

# Annual Report 21



## Jordan Mortgage Refinance Company Ltd.

2017



## Jordan Mortgage Refinance Company

A public shareholding company with limited liability, established in pursuance to the Temporary Companies Law No.(1) for the year 1989, registered in the public shareholding companies registry on 5/6/1996 under No.(314) with a capital of (5)million Jordanian Dinar, and licensed to operate on 22/7/1996.

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*His Majesty*  
*King Abdullah II Bin Al Hussein*





*H.R.H Crown Prince  
Hussein bin Abdullah II*



## JMRC Mission



JMRC aims at giving the Jordanian citizens the opportunity to borrow from banks and financial institutions operating in the Kingdom to enable them to own suitable housing units at reasonable terms through providing medium and long term finance from JMRC to these banks and institutions to business in housing finance.



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## Board of Directors

The Chairman

**Dr. Adel Ahmad Al-Sharkas.**

Representative, Central Bank of Jordan.

Vice Chairman

**Mrs. Kholoud Mohammad AL Saqqaf**

Representative, Arab Bank.

## Members

<b>Mr. Ziad Ghanma</b>	Representative, Central Bank of Jordan till 22/2/2017.
<b>Mr. Mu'taz Barbour</b>	Representative, Central Bank of Jordan till 22/2/2017.
<b>Engineer/ Faris Al- Jeanaidi</b>	Representative, Housing & Urban Development Corporation.
<b>Mr. Mousa Tarawneh</b>	Representative, Social Security Corporation.
<b>Mr. Adel Asaad</b>	Representative, Housing Bank for Trade and Finance.
<b>Mr. Tawfiq Mokahal</b>	Representative, Jordan Kuwait Bank.
<b>Mr. Nebal Frihat</b>	Representative, Jordan Ahli Bank.
<b>Mrs. Rana Al Sunna</b>	Representative, Cairo- Amman Bank.
<b>Miss. Ghada Hallosh</b>	Representative, Jordan Commercial Bank.
<b>Mr . Muntaser Abu Dwwas</b>	Representative, Invest Bank from 2/3/2017.
<b>Mr .Basel Araj</b>	Representative, Arab Jordan Investment Bank from 27/2/2017.

## Auditors

Messrs./ Arab Professionals / Member of Grant Thornton International.

## Legal Consultants

Advocate Mousa AL-Araj

## Chairman's Letter

### Dear Shareholders

It is my pleasure to present the 21<sup>th</sup> annual report of Jordan Mortgage Refinance Company (JMRC), which reflects its most important achievements during the year 2017, and shows its financial position as at 31st of December 2017 through its balance sheet and final accounts and highlights its future action plan.

JMRC had been established with joint efforts of the public and private sectors, represents one of the important aspects for restructuring the housing sector in the kingdom, and considered one of the main sectors of the national economy.

JMRC also constitutes a new and important link between money market and capital market through its provision of medium and long term finance to local banks and financial institutions which grant housing loans, from its different financial resources most important of which is the proceeds of JMRC corporate bonds issued in the local capital market.

JMRC's operation mechanism, through refinancing housing loans, provides banks and financial institutions with the opportunity to increase their participation in granting housing loans and subsequently expand housing loans base in the kingdom. This mechanism helps to overcome the lack of medium and short-term financial resources for the housing sector in the banking sector institutions. Moreover, JMRCs loans enable banks and financial institutions to manage their assets and liabilities more efficiently through matching the terms of their resources and uses of funds.

During 2017, JMRC was keen on concentrating its efforts by adopting different means to identify its role and operation mechanism and the advantages of dealing with it and to encourage financial institutions to expand in granting housing loans under better terms, to offer housing loans programs at fixed interest rates and to increase the numbers of investors in corporate bonds issued by JMRC.

JMRC efforts during 2017 resulted in granting (214) million JD to the banks and financial institutions to refinance housing loans granted by them so that the total value of loans granted by JMRC since the inception of its business reached (1.260 )Billion JD. The balance of refinance loans at the end of 2017 amounted to (407.771) million JD.

During 2017 JMRC issued corporate bonds in the amount of (209) million JD in the local capital market, as such, the value of corporate bonds, issued since the beginning of JMRC's operations, reached (1.376) Billion JD. The outstanding balance of JMRC bonds issued at the end of 2017 amounted to (396.5) million JD.

The value of the said amounts granted by JMRC- as loans to the banks- and the volume of corporate bonds it issued during 2017 are considered to be an important enhancement of JMRC's role in improving and developing the housing finance market and capital market in the Kingdom.



**Dr. Adel Al-Sharkas**

Chairman of the Board of Directors

JMRC future action plan, aims to deepening its activity in the secondary mortgage market by increasing the volume of its operations in refinancing housing loans and issuing corporate bonds for different terms.

I express my deep gratitude, on behalf of all members of the board directors and the staff members of JMRC, to the Government and the Central Bank of Jordan for their support. Also I express many thanks and appreciation to the deputy general manager and the staff members for the results JMRC achieved and their exerted efforts, praying to God Almighty to help us all to shoulder responsibility and serve our homeland under the leadership of His Majesty King Abdullah II Bin AL Hussein.

**Dr. Adel Al-Sharkas**

Chairman of the Bord of Directors

## **JMRC incorporation, objectives, sources of funds and Operation mechanism Incorporation:-**

JMRC is a public shareholding company. It was established in mid-1996 based on the direction of the Government, with the cooperation of the International Bank for Reconstruction and Development and the support of the Central Bank of Jordan for the purpose of providing medium and long-term financing for the Jordanian housing sector.

### **Objectives:-**

The following are the most important objectives, which JMRC is seeking to achieve:-

- Develop and improve the housing finance market in the Kingdom by enabling banks and other financial institutions to increase their participation in housing loans lending.
- Promote and develop the capital market in the Kingdom through issuing corporate bonds in the local capital market and thus contribute to increase investment instruments in the market.
- To open an Islamic window for providing medium and long- term loans for Islamic banks and institutions willing to extend housing loans.

### **Sources of Funds:-**

- Proceeds of JMRC's bonds issued in the local capital market which have priority in repayment.
- Paid-up capital amounting JD (5) million.
- Central bank of Jordan Loan outstanding balance at the end 2017 amounting (16.389) million.

### **Operation Mechanism**

JMRC provides medium and long-term finance for banks and financial institutions operating in the Kingdom through refinancing housing loans granted by these institutions to citizens at a percentage not exceeding (83%) of the outstanding balances of housing loans. JMRC's policy has specified the principles and criteria that ought to be available in the borrowing financial institution and in the housing refinance loan.

To guarantee the loan obtained by the bank from the company, the bank endorses first preferred property mortgage deeds pertaining to the housing loans granted by it in favor of the company at a percentage of not less than (120%) of the value of JMRC's loan granted to the bank, provided that the housing loans granted by the bank shall not be under any installments due and that the bank undertakes to transfer alternative mortgage deeds throughout the life of JMRC's loan to the bank.

In accordance to JMRC's credit policy the bank is also permitted to provide temporary collaterals until it can provide the company with necessary mortgages deeds. The most important of such temporary guarantees are The Jordanian Government bonds or bonds guaranteed by the Government, treasury bills and JMRC's Bonds and also authorization to debit on the bank account in the central bank of Jordan in favor of JMRC, loans to banks shall be repaid bullet on its maturity date and the interest shall be paid semiannually.

In special cases, JMRC refinance housing loans repaid on the basis of settlement of the principal loan and loan interests periodically.

Loans granted to banks enable these banks to increase its participation in the housing finance market and minimize the risks of mismatching between the sources and uses of its funds and encourage competition among these banks, which would eventually be in the interest of citizens.

JMRC gets the necessary funds for its operations by issuing bonds in the local capital market through private or public subscription and in accordance to the Jordan Securities Commission regulations.

JMRC adopted a mechanism to grant loans to financial leasing companies owned by Banks to refinance real estate leasing contracts.

### **Benefits of Borrowing from JMRC**

- Improve Bank's assets and liabilities management, through better matching of sources and uses of its funds (ALM).
- Avoid interest rates risks (IRR) on mortgage loans.
- Allocate more funds to be granted for housing loans as the housing loans refinanced by JMRC are excluded from the percentage determined under the Bank's Law, which indicates that the loans granted for construction and purchase of real estates shall not exceed 20% from the total bank's deposits in Jordanian dinar.
- Exempt banks to allocate provision for the general banking risks for housing loans refinanced by JMRC.
- Improve the capital adequacy ratio as housing loans granted by the bank, refinanced by JMRC, are risk weighted at 20%.

### **Benefits of Investing in JMRC Bonds**

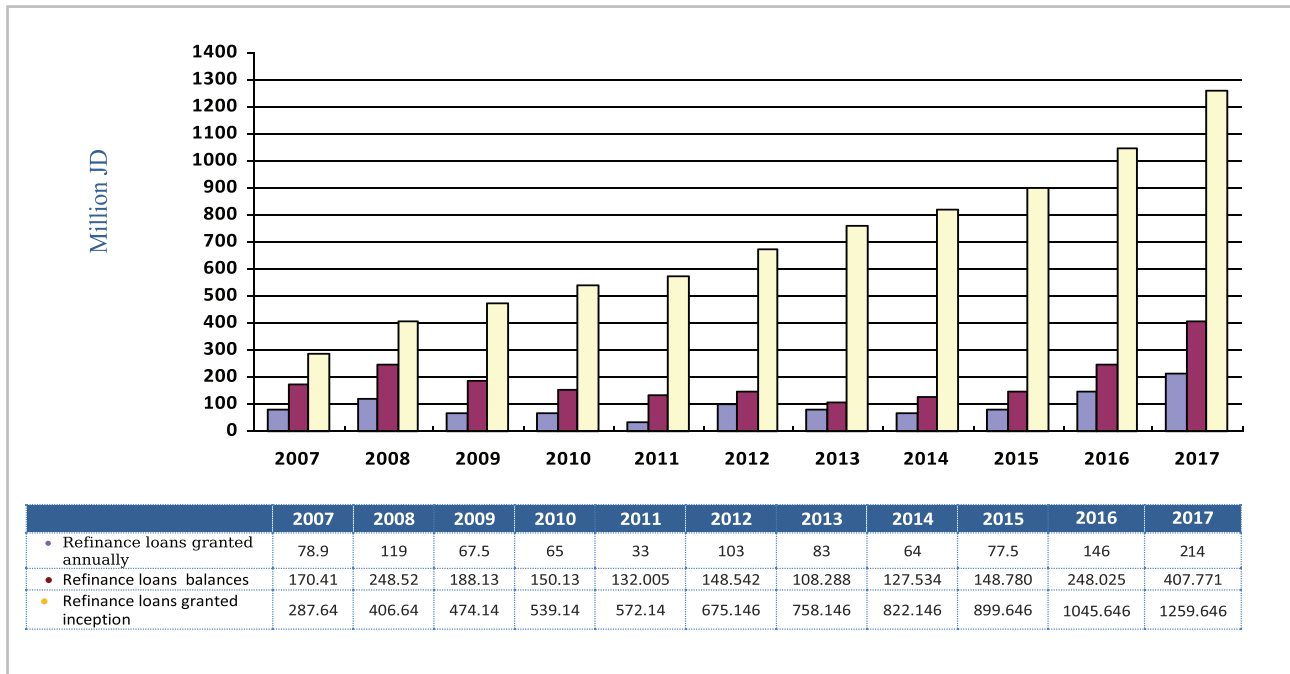
- In accordance with the Income Tax Law number (34/2014), the income generated from trading in these bonds is exempted from income tax except for banks, financial institutions, financial brokerage companies, insurance companies, and leasing companies.
- JMRC's bonds are risk-weighted at (20%) for the purpose of calculating the capital adequacy ratios of banks.
- JMRC's bonds are eligible to serve as liquidity reserve holding of banks for the purpose of calculating the legal liquidity ratios as required by the Central Bank of Jordan.
- JMRC's bonds are tradable through securities depository center.

## JMRC Achievement

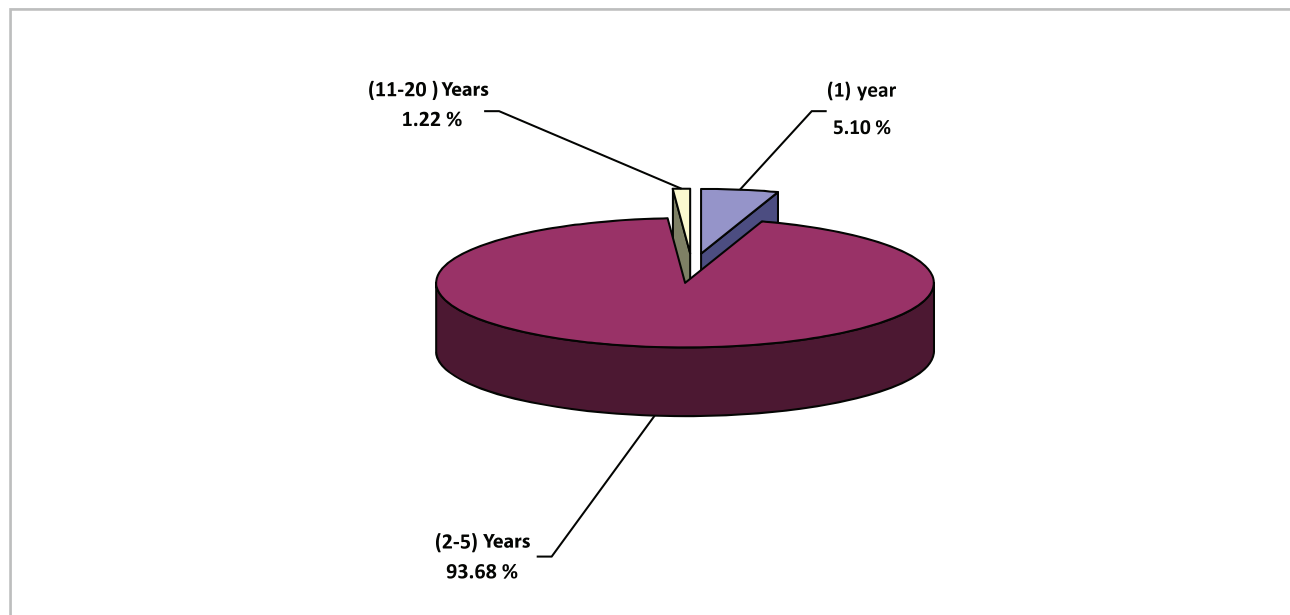
### In The Area of Refinancing of Housing Loans

In 2017 JMRC continued its lending activity, and signed (21) refinance loans agreements with (12) financial institutions for an amount of JD (214 ) million, therefore the number of refinance loans agreements signed since JMRC inception are (247) agreements with a total amount of JD (1.260) Billion ,The balance of refinance loans on 31/12/2017 was JD ( 407.771 ) million.

The following chart depicts the growth of the refinancing loans from 2007 to 31 /12 /2017:-



The following diagram depicts the tenor of outstanding refinance loans as at 31/12/2017:-



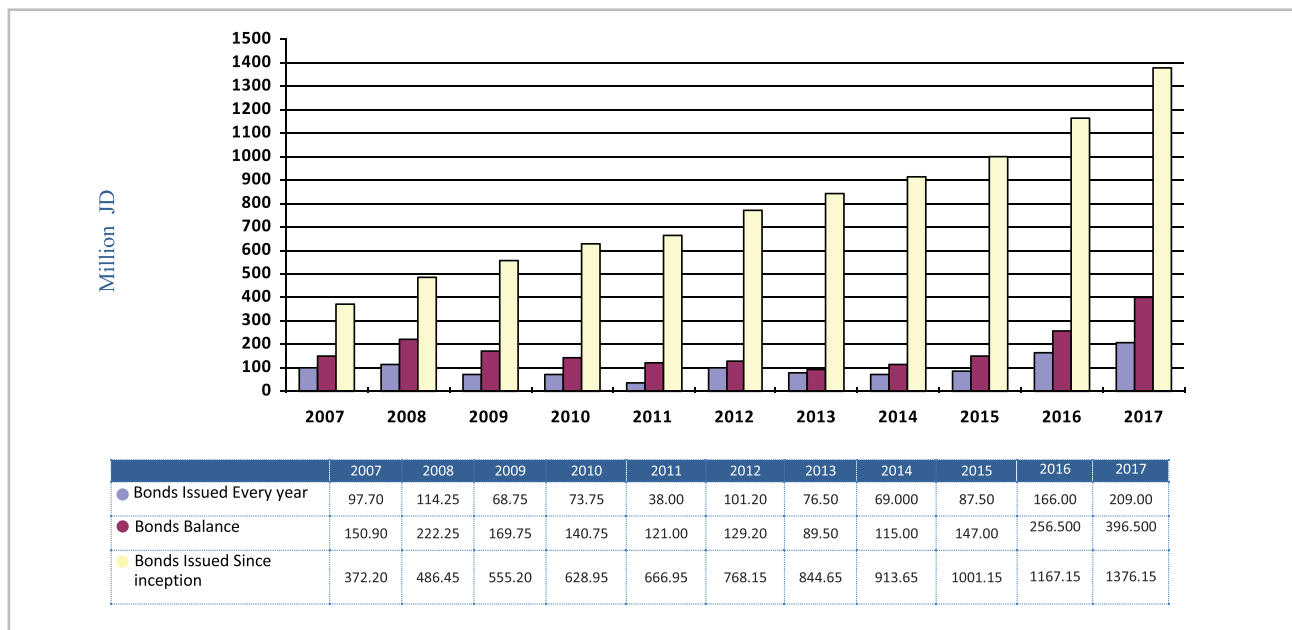
### In The Area of Borrowing

In 2017 JMRC issued corporate bonds with a nominal value of JD (209) million. The total amount of corporate bonds issued by JMRC since its establishment till December 31, 2017 are JD (1.376) Billion.

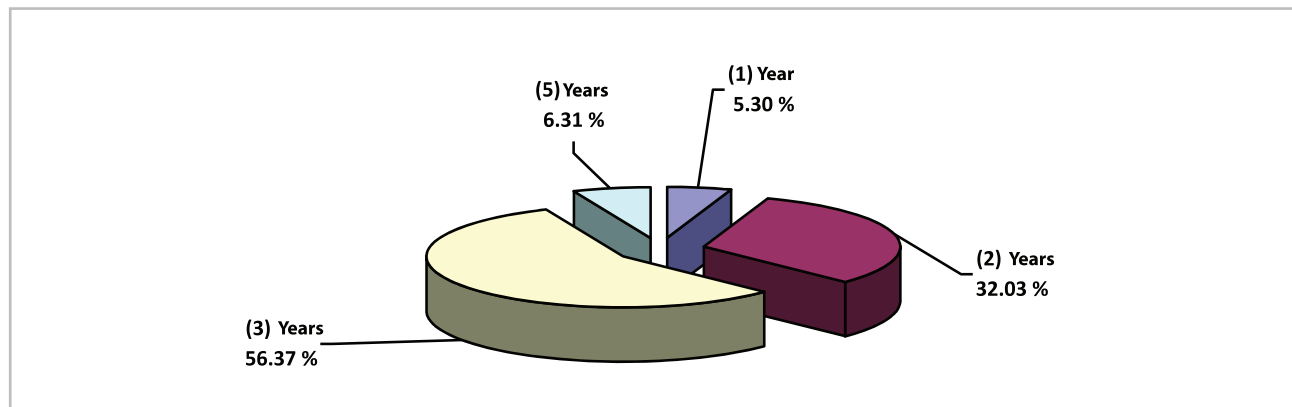
JMRC corporate bonds outstanding balance is (396.500) million JD as at 31/12/2017. JMRC has issued its corporate bonds through private and public subscription.

JMRC bonds are collateralized by the Company's assets, which include the refinance loan portfolio, which in turn is collateralized by mortgage deeds duly transferred to the order of JMRC which its value exceeds (120%) of the outstanding balance of the Company's loans at the end of each quarter through the life of these loans.

The following Chart depicts the growth of JMRC's bonds issued during the period 2007-2017:-



The following diagram depicts the tenor of the outstanding JMRC's bonds as at 31/12/2017:-



The interest rates on JMRC Bonds reflected the low risks associated with JMRC issues of these bonds.

The following table shows the outstanding JMRC corporate bonds as at 31/12/2017:-

**(1)Year**

Issue No	Nominal Value	Interest Rate %	Issue Date	Maturity Date	Denomination	%
199	4,000,000	3.25	01/02/2017	01/02/2018	1,000	
200	2,000,000	3.10	26/02/2017	26/02/2018	1,000	
205	5,000,000	3.80	13/04/2017	12/04/2018	1,000	
211	5,000,000	3.90	20/07/2017	19/07/2018	1,000	
213	5,000,000	3.75	09/08/2017	09/08/2018	1,000	
<b>Total</b>	<b>21,000,000</b>					<b>5.3 %</b>

**(2)Years**

Issue No	Nominal Value	Interest Rate %	Issue Date	Maturity Date	Denomination	%
176	1,000,000	2.80	20/03/2016	20/03/2018	1,000	
185	20,000,000	2.90	19/07/2016	19/07/2018	1,000	
191	1,000,000	3.00	18/09/2016	18/09/2018	1,000	
192	5,000,000	3.85	13/11/2016	13/11/2018	1,000	
202	10,000,000	3.95	28/03/2017	28/03/2019	1,000	
207	10,000,000	4.10	03/05/2017	03/05/2019	1,000	
208	5,000,000	4.25	18/05/2017	18/05/2019	1,000	
210	50,000,000	4.25	29/05/2017	29/05/2019	1,000	
215	5,000,000	4.25	24/09/2017	24/09/2019	1,000	
216	20,000,000	4.70	28/12/2017	28/12/2019	1,000	
<b>Total</b>	<b>127,000,000</b>					<b>32 %</b>

**(3) Years**

Issue No	Nominal Value	Interest Rate %	Issue Date	Maturity Date	Denomination	%
160	5,000,000	4.400	03/02/2015	03/02/2018	1,000	
163	5,000,000	4.000	10/03/2015	10/03/2018	1,000	
167	5,000,000	3.600	05/05/2015	05/05/2018	1,000	
168	10,000,000	3.600	26/05/2015	07/06/2018	1,000	
169	5,000,000	3.400	01/07/2015	01/07/2018	1,000	
170	5,000,000	3.150	05/08/2015	05/08/2018	1,000	
171	10,000,000	3.150	12/08/2015	12/08/2018	1,000	
172	500,000	3.250	02/09/2015	02/09/2018	1,000	
174	5,000,000	3.500	28/12/2015	28/12/2018	1,000	
177	5,000,000	3.500	03/04/2016	03/04/2019	1,000	
178	10,000,000	3.650	13/04/2016	13/04/2019	1,000	
181	2,500,000	3.350	02/05/2016	02/05/2019	1,000	
182	5,000,000	3.350	11/05/2016	11/05/2019	1,000	
184	5,000,000	3.600	15/06/2016	15/06/2019	1,000	
188	10,000,000	3.400	15/08/2016	15/08/2019	1,000	
189	4,000,000	3.350	23/08/2016	23/08/2019	1,000	
190	10,000,000	3.500	31/08/2016	31/08/2019	1,000	
194	3,500,000	3.450	18/12/2016	18/12/2019	1,000	
196	30,000,000	3.500	29/12/2016	29/12/2019	1,000	
197	10,000,000	4.250	26/01/2017	26/01/2020	1,000	
198	10,000,000	3.850	29/01/2017	29/01/2020	1,000	
201	8,000,000	4.450	05/03/2017	05/03/2020	1,000	
203	20,000,000	4.750	30/03/2017	30/03/2020	1,000	
204	10,000,000	4.750	30/03/2017	30/03/2020	1,000	
206	5,000,000	4.850	17/04/2017	17/04/2020	1,000	
209	5,000,000	4.750	28/05/2017	28/05/2020	1,000	
212	10,000,000	5.150	02/08/2017	02/08/2020	1,000	
214	10,000,000	5.000	30/08/2017	30/08/2020	1,000	
Total	223,500,000					56.4%

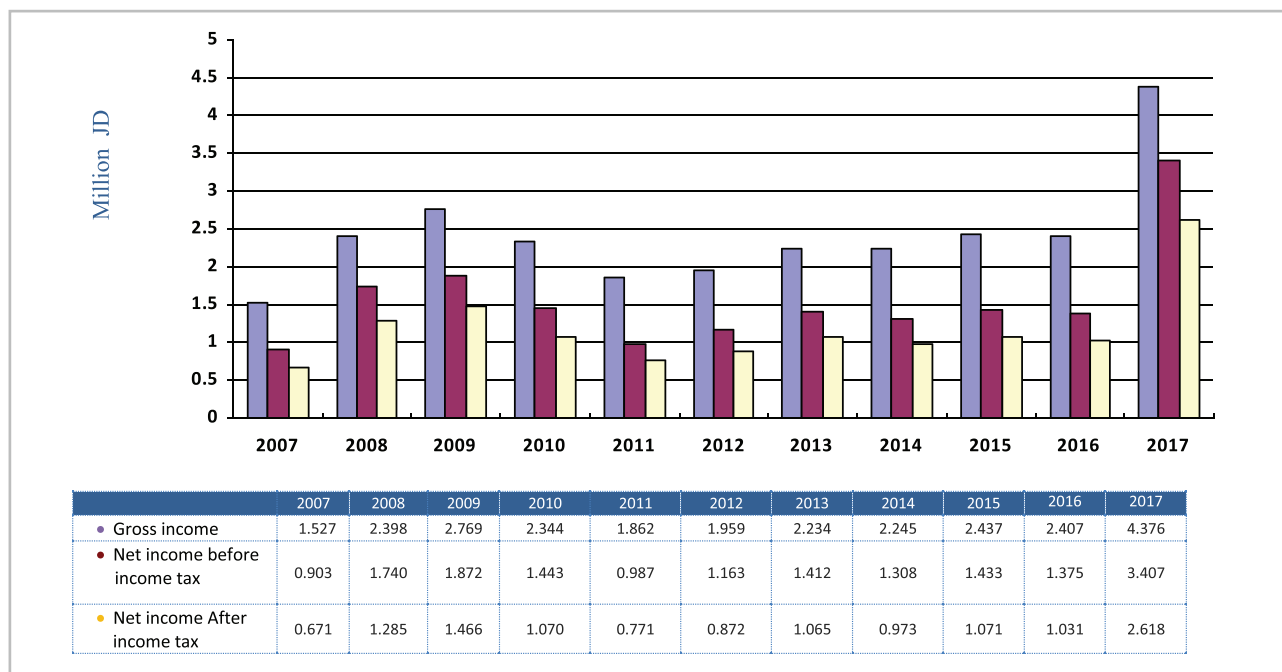
**(5) Years**

Issue No	Nominal Value	Interest Rate %	Issue Date	Maturity Date	Denomination	%
134	15,000,000	9.000	19/03/2013	19/03/2018	1,000	
164	2,000,000	4.900	29/03/2015	29/03/2020	1,000	
173	8,000,000	4.000	27/12/2015	27/12/2020	1,000	
Total	25,000,000					6.3%
Grand Total	396,500,000					100%

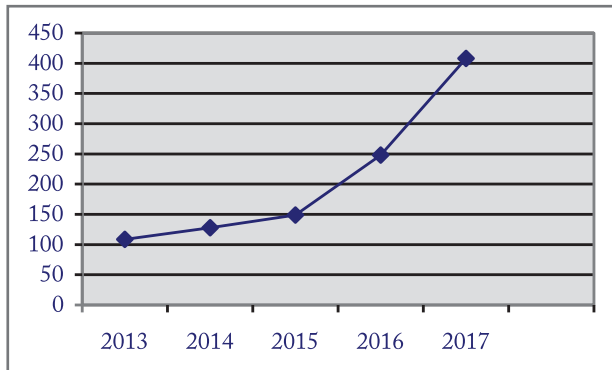
### Summary of the Company's performance for the last fiscal year:-

- 1- The balance of RL's increased by JD (159.746) million at 64.4% to reach JD (407.771) Million compared with JD (248.025) million at the end of the previous year.
- 2- Total Assets increased by JD (144.246) million at 50.4% to reach JD (430.564) Million compared with JD (286.318) million at the end of the previous year.
- 3- The balance of Bond's increased by JD (140.000) million at 54.6 % to reach JD (396.500) Million compared with JD (256.500) million at the end of the previous year.
- 4- Equity holders increased by JD (1.645) million at 15.7% to reach JD (12.136) Million compared with JD (10.491 ) million at the end of the previous year.
- 5- Gross income increased by JD (1.970) million at 81.8% to reach JD (4.376) Million compared with JD (2.406 ) million at the Same period of the previous year.
- 6 - Profit before income tax increased by JD (2.032) million at 147.7 % to reach JD (3.407) Million compared with JD (1.375 ) million at the Same period of the previous year.
- 7 - Profit after income tax increased by JD (1.587) million at 154 % to reach JD (2.618) Million compared with JD (1.031 ) million at the Same period of the previous year.

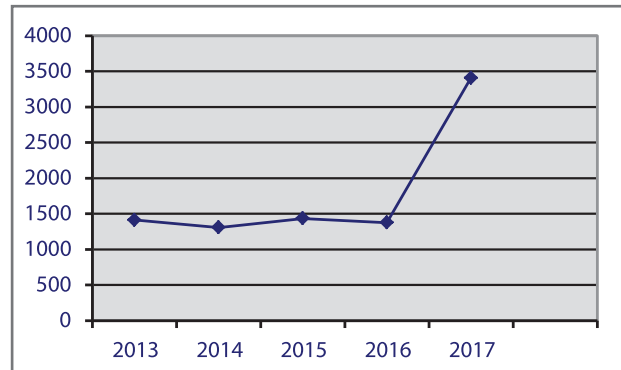
### The following Chart depicts Summary of Financial Result During the Years 2007-2017:-



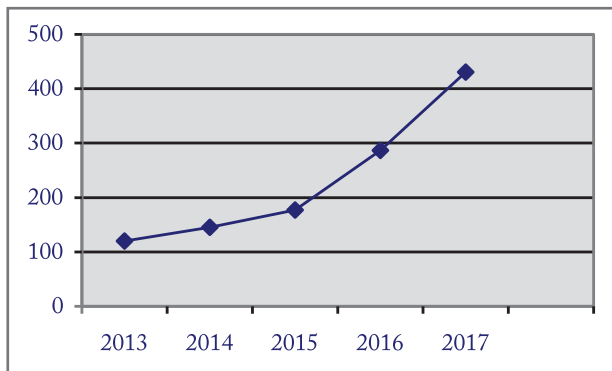
**Refinance loan 2013-2017 ( JD Million)**



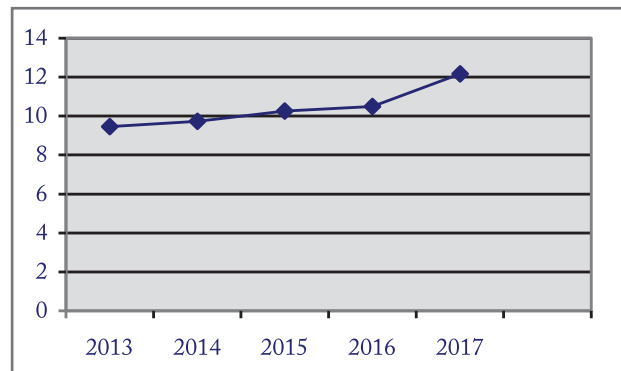
**Net Profit before tax 2013-2017 ( JD Million)**



**Total Assets 2013-2017 ( JD Million )**



**Equity 2013-2017 ( JD Million)**



### **JMRC Projected Action Plan in 2018:-**

#### **JMRC aims to achieve the following:-**

- 1- Enhancing the company's role in the secondary mortgage market.
- 2- Encouraging banks to increase their participation in granting housing loans at fixed interest rates.
- 3- Increasing the Company's issues of bonds to provide funds required for refinancing loans and widening the base of investors in the Company's issues.

During 2018 the Company expects to extend refinance housing loans in the amount of (113.500) million JD. The necessary funds for such transaction shall be provided by issuing corporate bonds in the capital market. It is expected that the company will achieve growth in profits during the year 2018 accomplishments during 2017.

### **JMRC Human Resource**

The number of JMRC staff members, including the deputy general manager is (23). Staff members are appointed according to the Company's needs. Grades and salaries are fixed in accordance with their qualifications and practical experiences.

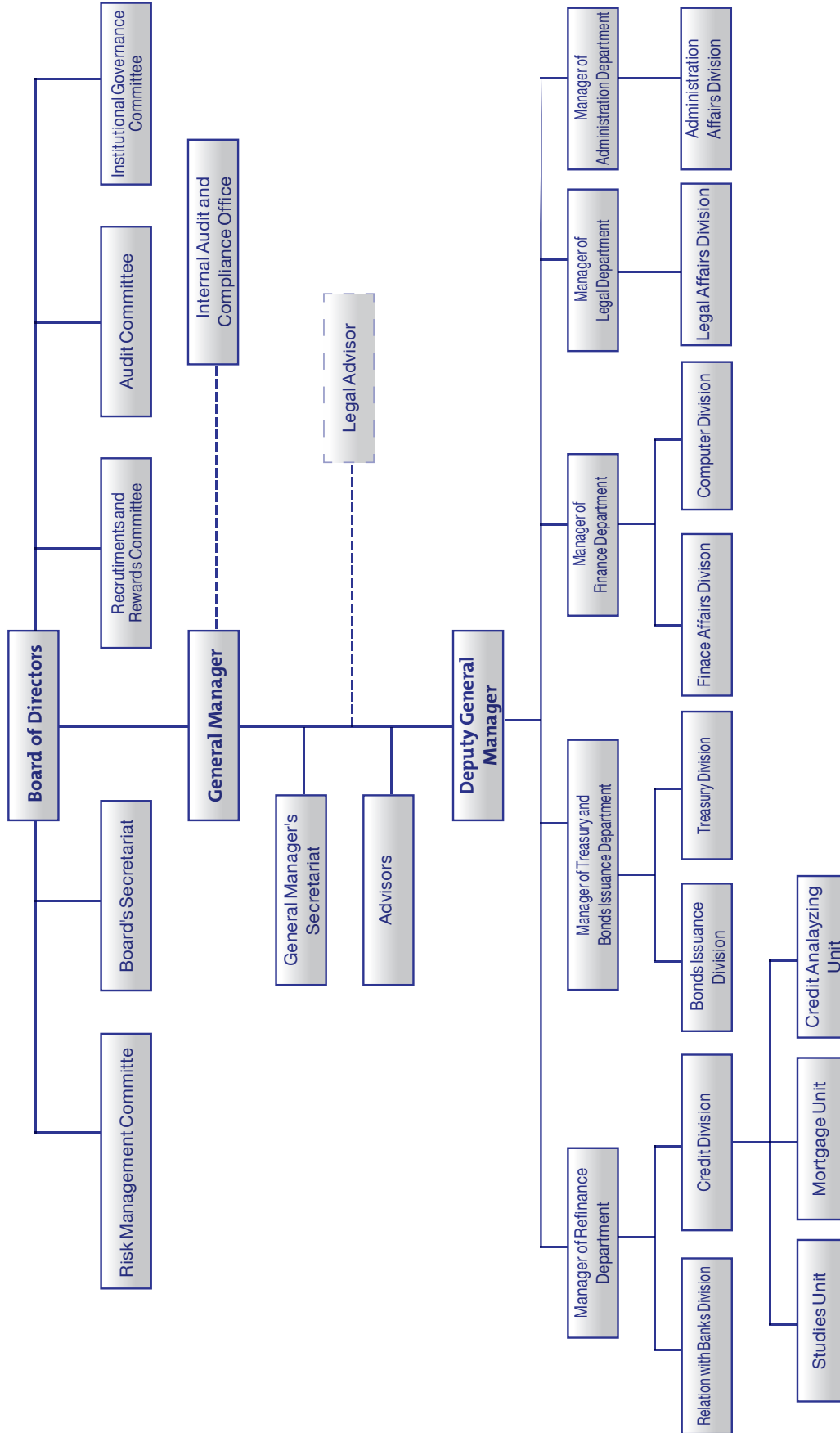
The following list shows academic qualifications of the staff members:-

<b>Academic Qualifications</b>	<b>Number</b>
Master Degree	2
Bachelor Degree	15
General Secondary Certificates	3
Others	3
Total	23

### The higher management executives:

Name	Title	Academic qualifications.
Ibrahim Daher Nsour	General Manager till 9/3/2017	- Higher Diploma in Education 1977. - (BA) Business Administration 1974
Abed Al- Razzak Tubaishat	Deputy General Manager.	- (BA) Economic 1999.
Sayel AL- Aqarbeh	Manager of Finance Department.	- (BA) Accounting 2000 - Intermediate University College Diploma (Accounting) 1995
Jawad Qtaishat	Manager of Administration Department.	- (BA) of Law 1993.
Marwan Al-Omar	Manager of Legal Department.	- Master of Law 2005. - (BA) of Law 1991

# Organization Chart







# **Jordan Mortgage Refinance Company**

## **Public Shareholding Company**

**Financial Statements as at 31 December 2017**  
**Together With**  
**Independent Auditors' Report**

Jordan Mortgage Refinance Company  
Public Shareholding Company

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To The Shareholders of  
**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
Amman - Jordan

#### INDEPENDENT AUDITOR'S REPORT

##### **Opinion**

We have audited the financial statements of **Jordan Mortgage Refinance Company PLC**, which comprise the statement of financial position as at 31 December 2017, and statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

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

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

##### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

##### **Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records and the accompanying financial statements are in agreement there with and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

7 February 2018

Amman – Jordan

**Arab Professionals**  
  
**Arab Professionals**  
 **Grant Thornton**

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of financial position as at 31 December 2017**  
**(In Jordanian Dinar)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Cash and cash equivalents	3	5,316,075	1,186,613
Deposits at banks	4	5,000,000	27,000,000
Refinance loans	5	407,771,264	248,025,496
Employees' housing loans		568,360	589,767
Interest receivable		5,033,330	3,295,622
Financial assets at amortized cost	6	6,000,000	5,001,455
Financial assets at fair value through other comprehensive income	7	397,320	720,143
Other assets	8	20,461	30,488
Property and equipment	9	456,907	468,256
<b>Total Assets</b>		<b><u>430,563,717</u></b>	<b><u>286,317,840</u></b>
<b>Liabilities and Equity</b>			
Bonds	10	396,500,000	256,500,000
Central Bank of Jordan loan	11	16,389,341	15,590,795
Accrued interest		4,399,340	2,848,363
Other liabilities	12	1,138,394	887,360
<b>Total Liabilities</b>		<b><u>418,427,075</u></b>	<b><u>275,826,518</u></b>
<b>Equity</b>	13		
Paid – in capital		5,000,000	5,000,000
Statutory reserve		2,198,954	1,852,879
Voluntary reserve		1,949,774	1,949,774
Special reserve		1,253,500	1,019,320
Fair value adjustments		( 371,573)	( 48,750)
Retained earnings		2,105,987	718,099
<b>Total Equity</b>		<b><u>12,136,642</u></b>	<b><u>10,491,322</u></b>
<b>Total Liabilities and Equity</b>		<b><u>430,563,717</u></b>	<b><u>286,317,840</u></b>

" The attached notes from (1) to (25) form an integral part of these financial statements"

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of profit or loss for the year ended 31 December 2017**

(In Jordanian Dinar)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest income	14	19,651,913	10,452,124
Interest expense	15	( 15,276,052)	( 8,045,573)
<b>Gross operating income</b>		<b>4,375,861</b>	<b>2,406,551</b>
Administrative expenses	16	( 888,052)	( 970,863)
Depreciation	9	( 27,057)	( 26,417)
Other revenues		-	21,104
Fees and other expenses	17	( 53,571)	( 55,000)
<b>Profit before income tax</b>		<b>3,407,181</b>	<b>1,375,375</b>
Income tax expense	21	( 789,038)	( 344,415)
<b>Profit for the year</b>		<b>2,618,143</b>	<b>1,030,960</b>
Basic and diluted earnings per share	18	0.524	0.206

" The attached notes from (1) to (25) form an integral part of these financial statements"

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of comprehensive income for the year ended 31 December 2017**

(In Jordanian Dinar)

	<u>2017</u>	<u>2016</u>
Profit for the year	2,618,143	1,030,960
Other comprehensive income		
Changes in fair value of financial assets	( 322,823)	( 50,000)
Total comprehensive income for the year	<u>2,295,320</u>	<u>980,960</u>

" The attached notes from (1) to (25) form an integral part of these financial statements"

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of Changes in Equity for the year ended 31 December 2017**  
**(In Jordanian Dinar)**

	Reserves					Fair Value Adjustments	Retained Earnings	Total
	Paid Capital	Statutory Reserve	Voluntary Reserve	Special Reserve				
Balance at 1 January 2017	5,000,000	1,852,879	1,949,774	1,019,320	( 48,750)	718,099	10,491,322	
Dividends paid	-	-	-	-	-	( 650,000)	( 650,000)	
Total comprehensive income	-	-	-	-	( 322,823)	2,618,143	2,295,320	
Reserves	-	346,075	-	234,180	-	( 580,255)	-	
Balance at 31 December 2017	5,000,000	2,198,954	1,949,774	1,253,500	( 371,573)	2,105,987	12,136,642	
Balance at 1 January 2016	5,000,000	1,709,841	1,949,774	814,000	1,250	785,497	10,260,362	
Dividends paid	-	-	-	-	-	( 750,000)	( 750,000)	
Total comprehensive income	-	-	-	-	( 50,000)	1,030,960	980,960	
Reserves	-	143,038	-	205,320	-	( 348,358)	-	
Balance at 31 December 2016	5,000,000	1,852,879	1,949,774	1,019,320	( 48,750)	718,099	10,491,322	

" The attached notes from (1) to (25) form an integral part of these financial statements "

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of Cash Flows for the year ended 31 December 2017**  
**(In Jordanian Dinar)**

	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Profit for the year before income tax	3,407,181	1,375,375
Depreciation	27,057	26,417
Financial assets premium amortization	1,455	-
<b>Changes in working capital</b>		
Deposits at banks	22,000,000	( 5,500,000)
Interests receivable	( 1,737,708)	( 905,994)
Refinance loans	( 159,745,768)	( 99,245,768)
Employees' housing loans	21,407	( 3,560)
Other assets	10,027	( 5,143)
Accrued interests	1,550,977	404,869
Bonds	140,000,000	109,500,000
Government's loan	-	( 1,289,305)
Central bank loan	798,546	759,639
Income tax paid	( 415,673)	( 647,302)
Other liabilities	( 122,331)	65,748
<b>Net cash flows from operating activities</b>	<b>5,795,170</b>	<b>4,534,976</b>
<b>Investing Activities</b>		
Property and equipment	( 15,708)	( 56,505)
Financial assets measured at amortized cost	( 1,000,000)	( 5,001,455)
Financial assets measured through other comprehensive income	-	( 643,893)
<b>Net cash flows used in investing activities</b>	<b>( 1,015,708)</b>	<b>( 5,701,853)</b>
<b>Financing Activities</b>		
Dividends paid	( 650,000)	( 750,000)
<b>Changes in cash and cash equivalents</b>	<b>4,129,462</b>	<b>( 1,916,877)</b>
Cash and cash equivalents, beginning of year	1,186,613	3,103,490
<b>Cash and cash equivalents, end of year</b>	<b>5,316,075</b>	<b>1,186,613</b>

" The attached notes from (1) to (25) form an integral part of these financial statements"

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Notes to the Financial Statements 31 December 2017**  
**(In Jordanian Dinar)**

**1. General**

Jordan Mortgage Refinance Company was established on 5 June 1996 in accordance with Jordanian Companies Law No. (22) Of 1997 and registered under No. (314) as a public shareholding company and was granted the operating license on 22 July 1996. the Company's head office is in the Hashemite Kingdom of Jordan and its main objectives are:

- Development and improvement of the housing finance market in Jordan by enabling licensed banks and other financial institutions to increase their participation in granting housing loans.
- Enhancement and development of the capital market in Jordan by issuing medium and long-term bonds.

The financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 7 Feb. 2018.

**2. Summary of Accounting Policies**

**Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis except for investment securities, which have been measured at fair value.

The financial statements are presented in the Jordanian Dinar, which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous year.

**Adoption of new and revised IFRS standards**

The following standards have been published that are mandatory for accounting periods after 31 December 2017. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

Standard No.	Title of Standards	Effective Date
IFRS 9	Financial Instruments (Amendments)	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

### Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the provisions. 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.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the statement of profit or loss.
- Estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable for individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

### Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the Cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held at call with banks, other short - term highly liquid investments.

### Accrual Accounts

Accrued payments are recognized upon receiving goods or performance of services.

#### Financial Assets at Fair Value through Other Comprehensive Income

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. Gain or Loss from the sale of these investments should be recognized in the statement of comprehensive income and within owner's equity, and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings and not to the statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the statement of profit or loss on a separate line item.

### **Financial Assets at Amortized Cost**

They are the financial assets which the Company's management intends according to its business model to hold for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.

Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount are amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part therefore are deducted, and any impairment loss in its value is recorded in the statement of profit or loss.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before its maturity date, the result should be recorded in a separate line item in the statement of profit or loss, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

### **Fair value**

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on the statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statements of profit or loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on a straight-line basis using the following annual depreciation rates:

Buildings	2-20%
Furniture & Fixtures	15-25%
Vehicles	20%
Computers	30%

The useful life and depreciation method are reviewed periodically to ensure that the method and period of deprecation are consistent with the expected pattern of economic benefits from items of property and equipment.

### **Loans and bonds**

Interest on long-term loans and bonds are recorded using the accrual basis of accounting and recognized in the statement of profit or loss.

### **Provisions**

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

### **Provision for End of Service Indemnity**

The provision for end of service indemnity is calculated based on the contractual provisions of the employment.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

### **Revenues**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

Interest is recognized on a time proportion basis that reflects the effective yield on the assets.

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

Other revenues are recorded according to the accrual basis.

### **Income tax**

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

### 3. Cash and Cash Equivalents

	2017	2016
Cash at banks	960	2,311
Deposit for period less than 3 month	5,315,115	1,184,302
	<b>5,316,075</b>	<b>1,186,613</b>

Annual interest rate for bank deposit is 4.5%.

### 4. Deposits at Banks

	2017	2016
Deposits for period more than 3 months and less than 6 months	-	12,000,000
Deposits for period more than 6 months and less than 9 months	-	10,000,000
Deposits for period more than 9 months and less than 1 year	5,000,000	-
Deposits for period more than 1 year	-	5,000,000
	<b>5,000,000</b>	<b>27,000,000</b>

Annual interest rate for bank deposits is 5.3%.

### 5. Refinance Loans

This item represents loans granted to local banks for the purpose of financing housing loans.

	2017	2016
Balance at 1 January	248,025,496	148,779,728
Granted loans	214,000,000	146,000,000
Repaid loans	( 54,254,232)	( 46,754,232)
	<b>407,771,264</b>	<b>248,025,496</b>

The aggregate amounts of annual principal maturities of refinance loans are as follows:

Year	JOD
2018	108,754,232
2019	195,254,232
2020	103,254,232
After 2020	508,568
	<b>407,771,264</b>

These loans earn interest ranges between 3.8% and 9.75% yearly.

## 6. Financial assets at amortized costs

	Interest rate	2017	2016
Water Authority bonds, issue number 69, maturity date 10/11/2026 (Premium JOD 1,455)	% 6.484	5,000,000	5,001,455
Al-Ahli Bank bonds, maturity date 12/10/2023	% 6.75	1,000,00	-
		<u>6,000,000</u>	<u>5,001,455</u>

## 7. Financial assets at fair value through other comprehensive income

This represents the fair value investment of 2.846% of Jordan Loan Guarantee Corp. capital, a public shareholding company.

## 8. Other Assets

	2017	2016
Prepaid expenses	18,813	26,552
Refundable deposits	1,648	1,648
Other	-	2,288
	<u>20,461</u>	<u>30,488</u>

## 9. Property and Equipment

	Land	Buildings	Furniture &Fixtures	Vehicles	Computers	Total
<b>Cost</b>						
Balance at 1/1/2017	176,400	407,750	118,934	59,700	82,627	845,411
Additions	-	2,858	12,647	-	203	15,708
Disposals	-	-	( 19,074)	-	( 232)	( 19,306)
Balance at 31/12/2017	176,400	410,608	112,507	59,700	82,598	841,813
<b>Accumulated depreciation</b>						
Balance at 1/1/2017	-	170,688	114,794	18,980	72,693	377,155
Depreciation	-	9,560	2,453	10,179	4,865	27,057
Disposals	-	-	( 19,074)	-	( 232)	( 19,306)
Balance at 31/12/2017	-	180,248	98,173	29,159	77,326	384,906
Net book value at 31/12/2017	176,400	230,360	14,334	30,541	5,272	456,907
<b>Cost</b>						
Balance at 1/1/2016	176,400	407,610	118,539	63,808	84,269	850,626
Additions	-	140	2,764	50,900	2,701	56,505
Disposals	-	-	( 2,369)	( 55,008)	( 4,343)	( 61,720)
Balance at 31/12/2016	176,400	407,750	118,934	59,700	82,627	845,411
<b>Accumulated depreciation</b>						
Balance at 1/1/2016	-	161,626	115,462	63,806	71,564	412,458
Depreciation	-	9,062	1,701	10,182	5,472	26,417
Disposals	-	-	( 2,369)	( 55,008)	( 4,343)	( 61,720)
Balance at 31/12/2016	-	170,688	114,794	18,980	72,693	377,155
Net book value at 31/12/2016	176,400	237,062	4,140	40,720	9,934	468,256

## 10. Bonds

This item represents bonds issued by the company and carry an annual interest rate between (2.8%) and (9%).

	2017	2016
Balance at 1 January	256,500,000	147,000,000
Issued bonds	209,000,000	166,000,000
Repaid bonds	(69,000,000)	(56,500,000)
	<u>396,500,000</u>	<u>256,500,000</u>

The bonds outstanding balance is payable as follows:

Year	JOD
2018	113,500,000
2019	185,000,000
2020	98,000,000
	<u>396,500,000</u>

## 11. Central Bank of Jordan loan

This item represents the present value of the debt instrument of JOD (40,275,412) issued to the favor of Central Bank of Jordan. The instrument matures at 7/6/2035 and carries fixed interest rate of (5.12%) per annum payable on the instrument's maturity date.

## 12. Other Liabilities

	2017	2016
Provision for income tax (Note 21)	600,848	227,483
Provision for end of services indemnity	370,747	480,693
Employees medication	100,970	90,890
Board of Directors' remunerations	53,571	55,000
Provision for employees' vacations	5,194	24,850
Accrued expenses	6,760	6,060
Other	304	2,384
	<u>1,138,394</u>	<u>887,360</u>

### 13. Equity

#### Paid in Capital

The Company's authorized and paid up capital is JOD (5) Million divided equally into (5) Million shares with par value of JOD (1) each as at 31 December 2017 and 2016.

#### Statutory Reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

#### Voluntary Reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

#### Special Reserve

The accumulated amounts in this account represent the provision taken by the Company against its exposure to interest rate risk.

#### Dividends

The General Assembly has resolved in its meeting held in 2017 to distribute 13% cash dividends to the shareholders.

The Board of Director will propose to the General Assembly in its meeting which will be held in 2018 to distribute 19% cash dividends to shareholders.

### 14. Interest Income

	2017	2016
Interest on refinance loans	18,492,187	9,425,700
Treasury bonds interest	337,724	46,187
Interest on time deposits	807,762	965,060
Interest on employee's housing loans	14,240	15,177
	<u>19,651,913</u>	<u>10,452,124</u>

## 15. Interest Expense

	2017	2016
Interest on bonds	14,425,294	7,239,843
Interest on Central Bank of Jordan loan	821,855	781,811
Interest on Government's loan	-	9,908
Others	28,903	14,011
	<u>15,276,052</u>	<u>8,045,573</u>

## 16. Administrative Expenses

	2017	2016
Salaries and benefits	410,398	498,347
Social security	53,402	43,651
Board of Directors' transportation	105,618	105,930
End of service indemnity and vacations	79,373	56,703
Employees bonus	61,233	73,245
Health, life and accidents insurance	54,779	68,250
Employees' provident fund	30,778	37,645
Professional fees	16,886	15,740
Building and insurance expenses	14,440	12,627
Employees' training	10,730	7,402
Maintenance	8,137	8,500
Utilities	7,401	9,500
Hospitality	5,922	4,510
Fees and subscriptions	5,702	5,770
Donations	5,000	5,000
Stationery and publications	4,700	4,656
Vehicles expenses	4,206	4,900
Post and telephone	2,553	3,300
Advertisement	1,681	2,178
Companies Controller fees	600	600
Miscellaneous	4,513	2,409
	<u>888,052</u>	<u>970,863</u>

## 17. Fees and Other Expenses

	2017	2016
Board of Director's remunerations	<u>53,571</u>	<u>55,000</u>

## 18. Basic and Diluted Earnings per Share

	2017	2016
Profit for the year	2,618,143	1,030,960
Weighted average number of shares	5,000,000	5,000,000
	<u>0.524</u>	<u>0.206</u>

## 19. Executive Management remuneration

The remuneration of executive management during the years 2017 and 2016 amounted to JOD (238,787) and JOD (348,515) respectively.

## 20. Segment Reporting

The Company is engaged mainly in one activity which is mortgages refinancing within the territory of the Hashemite Kingdom of Jordan.

## 21. Income Tax

The movement on provision for the income tax during the year is as follows:

	2017	2016
Balance at beginning of the year	227,483	530,370
Income tax expense for the year	789,038	344,415
Income tax paid	( 415,673)	( 647,302)
Balance at end of the year (Note 12)	<u>600,848</u>	<u>227,483</u>

Income tax expense for the year in the statement of profit or loss consists of the following:

	2017	2016
Income tax expense for the year	<u>789,038</u>	<u>344,415</u>

The following is the reconciliation between declared income and taxable income:

	2017	2016
Declared income	3,407,181	1,375,375
Tax exempted income	( 241,070)	( 39,960)
Tax unacceptable expenses	121,548	99,645
<b>Taxable income</b>	<b>3,287,659</b>	<b>1,435,060</b>
Income tax rate	24%	24%
Effective tax rate	23%	25%

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2015.
- The income tax return for the year 2016 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- The income tax provision for 2017 was calculated in accordance with the Income Tax Law.

## 22. Analysis of the Maturities of Assets and Liabilities

The following table illustrates the analysis of assets and liabilities according to the expected period of their recoverability or settlement.

2017	Up to one year	More than one year	Total
<b>Assets</b>			
Cash and cash equivalents	5,316,075	-	5,316,075
Deposits at banks	5,000,000	-	5,000,000
Refinance loans	108,754,232	299,017,032	407,771,264
Employees' housing loans	37,812	530,548	568,360
Interest receivable	5,033,330	-	5,033,330
Financial assets at amortized cost	-	6,000,000	6,000,000
Financial assets at fair value through other comprehensive income	-	397,320	397,320
Other assets	20,461	-	20,461
Property and equipment	-	456,907	456,907
<b>Total Assets</b>	<b>124,161,910</b>	<b>306,401,807</b>	<b>430,563,717</b>
<b>Liabilities</b>			
Bonds	113,500,000	283,000,000	396,500,000
Central Bank of Jordan loan	-	16,389,341	16,389,341
Accrued interest	4,399,340	-	4,399,340
Other liabilities	1,138,394	-	1,138,394
<b>Total Liabilities</b>	<b>119,037,734</b>	<b>299,389,341</b>	<b>418,427,075</b>

2016	Up to one year	More than one year	Total
<b>Assets</b>			
Cash and cash equivalents	1,186,613	-	1,186,613
Deposits at banks	22,000,000	5,000,000	27,000,000
Refinance loans	54,254,232	193,771,264	248,025,496
Employees' housing loans	43,350	546,417	589,767
Interest receivable	3,295,622	-	3,295,622
Financial assets at amortized cost	1,455	5,000,000	5,001,455
Financial assets at fair value through other comprehensive income	-	720,143	720,143
Other assets	30,488	-	30,488
Property and equipment	-	468,256	468,256
<b>Total Assets</b>	<b>80,811,760</b>	<b>205,506,080</b>	<b>286,317,840</b>
<b>Liabilities</b>			
Bonds	69,000,000	187,500,000	256,500,000
Central Bank of Jordan loan	-	15,590,795	15,590,795
Accrued interest	2,848,363	-	2,848,363
Other liabilities	887,360	-	887,360
<b>Total Liabilities</b>	<b>72,735,723</b>	<b>203,090,795</b>	<b>275,826,518</b>

## 23. Interest Rate Re-pricing Gap

The Company adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates.

2017	Upto one year	More than one year	Non-interest bearing	Total
<b>Assets</b>				
Cash and cash equivalents	5,315,115	-	960	5,316,075
Deposits at banks	5,000,000	-	-	5,000,000
Refinance loans	108,754,232	299,017,032	-	407,771,264
Employees' housing loans	37,812	530,548	-	568,360
Interest receivable	-	-	5,033,330	5,033,330
Financial assets at amortized cost	-	6,000,000	-	6,000,000
Financial assets at fair value through other comprehensive income	-	-	397,320	397,320
Other assets	-	-	20,461	20,461
Property and equipment	-	-	456,907	456,907
<b>Total Assets</b>	<b>119,107,159</b>	<b>305,547,580</b>	<b>5,908,978</b>	<b>430,563,717</b>
<b>Liabilities</b>				
Bonds	113,500,000	283,000,000	-	396,500,000
Central Bank of Jordan loan	-	16,389,341	-	16,389,341
Accrued interest	-	-	4,399,340	4,399,340
Other liabilities	-	-	1,138,394	1,138,394
<b>Total Liabilities</b>	<b>113,500,000</b>	<b>299,389,341</b>	<b>5,537,734</b>	<b>418,427,075</b>
<b>Net</b>	<b>5,607,159</b>	<b>6,158,239</b>	<b>371,244</b>	<b>12,136,642</b>
2016	Upto one year	More than one year	Non-interest bearing	Total
<b>Assets</b>				
Cash and cash equivalents	1,184,302	-	2,311	1,186,613
Deposits at banks	22,000,000	5,000,000	-	27,000,000
Refinance loans	54,254,232	193,771,264	-	248,025,496
Employees' housing loans	43,350	546,417	-	589,767
Interest receivable	-	-	3,295,622	3,295,622
Financial assets at amortized cost	-	5,000,000	1,455	5,001,455
Financial assets at fair value through other comprehensive income	-	-	720,143	720,143
Other assets	-	-	30,488	30,488
Property and equipment	-	-	468,256	468,256
<b>Total Assets</b>	<b>77,481,884</b>	<b>204,317,681</b>	<b>4,518,275</b>	<b>286,317,840</b>
<b>Liabilities</b>				
Bonds	69,000,000	187,500,000	-	256,500,000
Central Bank of Jordan loan	-	15,590,795	-	15,590,795
Accrued interest	-	-	2,848,363	2,848,363
Other liabilities	-	-	887,360	887,360
<b>Total Liabilities</b>	<b>69,000,000</b>	<b>203,090,795</b>	<b>3,735,723</b>	<b>275,826,518</b>
<b>Net</b>	<b>8,481,884</b>	<b>1,226,886</b>	<b>782,552</b>	<b>10,491,322</b>

## 24. Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents and refinance loans. Financial liabilities of the Company include bonds, Government's loans and accrued interest.

### Fair Value

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** unobservable inputs for the asset or liability.

2017	Level 1	Level 2	Level 3	Total
Financial assets through other comprehensive income	397,320	-	-	397,320

2016	Level 1	Level 2	Level 3	Total
Financial assets through other comprehensive income	720,143	-	-	720,143

### Credit Risk

Credit risk arises principally from banks' deposits and loans granted to the financial institutions to refinance housing loans. The Company limits its credit risk by adopting conservative lending standards and setting limits to its customers, noting that the Company does not bear any loss arising from any default in the refinanced loans, as it is carried out in full by the financial institutions. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the largest client amounted to JOD (60) Million for the year ended 2017 against JOD (41.5) Million for the year ended 2016.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents and quoted securities.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date:

2017	Less than one year	One year to two years	More than two years	Total
Bonds	113,500,000	185,000,000	98,000,000	396,500,000
Central Bank of Jordan loan	-	-	16,389,341	16,389,341
Accrued interest	4,399,340	-	-	4,399,340
Other liabilities	1,138,394	-	-	1,138,394
	<u>119,037,734</u>	<u>185,000,000</u>	<u>114,389,341</u>	<u>418,427,075</u>
2016	Less than one year	One year to two years	More than two years	Total
Bonds	69,000,000	92,500,000	95,000,000	256,500,000
Central Bank of Jordan loan	-	-	15,590,795	15,590,795
Accrued interest	2,848,363	-	-	2,848,363
Other liabilities	887,360	-	-	887,360
	<u>72,735,723</u>	<u>92,500,000</u>	<u>110,590,795</u>	<u>275,826,518</u>

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rate and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

### **Equity Price Risk**

Equity price risk results from the change in fair value of the equity securities. The Company manages these risks by investing in capital protected portfolios not exceeding 20% of its equity with reputable financial institutions in accordance with the investment policy set by the Board of Directors. If the quoted market price of listed equity securities had increased or decreased by 10%, the net result for the year would have been reduced / increased by JOD (39,732) during 2017 (2016: JOD 72,014).

## **25. Capital Management**

The Company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by investing the Company's assets commensurately with the level of risk.