

# Jordan Mortgage Refinance Company

PUBLIC SHAREHOLDING COMPANY WITH LIMITED LIABILITY

# 2016



## Annual Report 20



## **Jordan Mortgage Refinance Company**

PUBLIC SHAREHOLDING COMPANY WITH LIMITED LIABILITY

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.

**Head Office : Amman, The Hashemite Kingdom of Jordan.**

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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.

***Jordan Mortgage  
Refinance Company, (JMRC)***

# Table of Contents

|   |    |
|---|----|
| - Board of Directors.   | 10 |
| - Chairman's Letter.  | 11 |
| - Incorporation, objectives, sources of funds, and operation mechanism. | 12 |
| - Benefits of borrowing from JMRC.                                      | 14 |
| - Benefits of investing in JMRC bonds.                                  | 14 |
| - Achievements:   |    |
| - In the area of refinancing of housing loans.                          | 15 |
| - In the area of borrowing.   | 17 |
| -Activities.  |    |
| - In the area of training.  | 21 |
| -Summary of the Company's performance for the last fiscal year.         | 22 |
| - Organization chart.   | 23 |
| - Human resources.  | 24 |
| - Projected action plan.  | 26 |
| - Financial statements.   | 27 |



## 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

|                              |  |
|------------------------------|--|
| Mr. Ziad Ghanma              | Representative, Central Bank of Jordan                   |
| Mr. Mu'taz Barbour           | Representative, Central Bank of Jordan.                  |
| Engineer/ Faris Al- Jeanaidi | Representative, Housing & Urban Development Corporation. |
| Mr. Mousa Tarawneh           | Representative, Social Security Corporation              |
| Mr. Adel Asaad               | Representative, Housing Bank for Trade and Finance.      |
| Mr. Tawfiq Mokahal           | Representative, Jordan Kuwait Bank.                      |
| Dr. Nebal Frieihat           | Representative, Jordan Ahli Bank.                        |
| Mrs. Rana Al Sunna           | Representative, Cairo- Amman Bank.                       |
| Miss Ghada Hallosh           | Representative, Jordan Commercial Bank                   |

### General Manager

Mr. Ibrahim Daher Nsour.

### 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 20<sup>th</sup> annual report of Jordan Mortgage Refinance Company (JMRC), which reflects its most important achievements during the year 2016, and shows its financial position as at 31st of December 2016 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 issues in the local capital market.



**Dr. Adel Al-Sharkas**  
Chairman of the Board of Directors

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 2016, 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's

JMRC efforts during 2016 resulted in granting (146 ) 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'S since the inception of its business reached (1.046) Billion JD. The balance of refinance loans at the end of 2016 amounted to (248.025) million JD.

During 2016 JMRC issued corporate bonds in the amount of ( 166 ) million JD in the local capital market, as such, the value of corporate bonds, issued since the beginning of JMRC's operations, reached ( 1.167) Billion JD. The outstanding balance of JMRC bonds issued at the end of 2016 amounted to ( 256.500 ) 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 2016 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.

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 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.

## 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.

### Sources of Funds:-

- Proceeds of JMRC's bonds issued in the local capital market which have priority in repayment over the company's obligations resulting from the loan granted to it by the Government.
- Paid-up capital amounting JD (5) million.
- Central bank of Jordan Loan outstanding balance at the end 2016 amounting (15.591) million.
- Government loan for (20) years in the amount of JD (13.542) million. The loan balance was totally paid up on 15/7/2016

## 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. JMRC's 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 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

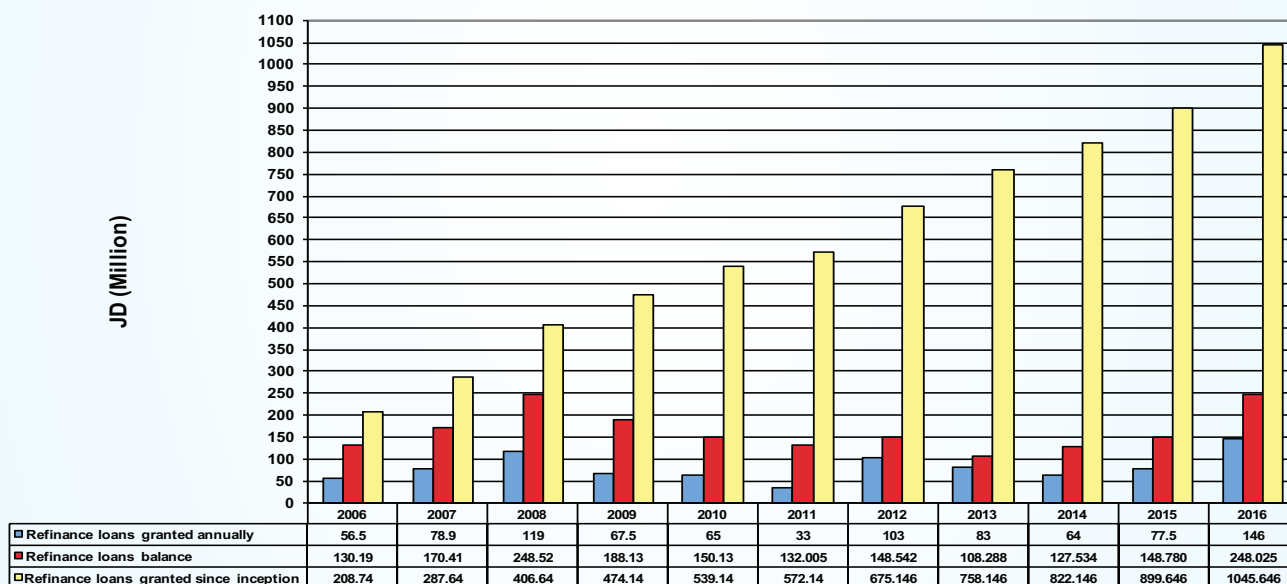
- In accordance with the Income Tax Law number (34/2014), the income generated from trading in these bonds is exempted from income tax except for banks, financial institutions, financial brokerage companies, insurance companies, and leasing companies.
- JMRC's bonds are risk-weighted at (20%) for the 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 in the local capital market.

## JMRC Achievements

### In the area of refinancing of housing loans

In 2016 JMRC continued its lending activity, and signed ( 18) refinance loans agreements with (10 ) financial institutions for an amount of JD (146) million, therefore the refinance loans agreements signed since JMRC inception are (226) agreements with a total amount of JD (1.046) Billion ,The balance of refinance loans on 31/12/2016 was JD (248.025) million.

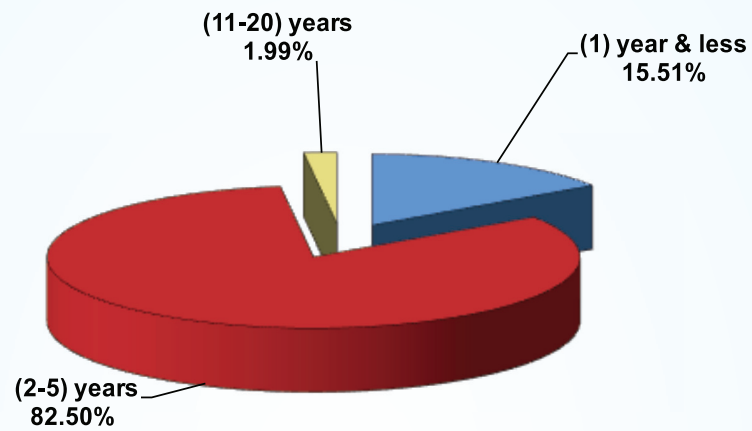
The following chart depicts the growth of the refinancing loans from 2006 to 31 /12 /2016 :







The following diagram depicts the tenor of outstanding refinance loans as at 31/12/2016:



## In The Area of Borrowing

In 2016 JMRC issued corporate bonds with a nominal value of JD (166) million. The total amount of corporate bonds issued by JMRC since its establishment till December 31, 2016 are JD (1.167) Billion.

JMRC corporate bonds outstanding balance is (256.500) million JD as at 31/12/2016. JMRC has issued its corporate bonds through private and public subscription.

JMRC bonds are unsecured but 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 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 31/12/2016:-**

### (6) month

| Issue No | Nominal Value | Interest Rate % | Issue Date | Maturity Date | Denomination | %     |
|----------|---------------|-----------------|------------|---------------|--------------|-------|
| 193      | 5,000,000     | 2.650           | 10/11/2016 | 24/05/2017    | 1,000        |       |
| Total    | 5,000,000     |                 |            |               |              | 1.95% |

### (1)Year

| Issue No | Nominal Value | Interest Rate % | Issue Date | Maturity Date | Denomination | %      |
|----------|---------------|-----------------|------------|---------------|--------------|--------|
| 175      | 2,000,000     | 2.750           | 24/02/2016 | 26/02/2017    | 1,000        |        |
| 179      | 5,000,000     | 2.650           | 14/04/2016 | 13/04/2017    | 1,000        |        |
| 180      | 5,000,000     | 2.600           | 24/04/2016 | 24/04/2017    | 1,000        |        |
| 183      | 5,000,000     | 2.650           | 18/05/2016 | 18/05/2017    | 1,000        |        |
| 186      | 2,000,000     | 2.850           | 20/07/2016 | 20/07/2017    | 1,000        |        |
| 187      | 10,000,000    | 2.785           | 08/08/2016 | 08/08/2017    | 1,000        |        |
| 195      | 20,000,000    | 3.200           | 28/12/2016 | 28/12/2017    | 1,000        |        |
| Total    | 49,000,000    |                 |            |               |              | 19.10% |

## (2) Years

| Issue No     | Nominal Value      | Interest Rate % | Issue Date | Maturity Date | Denomination | %             |
|--------------|--------------------|-----------------|------------|---------------|--------------|---------------|
| 176          | 1,000,000          | 2.800           | 20/03/2016 | 20/03/2018    | 1,000        |               |
| 185          | 20,000,000         | 2.900           | 19/07/2016 | 19/07/2018    | 1,000        |               |
| 191          | 1,000,000          | 3.000           | 18/09/2016 | 18/09/2018    | 1,000        |               |
| 192          | 5,000,000          | 3.850           | 13/11/2016 | 13/11/2018    | 1,000        |               |
| <b>Total</b> | <b>27,000,0000</b> |                 |            |               |              | <b>10.53%</b> |

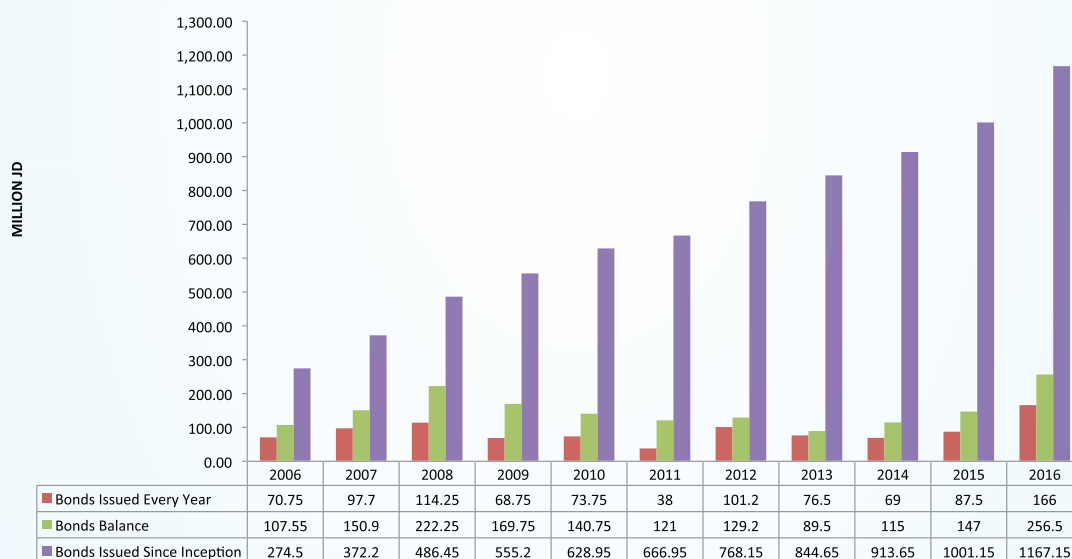
## (3) Years

| Issue No     | Nominal Value      | Interest Rate % | Issue Date | Maturity Date | Denomination | %             |
|--------------|--------------------|-----------------|------------|---------------|--------------|---------------|
| 153          | 5,000,000          | 4.750           | 26/05/2014 | 26/05/2017    | 1,000        |               |
| 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        |               |
| <b>Total</b> | <b>140,500,000</b> |                 |            |               |              | <b>54.78%</b> |

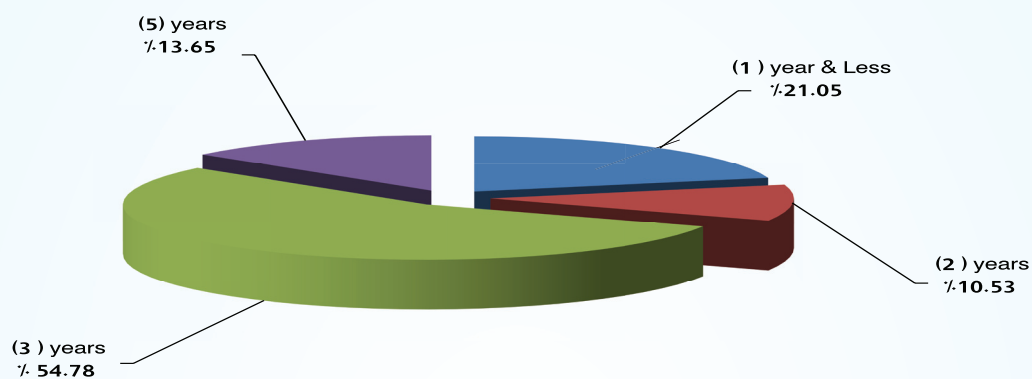
## (5) Years

| Issue No           | Nominal Value      | InterestRate % | Issue Date | Maturity Date | Denomination | %             |
|--------------------|--------------------|----------------|------------|---------------|--------------|---------------|
| 126                | 5,000,000          | 7.900          | 30/07/2012 | 30/07/2017    | 1,000        |               |
| 130                | 5,000,000          | 8.450          | 05/12/2012 | 05/12/2017    | 1,000        |               |
| 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        |               |
| <b>Total</b>       | <b>35,000,000</b>  |                |            |               |              | <b>13.65%</b> |
| <b>Grand Total</b> | <b>256,500,000</b> |                |            |               |              | <b>100%</b>   |

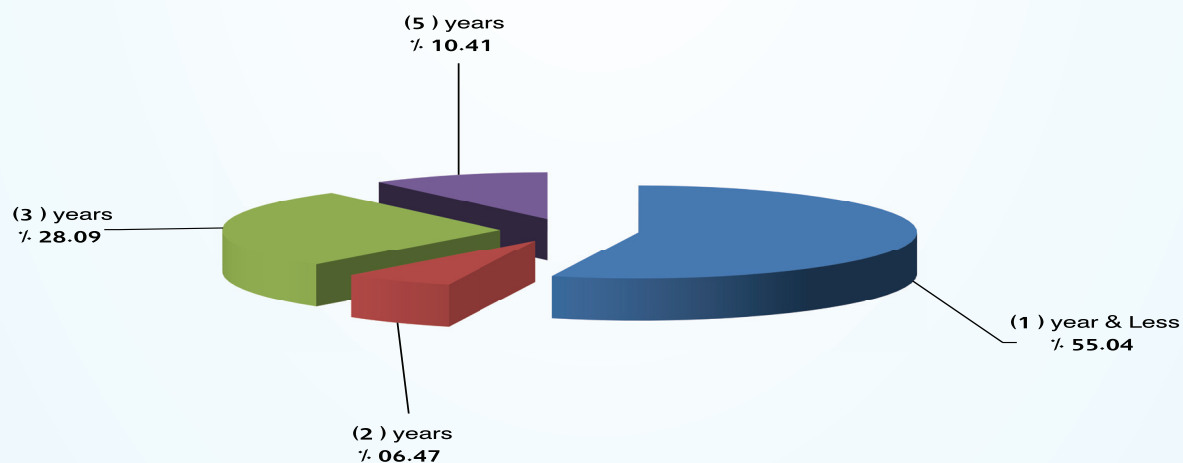
The following Chart depicts the growth of JMRC's bonds issued during the period 2006 – 2016:-



The following diagram shows the tenor of the outstanding JMRC's bonds as at 31/12/2016:-



The following diagram shows the tenor of the JMRC's bonds issued since inception:-



## JMRC Activities

### In The Area of Training

Since its incorporation, JMRC continued its efforts to provide necessary training to its staff.

A number of staff members have participated, during 2016 in the following training courses:-

| Number | Course Name  | Place                                       | The number of participants |
|--------|--|---|----------------------------|
| 1      | Estimating the financing needs of small and medium enterprises.  | Institute of Banking Studies                | 1                          |
| 2      | Preparation and presentation of financial statements in accordance with the requirements of international accounting standards and financial innovation. | Institute of Banking Studies                | 1                          |
| 3      | Analysis and risk management.  | Institute of Banking Studies                | 1                          |
| 4      | Audit based on risk (RBIA).  | Institute of Banking Studies                | 1                          |
| 5      | English Course.  | American Language Center                    | 1                          |
| 6      | AFE Annual Conference 2016.  | Amman Stock Exchange                        | 1                          |
| 7      | The Islamic Sukuk Investments Workshop.  | Amman Stock Exchange                        | 1                          |
| 8      | Financial analysis and cash flow analysis.   | Institute of Banking Studies                | 2                          |
| 9      | Oracle Cloud Workshop.   | Oracle Company                              | 1                          |
| 10     | General health and safety Supervisor.  | Formal Training Institute and public safety | 1                          |



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

The balance of RLs increased by JD (99.245) million at 67% to reach JD (248.025) Million compared with JD (148.780) million at the end of the previous year.

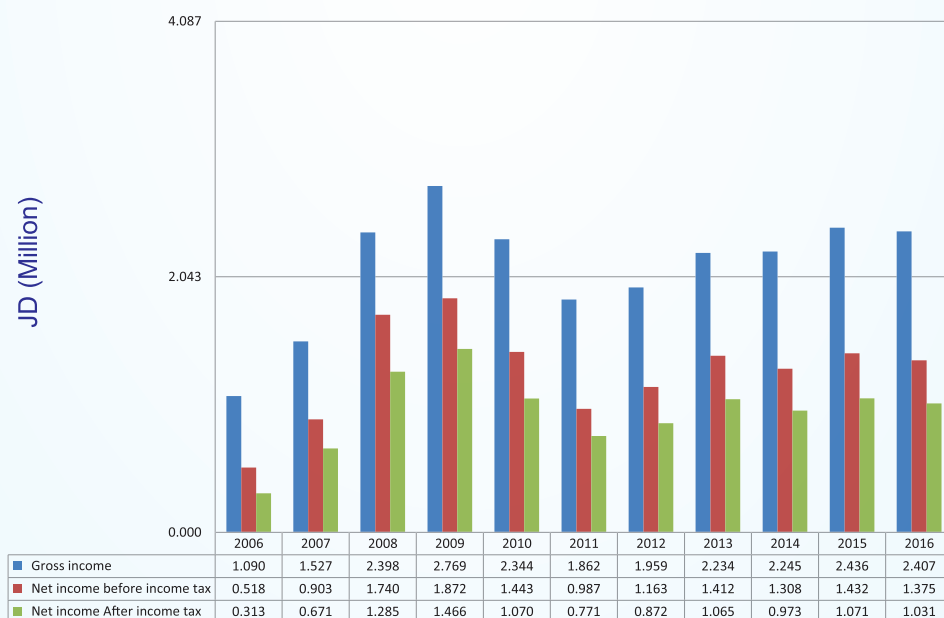
Total Assets increased by JD (109.369) million at 62% to reach JD (286.318) Million compared with JD (176.949) million at the end of the previous year.

The balance of Bond's increased by JD (109.500) million at 74.5% to reach JD (256.500) Million compared with JD (147.000 ) million at the end of the previous year.

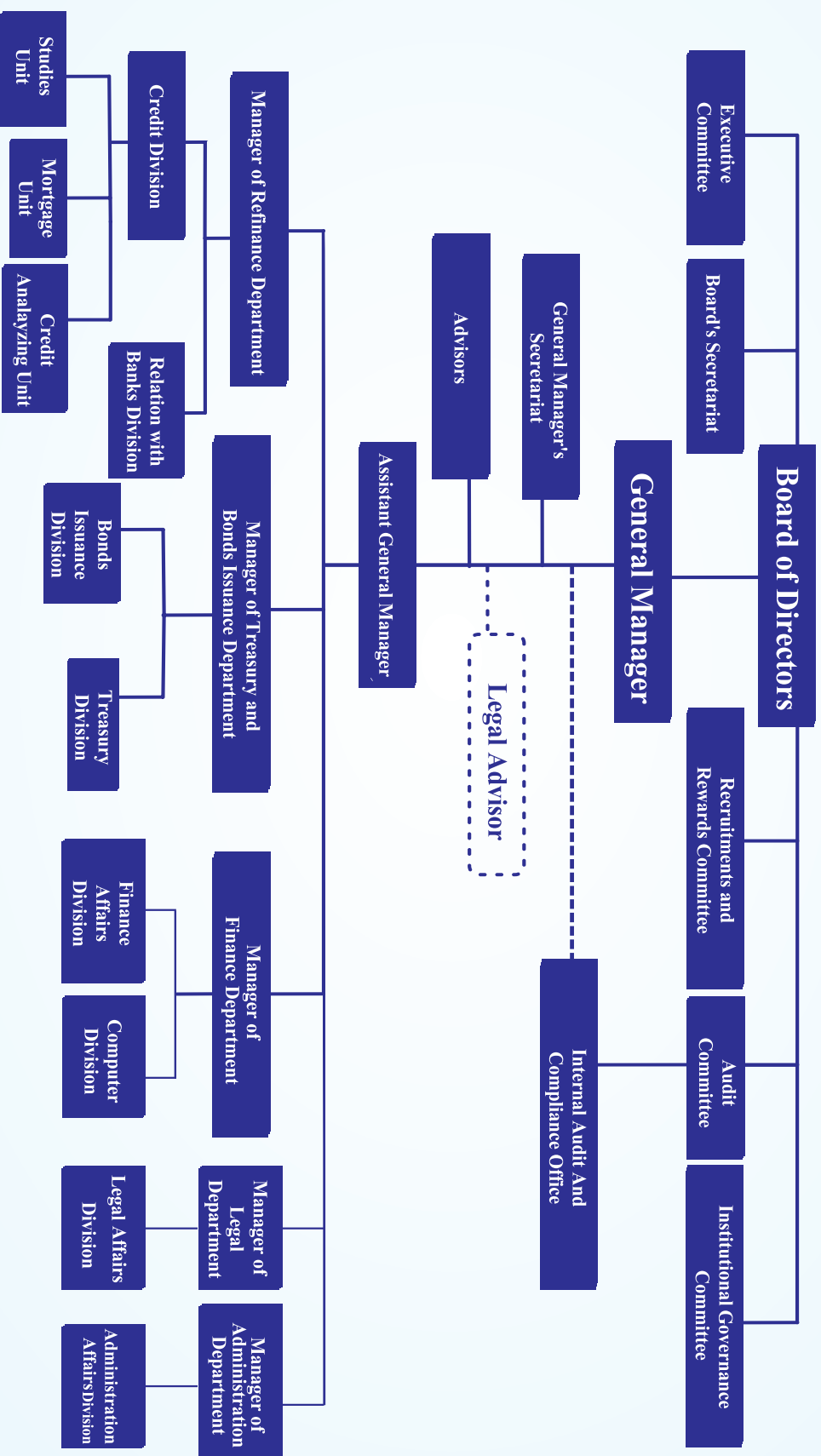
Administrative expenses increased by JD (0.043) million at 4.5% to reach JD (0.997) Million compared with JD (0.954 ) million at the Same period of the previous year.

Profit before income tax decreased by JD (0.057) million at 3.9% to reach JD (1.375) Million compared with JD (1.432) million at the Same period of the previous year.

## The following graph depicts summary of financial result during the years 2006-2016



# Organization Chart



## JMRC Human Resource

The number of JMRC staff members, including the general manager is (25). 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:-**

| Academic Qualifications         | Number |
|---------------------------------|--------|
| Master Degree                   | 2      |
| Higher Diploma                  | 1      |
| Bachelor Degree                 | 15     |
| General Secondary Certificates. | 4      |
| Others                          | 3      |
| Total                           | 25     |



**Ibrahim Daher Nsor**

**General Manager**

**The higher management executives:**

| Name                      | Title                                    | - Academic qualifications.   |
|---------------------------|--|--|
| Ibrahim Daher Nsor        | General Manager.                         | - Higher Diploma in Education 1977.<br>(BA) Business<br>-Administration 1974.          |
| Abed Al- Razzak Tubaishat | Assistant General Manager.               | -(BA) Economic 1999.   |
| Sayel AL- Aqarbeh         | Manager of Finance Department.           | -(BA) Accounting 2000<br>-Intermediate University College Diploma<br>(Accounting) 1995 |
| Jawad Qtaishat            | Manager of Administration<br>Department. | -(BA) of Law 1993.   |
| Marwan Al-Omar            | Manager of Legal Department.             | -Master of Law 2005.<br>(BA) of Law 1991   |

## JMRC Projected Action Plan

### 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 2017 the Company expects to extend refinance housing loans in the amount of (64) 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's achieved growth in profits during the year 2017 accomplishments during 2016 .

**Jordan Mortgage Refinance Company**

**Public shareholding company**

**Financial Statements as of 31 December 2016 together with  
auditors' report**





# Jordan Mortgage Refinance Company Public Shareholding Company

## Financial Statements as at 31 December 2016 Together With Independent Auditors' Report

**Arab Professionals**  
**(Member firm within of Grant Thornton International Ltd)**

### Contents

|                                     | Page |
|-------------------------------------|------|
| - Independent auditors report       | 29   |
| - Statement of financial position   | 33   |
| - Statement of profit or loss       | 34   |
| - Statement of comprehensive income | 35   |
| - Statement of changes in equity    | 36   |
| - Statement of cash flows           | 37   |
| - Notes to the financial statements | 38   |



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### INDEPENDENT AUDITOR'S REPORT

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

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

##### Opinion

We have audited the financial statements of Jordan Mortgage Refinance Company PLC, which comprise the statement of financial position as at 31 December 2016, 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 2016, 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 therewith and with the financial data presented in the Board of Directors' report.

31 January 2017

Amman – Jordan



Arab Professionals  
Arab Professionals  
Grant Thornton



## 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 therewith and with the financial data presented in the Board of Directors' report.

|                 |                           |
|-----------------|---------------------------|
| 14 January 2017 |                           |
| Amman – Jordan  | <i>Arab Professionals</i> |
|                 |                           |

## Jordan Mortgage Refinance Company

### Public Shareholding Company

#### Statement of financial position as at 31 December 2016

(In Jordanian Dinar)

|   | Notes | 2016               | 2015               |
|---|-------|--------------------|--------------------|
| Assets  |       |                    |                    |
| Cash and cash equivalents   | 3     | 1,186,613          | 3,103,490          |
| Deposits at banks   | 4     | 27,000,000         | 21,500,000         |
| Refinance loans   | 5     | 248,025,496        | 148,779,728        |
| Employees' housing loans  |       | 589,767            | 586,207            |
| Interest receivable   |       | 3,295,622          | 2,389,628          |
| Financial assets at amortized cost                                | 6     | 5,001,455          | -                  |
| Financial assets at fair value through other comprehensive income | 7     | 720,143            | 126,250            |
| Other current assets  | 8     | 30,488             | 25,345             |
| Property and equipment  | 9     | 468,256            | 438,168            |
| <b>Total Assets</b>   |       | <b>286,317,840</b> | <b>176,948,816</b> |
| Liabilities and Equity  |       |                    |                    |
| Bonds   | 10    | 256,500,000        | 147,000,000        |
| Government's loan   |       | -                  | 1,289,306          |
| Central Bank of Jordan loan                                       | 11    | 15,590,795         | 14,831,156         |
| Accrued interest  |       | 2,848,363          | 2,443,494          |
| Other current liabilities   | 12    | 887,360            | 1,124,498          |
| <b>Total Liabilities</b>  |       | <b>275,826,518</b> | <b>166,688,454</b> |
| Equity  | 13    |                    |                    |
| Paid – in capital   |       | 5,000,000          | 5,000,000          |
| Statutory reserve   |       | 1,852,879          | 1,709,841          |
| Voluntary reserve   |       | 1,949,774          | 1,949,774          |
| Special reserve   |       | 1,019,320          | 814,000            |
| Fair value adjustments  |       | (48,750)           | 1,250              |
| Retained earnings   |       | 718,099            | 785,497            |
| <b>Total Equity</b>   |       | <b>10,491,322</b>  | <b>10,260,362</b>  |
| <b>Total Liabilities and Equity</b>                               |       | <b>286,317,840</b> | <b>176,948,816</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 2016

(In Jordanian Dinar)

|   | Notes | 2016             | 2015             |
|---|-------|------------------|------------------|
| Interest income                             | 13    | 10,452,124       | 10,084,985       |
| Interest expense                            | 14    | (8,045,573)      | ( 7,648,265)     |
| <b>Gross operating income</b>               |       | <b>2,406,551</b> | <b>2,436,720</b> |
| Administrative expenses                     | 15    | (970,863)        | (938,923)        |
| Depreciation                                | 8     | (26,417)         | (15,297)         |
| Other revenues                              |       | 21,104           | 5,250            |
| Fees and other expenses                     | 16    | ( 55,000)        | (55,000)         |
| <b>Profit before income tax</b>             |       | <b>1,375,375</b> | <b>1,432,750</b> |
| Income tax expense                          | 20    | (344,415)        | (361,188)        |
| <b>Profit for the year</b>                  |       | <b>1,030,960</b> | <b>1,071,562</b> |
| <b>Basic and diluted earnings per share</b> | 17    | <b>0.206</b>     | <b>0.214</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 comprehensive income for the year ended 31 December 2016

(In Jordanian Dinar)

|  | 2016           | 2015             |
|--|----------------|------------------|
| Profit for the year                            | 1,030,960      | 1,071,562        |
| <b>Other comprehensive income</b>              |                |                  |
| Changes in fair value of financial assets      | (50,000)       | 60,000           |
| <b>Total comprehensive income for the year</b> | <b>980,960</b> | <b>1,131,562</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 Changes in Equity for the year ended 31 December 2016**  
**(In Jordanian Dinar)**

|                                    | Paid Capital | Reserves  |           |           |   | Fair Value Adjustments | Retained Earnings | Total      |
|------------------------------------|--------------|-----------|-----------|-----------|---|------------------------|-------------------|------------|
| <b>Balance at 1 January 2016</b>   | 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)         | -          |
| <b>Balance at 31 December 2016</b> | 5,000,000    | 1,852,879 | 1,949,774 | 1,019,320 |   | (48,750)               | 718,099           | 10,491,322 |
|                                    |              |           |           |           |   |                        |                   |            |
| <b>Balance at 1 January 2015</b>   | 5,000,000    | 1,561,066 | 1,949,774 | 610,500   |   | (58,750)               | 666,210           | 9,728,800  |
| Dividends paid                     | -            | -         | -         | -         | - | -                      | (600,000)         | (600,000)  |
| Total comprehensive income         | -            | -         | -         | -         | - | 60,000                 | 1,071,562         | 1,131,562  |
| Reserves                           | -            | 148,775   | -         | 203,500   | - | -                      | (352,275)         | -          |
| <b>Balance at 31 December 2015</b> | 5,000,000    | 1,709,841 | 1,949,774 | 814,000   |   | 1,250                  | 785,497           | 10,260,362 |

"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 2016

(In Jordanian Dinar)

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| Operating Activities   |                     |                     |
| Profit for the year before income tax                        | 1,375,375           | 1,432,750           |
| Depreciation   | 26,417              | 15,297              |
| Central Bank of Jordan loan                                  | 759,639             | 722,626             |
| Financial assets premium amortization                        | -                   | 1,625               |
| Changes in working capital                                   |                     |                     |
| Deposits at banks  | (5,500,000 )        | (16,499,995 )       |
| Interests receivable   | (905,994 )          | (604,537 )          |
| Refinance loans  | (99,245,768 )       | (21,245,768 )       |
| Employees' housing loans                                     | (3,560 )            | (61,995 )           |
| Other current assets   | (5,143 )            | 70,647              |
| Accrued interests  | 404,869             | (46,825 )           |
| Bonds  | 109,500,000         | 32,000,000          |
| Government's loan  | (1,289,305 )        | (1,223,948 )        |
| Income tax paid  | (647,302 )          | (440,062 )          |
| Other current liabilities                                    | 65,748              | 72,374              |
| <b>Net cash flows from operating activities</b>              | <b>4,534,976</b>    | <b>(5,807,811 )</b> |
| Investing Activities   |                     |                     |
| Property and equipment                                       | (56,505 )           | (15,392 )           |
| Financial assets measured at amortized cost                  | (5,001,455 )        | 6,000,000           |
| Financial assets measured through other comprehensive income | (643,893 )          | -                   |
| <b>Net cash flows (used in) from investing activities</b>    | <b>(5,701,853 )</b> | <b>5,984,608</b>    |
| Financing Activities   |                     |                     |
| Dividends paid   | (750,000 )          | (600,000 )          |
| <b>Changes in cash and cash equivalents</b>                  | <b>(1,916,877 )</b> | <b>(423,203 )</b>   |
| <b>Cash and cash equivalents, beginning of year</b>          | <b>3,103,490</b>    | <b>3,526,693</b>    |
| <b>Cash and cash equivalents, end of year</b>                | <b>1,186,613</b>    | <b>3,103,490</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 2016

(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 31/1/2017

#### 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 also 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 2016. 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 2       | (Classification and Measurement of Share-based Payment Transactions (Amendments | 1 January 2017 |
| IFRS 9       | (Financial Instruments (Amendments  | 1 January 2018 |
| IFRS 15      | Revenue from Contracts with Customers   | 1 January 2018 |
| IFRS 16      | Leases  | 1 January 2019 |

## 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 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 depreciation 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.

## 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.

operates.

## 3.Cash and Cash Equivalents

|                                      | 2016             | 2015             |
|--------------------------------------|------------------|------------------|
| Cash at banks                        | 2,311            | 117,702          |
| Deposit for period less than 3 month | 1,184,302        | 2,985,788        |
|                                      | <b>1,186,613</b> | <b>3,103,490</b> |

Annual interest rate for bank deposit is 2.10%.



#### 4. Deposits at Banks

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| Deposits for period more than 3 month and less than 6 month | 12,000,000        | 16,500,000        |
| Deposits for period more than 6 month and less than 9 month | 10,000,000        | -                 |
| Deposits for period more than 9 month and less than 1 year  | -                 | 5,000,000         |
| Deposits for period more than 1 year                        | 5,000,000         | -                 |
|   | <b>27,000,000</b> | <b>21,500,000</b> |

Annual interest rates for bank deposits are from 3.75% to 5.30%.

#### 5. Refinance Loans

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

|                      | 2016               | 2015               |
|----------------------|--------------------|--------------------|
| Balance at 1 January | 148,779,728        | 127,533,960        |
| Granted loans        | 146,000,000        | 77,500,000         |
| Repaid loans         | ( 46,754,232)      | ( 56,254,232)      |
|                      | <b>248,025,496</b> | <b>148,779,728</b> |

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

| Year       | JOD                |
|------------|--------------------|
| 2017       | 54,254,232         |
| 2018       | 87,754,232         |
| 2019       | 95,254,232         |
| 2020       | 10,254,232         |
| After 2020 | 508,568            |
|            | <b>248,025,496</b> |

These loans earn interest ranges between 3.75% and 9.75% yearly.

#### 6. Financial assets at amortized costs

|   | Interest rate | 2016             | 2015 |
|---|---------------|------------------|------|
| Water Authority bonds, issue number 69, maturity date 10/11/2026<br>(Premium JOD 1,455) | 6.484%        | <b>5,001,455</b> | -    |

#### 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 Current Assets

|                     | 2016          | 2015          |
|---------------------|---------------|---------------|
| Prepaid expenses    | 26,552        | 23,697        |
| Refundable deposits | 1,648         | 1,648         |
| Other               | 2,288         | -             |
|                     | <b>30,488</b> | <b>25,345</b> |

## 9. Property and Equipment

|                                     | Land           | Buildings      | Furniture & Fixtures | Vehicles      | Computers     | Total            |
|-------------------------------------|----------------|----------------|----------------------|---------------|---------------|------------------|
| <b>Cost</b>                         |                |                |                      |               |               |                  |
| Balance at 1/1/2016                 | 176,400        | 407,610        | 118,539              | 63,808        | 84,269        | <b>850,626</b>   |
| Additions                           | -              | 140            | 2,764                | 50,900        | 2,701         | <b>56,505</b>    |
| Disposals                           | -              | -              | (2,369)              | (55,008)      | ( 4,343)      | <b>( 61,720)</b> |
| Balance at 31/12/2016               | 176,400        | 407,750        | 118,934              | 59,700        | 82,627        | <b>845,411</b>   |
| <b>Accumulated depreciation</b>     |                |                |                      |               |               |                  |
| Balance at 1/1/2016                 | -              | 161,626        | 115,462              | 63,806        | 71,564        | <b>412,458</b>   |
| Depreciation                        | -              | 9,062          | 1,701                | 10,182        | 5,472         | <b>26,417</b>    |
| Disposals                           | -              | -              | (2,369)              | (55,008)      | (4,343)       | <b>(61,720)</b>  |
| Balance at 31/12/2016               | -              | 170,688        | 114,794              | 18,980        | 72,693        | <b>377,155</b>   |
| <b>Net book value at 31/12/2016</b> | <b>176,400</b> | <b>237,062</b> | <b>4,140</b>         | <b>40,720</b> | <b>9,934</b>  | <b>468,256</b>   |
| <b>Cost</b>                         |                |                |                      |               |               |                  |
| Balance at 1/1/2015                 | 176,400        | 405,696        | 116,785              | 63,808        | 84,074        | <b>846,763</b>   |
| Additions                           | -              | 1,914          | 1,754                | -             | 11,724        | <b>15,392</b>    |
| Disposals                           | -              | -              | -                    | -             | ( 11,529)     | <b>( 11,529)</b> |
| Balance at 31/12/2015               | 176,400        | 407,610        | 118,539              | 63,808        | 84,269        | <b>850,626</b>   |
| <b>Accumulated depreciation</b>     |                |                |                      |               |               |                  |
| Balance at 1/1/2015                 | -              | 152,686        | 113,980              | 62,323        | 79,701        | <b>408,690</b>   |
| Depreciation                        | -              | 8,940          | 1,482                | 1,483         | 3,392         | <b>15,297</b>    |
| Disposals                           | -              | -              | -                    | -             | ( 11,529)     | <b>( 11,529)</b> |
| Balance at 31/12/2015               | -              | 161,626        | 115,462              | 63,806        | 71,564        | <b>412,458</b>   |
| <b>Net book value at 31/12/2015</b> | <b>176,400</b> | <b>245,984</b> | <b>3,077</b>         | <b>2</b>      | <b>12,705</b> | <b>438,168</b>   |

## 10. Bonds

This item represents bonds issued by the company and carry an annual interest rate between (2.6%) and (9%).

|                      | 2016               | 2015               |
|----------------------|--------------------|--------------------|
| Balance at 1 January | 147,000,000        | 115,000,000        |
| Issued bonds         | 166,000,000        | 87,500,000         |
| Repaid bonds         | ( 56,500,000)      | ( 55,500,000)      |
|                      | <b>256,500,000</b> | <b>147,000,000</b> |

The bonds outstanding balance is payable as follows:



| Year | JOD                |
|------|--------------------|
| 2017 | 69,000,000         |
| 2018 | 92,500,000         |
| 2019 | 85,000,000         |
| 2020 | 10,000,000         |
|      | <b>256,500,000</b> |

## 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 Current Liabilities

|   | 2016           | 2015             |
|---|----------------|------------------|
| Provision for income tax (Note 21)      | 227,483        | 530,370          |
| Provision for end of services indemnity | 480,693        | 423,990          |
| Board of Directors' remunerations       | 55,000         | 55,000           |
| Employees medication                    | 90,890         | 85,100           |
| Provision for employees' vacations      | 24,850         | 24,964           |
| Accrued expenses                        | 6,060          | 5,074            |
| Provision for employees bonus           | -              | -                |
| Employees' withholdings                 | -              | -                |
| Other                                   | 2,384          | -                |
|   | <b>887,360</b> | <b>1,124,498</b> |

## 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 2016 and 2015.

## 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 2016 to distribute 15% cash dividends to the shareholders.

The Board of Director will propose to the General Assembly in its meeting which will be held in 2017 to distribute 13 % cash dividends to shareholders.

## 14. Interest Income

|                                      | 2016              | 2015              |
|--------------------------------------|-------------------|-------------------|
| Interest on refinance loans          | 9,425,700         | 9,015,358         |
| Treasury bonds interest              | 46,187            | 239,663           |
| Interest on time deposits            | 965,060           | 813,464           |
| Interest on employee's housing loans | 15,177            | 16,500            |
|                                      | <b>10,452,124</b> | <b>10,084,985</b> |

## 15. Interest Expense

|   | 2016             | 2015             |
|---|------------------|------------------|
| Interest on bonds                       | 7,239,843        | 6,853,025        |
| Interest on Central Bank of Jordan loan | 781,811          | 743,718          |
| Interest on Government's loan           | 9,908            | 36,191           |
| Others                                  | 14,011           | 15,331           |
|   | <b>8,045,573</b> | <b>7,648,265</b> |

## 16. Administrative Expenses

|  | 2016           | 2015           |
|--|----------------|----------------|
| Salaries and benefits                  | 498,347        | 470,892        |
| Social security                        | 43,651         | 38,522         |
| Employees' provident fund              | 37,645         | 34,680         |
| Board of Directors' transportation     | 105,930        | 105,930        |
| End of service indemnity and vacations | 56,703         | 68,097         |
| Health, life and accidents insurance   | 68,250         | 68,000         |
| Employees bonus                        | 73,245         | 66,055         |
| Professional fees                      | 15,740         | 14,330         |
| Maintenance                            | 8,500          | 8,812          |
| Utilities                              | 9,500          | 9,222          |
| Vehicles expenses                      | 4,900          | 6,034          |
| Building and insurance expenses        | 12,627         | 8,886          |
| Fees and subscriptions                 | 5,770          | 5,759          |
| Stationery and publications            | 4,656          | 4,931          |
| Hospitality                            | 4,510          | 3,650          |
| Post and telephone                     | 3,300          | 3,280          |
| Employees' training                    | 7,402          | 9,059          |
| Advertisement                          | 2,178          | 2,358          |
| Donations                              | 5,000          | 7,500          |
| Companies Controller fees              | 600            | 600            |
| Miscellaneous                          | 2,409          | 2,326          |
|  | <b>970,863</b> | <b>938,923</b> |

## 17. Fees and Other Expenses

|                                   | 2016          | 2015          |
|-----------------------------------|---------------|---------------|
| Board of Director's remunerations | <b>55,000</b> | <b>55,000</b> |

## 18. Basic and Diluted Earnings per Share

|                                   | 2016         | 2015         |
|-----------------------------------|--------------|--------------|
| Profit for the year               | 1,030,960    | 1,071,562    |
| Weighted average number of shares | 5,000,000    | 5,000,000    |
|                                   | <b>0.206</b> | <b>0.214</b> |

## 19. Executive Management remuneration

The remuneration of executive management during the years 2016 and 2015 amounted to JOD (348,515) and JOD (333,354) 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.

### 20.21. Income Tax

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

|   | 2016           | 2015           |
|---|----------------|----------------|
| Balance at beginning of the year            | 530,370        | 609,244        |
| Income tax expense for the year             | 344,415        | 361,188        |
| Income tax paid                             | ( 647,302)     | ( 440,062)     |
| <b>Balance at end of the year (Note 12)</b> | <b>227,483</b> | <b>530,370</b> |

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

|                                 | 2016           | 2015           |
|---------------------------------|----------------|----------------|
| Income tax expense for the year | <b>344,415</b> | <b>361,188</b> |

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

|                           | 2016             | 2015             |
|---------------------------|------------------|------------------|
| Declared income           | 1,375,375        | 1,432,750        |
| Tax exempted income       | (39,960)         | ( 39,150)        |
| Tax unacceptable expenses | 99,645           | 111,350          |
| <b>Taxable income</b>     | <b>1,435,060</b> | <b>1,504,950</b> |

|                    |     |     |
|--------------------|-----|-----|
| Income tax rate    | 24% | 24% |
| Effective tax rate | 25% | 25% |

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2015.
- The income tax provision for the year 2016 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.

| 2016  | Up to<br>one year | More than<br>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 current 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 current liabilities   | 887,360           | -                     | 887,360            |
| <b>Total Liabilities</b>  | <b>72,735,723</b> | <b>203,090,795</b>    | <b>275,826,518</b> |

| 2015  | Up to<br>one year | More than<br>one year | Total              |
|---|-------------------|-----------------------|--------------------|
| <b>Assets</b>   |                   |                       |                    |
| Cash and cash equivalents   | 3,103,490         | -                     | 3,103,490          |
| Deposits at banks   | 21,500,000        | -                     | 21,500,000         |
| Refinance loans   | 46,754,232        | 102,025,496           | 148,779,728        |
| Employees' housing loans  | 41,000            | 545,207               | 586,207            |
| Interest receivable   | 2,389,628         | -                     | 2,389,628          |
| Financial assets at fair value through other comprehensive income | -                 | 126,250               | 126,250            |
| Other current assets  | 25,345            | -                     | 25,345             |
| Property and equipment  | -                 | 438,168               | 438,168            |
| <b>Total Assets</b>   | <b>73,813,695</b> | <b>103,135,121</b>    | <b>176,948,816</b> |
| <b>Liabilities</b>  |                   |                       |                    |
| Bonds   | 56,500,000        | 90,500,000            | 147,000,000        |
| Government's loan   | 1,289,306         | -                     | 1,289,306          |
| Central Bank of Jordan loan                                       | -                 | 14,831,156            | 14,831,156         |
| Accrued interest  | 2,443,494         | -                     | 2,443,494          |
| Other current liabilities   | 1,124,498         | -                     | 1,124,498          |
| <b>Total Liabilities</b>  | <b>61,357,298</b> | <b>105,331,156</b>    | <b>166,688,454</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.

| 2016  | Up to<br>one year | More than<br>one year | Non-interest<br>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 current 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 current 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>  |

| 2015  | Up to<br>one year | More than<br>one year | Non-interest<br>bearing | Total              |
|---|-------------------|-----------------------|-------------------------|--------------------|
| <b>Assets</b>   |                   |                       |                         |                    |
| Cash and cash equivalents   | 2,985,788         | -                     | 117,702                 | 3,103,490          |
| Deposits at banks   | 21,500,000        | -                     | -                       | 21,500,000         |
| Refinance loans   | 46,754,232        | 102,025,496           | -                       | 148,779,728        |
| Employees' housing loans  | 41,000            | 545,207               | -                       | 586,207            |
| Interest receivable   | -                 | -                     | 2,389,628               | 2,389,628          |
| Financial assets at fair value through other comprehensive income | -                 | -                     | 126,250                 | 126,250            |
| Other current assets  | -                 | -                     | 25,345                  | 25,345             |
| Property and equipment  | -                 | -                     | 438,168                 | 438,168            |
| <b>Total Assets</b>   | <b>71,281,020</b> | <b>102,570,703</b>    | <b>3,097,093</b>        | <b>176,948,816</b> |
| <b>Liabilities</b>  |                   |                       |                         |                    |
| Bonds   | 56,500,000        | 90,500,000            | -                       | 147,000,000        |
| Government's loan   | 1,289,306         | -                     | -                       | 1,289,306          |
| Central Bank of Jordan loan                                       | -                 | 14,831,156            | -                       | 14,831,156         |
| Accrued interest  | -                 | -                     | 2,443,494               | 2,443,494          |
| Other current liabilities   | -                 | -                     | 1,124,498               | 1,124,498          |
| <b>Total Liabilities</b>  | <b>57,789,306</b> | <b>105,331,156</b>    | <b>3,567,992</b>        | <b>166,688,454</b> |
| <b>Net</b>  | <b>13,491,714</b> | <b>( 2,760,453)</b>   | <b>( 470,899)</b>       | <b>10,260,362</b>  |

## 24. Financial Instruments

Financial instruments comprise 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.**

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

| 2015  | Level 1 | Level 2 | Level 3 | Total   |
|---|---------|---------|---------|---------|
| Financial assets through other comprehensive income | 126,250 | -       | -       | 126,250 |

### 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 (41.5) Million for the year ended 2016 against JOD (35) Million for the year ended 2015.

## 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:

| 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 current liabilities   | 887,360            | -                     | -                   | 887,360     |
|                             | 72,735,723         | 92,500,000            | 110,590,795         | 275,826,518 |

| 2015                        | Less than one year | One year to two years | More than two years | Total       |
|-----------------------------|--------------------|-----------------------|---------------------|-------------|
|                             |                    |                       |                     |             |
| Bonds                       | 56,500,000         | 80,500,000            | 10,000,000          | 147,000,000 |
| Government's loan           | 1,289,306          | -                     | -                   | 1,289,306   |
| Central Bank of Jordan loan | -                  | -                     | 14,831,156          | 14,831,156  |
| Accrued interest            | 2,443,494          | -                     | -                   | 2,443,494   |
| Other current liabilities   | 1,124,498          | -                     | -                   | 1,124,498   |
|                             | 61,357,298         | 80,500,000            | 24,831,156          | 166,688,454 |

## 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 (72,014) during 2016 (2015: JOD 12,625).

## 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 pricing products and services commensurately with the level of risk.



