of statement of comprehensive income:</b>		
Revenues	266,690,777	252,928,973
Expenses	(217,102,549)	(205,372,663)
Other revenues	8,307,380	9,309,882
Other expenses	(47,419,326)	(46,185,039)
Profit before tax	10,476,282	10,681,153
Income tax expense	(3,574,039)	(2,925,917)
Profit of the year	<u>6,902,243</u>	<u>7,755,236</u>
<b>Total comprehensive income</b>	6,902,243	7,755,236
Attributable to non – controlling interests	2,368,943	2,748,896
<b>Dividends distributed to non – controlling interests</b>	(1,781,600)	(1,603,440)
<b>Summary of statement of cash flow:</b>		
Operating activities	17,674,393	28,970,459
Investing activities	(23,238,951)	(19,755,098)
Financing activities	(7,687,328)	(10,252,182)
<b>Net decrease in cash and cash equivalent</b>	<u>(13,251,886)</u>	<u>(1,036,821)</u>

**(35) CONTINGENT LIABILITIES**

**Bank guarantees and letters of credit -**

As of the date the consolidated financial statements, the Group had outstanding bank guarantees and letters of credit of JD 4,755,859 (2020: JD 2,399,144).

**Lawsuits-**

The Group is a defendant in a number of lawsuits in the ordinary course of business represents lawsuits and legal claims amounting to JOD 1,623,585 (2020: 2,183,995). The Group's management and its legal advisor believe that the provision taken against these claims is adequate to meet any obligations that may arise and there is no need to book an additional provision.

**Dispute with the National Electricity Company -**

The National Electricity Company requests from the Company's subsidiary (power provider) an amount of JD 717,357, which represents the difference in the interest imposed from the late payments. The Company and its legal counsellor believe that the Company will not incur any obligations as stated electricity Tariff (Wholesale Tariff) issued by the organization of Energy and Minerals Regulatory Commission that should be applied by both parties.

**Capital Commitments –**

The cost to finish the uncompleted part of the projects in progress is estimated to be JD 15,544,584 as of 31 December 2021. (2020: JD 21,193,637).

**(36) RISK MANAGEMENT**

**Interest rate risk**

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

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

The following table demonstrates the sensitivity of the consolidated statement of comprehensive

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income to reasonably possible changes in interest rates with all other variables held constant.

	<u>Increase in Interest Rate</u> (Basis Points)	<u>Effect on profit for the year</u> JD
<b>2021 -</b>		
JD	50	(623,580)
<b>2020 -</b>		
JD	50	(577,752)

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

**Credit risk**

Credit risk is the risk that may result from the failure or inability of debtors and other parties to meet their obligations towards the Group.

The Group believes that it is not highly exposed to credit risk as it sets a credit limit for customers while monitoring outstanding receivables on an ongoing basis. The Group also maintains balances and deposits with leading banking institutions.

Government receivables represents 65% of total receivables as of 31 December 2021 (2020: 48%). The Group provides services to a large volume of customers.

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**Liquidity risk**

Liquidity risk represents the in ability of the Group to pay its liabilities when accrued.

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

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

<b>At 31 December 2021</b>	On demand	1 to 12 months	1 to 5 years	> 5 years	Total
	JD	JD	JD	JD	JD
Due to banks	85,189,748	-	-	-	85,189,748
Accounts payable	-	365,932,959	-	-	365,932,959
Accrued and other liabilities	-	19,884,819	-	-	19,884,819
Subscribers' deposits	79,158,844	-	-	-	79,158,844
Loans	-	14,440,782	30,320,426	8,211,397	52,972,605
Lease Liabilities	-	155,710	372,290	-	528,000
<b>Total</b>	<b>164,348,592</b>	<b>400,414,270</b>	<b>30,692,716</b>	<b>8,211,397</b>	<b>603,666,975</b>

<b>At 31 December 2020</b>	On demand	1 to 12 months	1 to 5 years	> 5 years	Total
	JD	JD	JD	JD	JD
Due to banks	71,025,554	-	-	-	71,025,554
Accounts payable	-	279,950,868	-	-	279,950,868
Accrued and other liabilities	-	15,112,440	-	-	15,112,440
Subscribers' deposits	74,033,681	-	-	-	74,033,681
Loans	-	17,878,479	38,316,575	-	56,195,054
Lease Liabilities	-	176,702	483,298	-	660,000
<b>Total</b>	<b>145,059,235</b>	<b>313,118,489</b>	<b>38,799,873</b>	<b>-</b>	<b>496,977,597</b>

**Currency risk**

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

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

Financial instruments comprise of financial assets and financial liabilities.

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

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

**(38) CAPITAL MANAGEMENT**

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

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

Capital comprises of paid-in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 32,011,349 as of 31 December 2021 (2020: JD 30,586,021).

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

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

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
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The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

### **Reference to the Conceptual Framework - Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments is not applicable to the Group's consolidated financial statements.

**IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**IAS 41 Agriculture - Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's consolidated accounting policy disclosures.

**(40) CORONAVIRUS SPREAD (COVID – 19) AND ITS IMPACT ON THE GROUP**

The impact of the Covid-19 on the global economy and the disruption in global markets, which had a negative impact on various business sectors as a result of restrictions. On 17 March 2021, the Jordanian Cabinet of Ministers decided to impose a curfew law and suspend all business activities in the Kingdom until further notice as part of the precautionary measures taken by the government to combat the spread of Covid-19. Consequently, the majority of business activities in the Kingdom have been affected as a result of the decision. Some vital sectors, such as the health, communications, water and electricity sectors, were excluded from this decision. Accordingly, the Group continued its operations without stopping during the quarantine period.