



**Grant Thornton**

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**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**

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

**Arab Professionals**

Member firm within Grant Thornton International Ltd

P.O.Box : 921879 Amman 11192 Jordan

T (962) 6 5151125

F (962) 6 5151124

Email: arabprof@gtijordan.com

Jordan Mortgage Refinance Company  
Public Shareholding Company

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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

**Jordan Mortgage Refinance Company**  
**Public Shareholding Company**  
**Statement of financial position as at 31 December 2016**

(In Jordanian Dinar)

	Notes	2016	2015
<b>Assets</b>			
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>
<b>Liabilities and Equity</b>			
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>
<b>Equity</b>	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	14	10,452,124	10,084,985
Interest expense	15	( 8,045,573)	( 7,648,265)
<b>Gross operating income</b>		<b>2,406,551</b>	<b>2,436,720</b>
Administrative expenses	16	( 970,863)	( 938,923)
Depreciation	9	( 26,417)	( 15,297)
Other revenues		21,104	5,250
Fees and other expenses	17	( 55,000)	( 55,000)
<b>Profit before income tax</b>		<b>1,375,375</b>	<b>1,432,750</b>
Income tax expense	21	( 344,415)	( 361,188)
<b>Profit for the year</b>		<b>1,030,960</b>	<b>1,071,562</b>
Basic and diluted earnings per share	18	0.206	0.214

"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)

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	<u>2016</u>	<u>2015</u>
Profit for the year	1,030,960	1,071,562
<b>Other comprehensive income</b>		
Changes in fair value of financial assets	<u>( 50,000)</u>	<u>60,000</u>
<b>Total comprehensive income for the year</b>	<u><u>980,960</u></u>	<u><u>1,131,562</u></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 2016

(In Jordanian Dinar)

	Paid Capital	Reserves				Fair Value Adjustments	Retained Earnings	Total
		Statutory Reserve	Voluntary Reserve	Special Reserve				
<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>	<b>5,000,000</b>	<b>1,852,879</b>	<b>1,949,774</b>	<b>1,019,320</b>	<b>( 48,750)</b>	<b>718,099</b>	<b>10,491,322</b>	
<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>	<b>5,000,000</b>	<b>1,709,841</b>	<b>1,949,774</b>	<b>814,000</b>	<b>1,250</b>	<b>785,497</b>	<b>10,260,362</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 Cash Flows for the year ended 31 December 2016**

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
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
<b>Changes in working capital</b>		
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>	<u>4,534,976</u>	<u>( 5,807,811)</u>
<b>Investing Activities</b>		
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>	<u>( 5,701,853)</u>	<u>5,984,608</u>
<b>Financing Activities</b>		
Dividends paid	( 750,000)	( 600,000)
<b>Changes in cash and cash equivalents</b>	( 1,916,877)	( 423,203)
Cash and cash equivalents, beginning of year	<u>3,103,490</u>	<u>3,526,693</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>1,186,613</u></u>	<u><u>3,103,490</u></u>

"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)

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**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 January 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.

<u>Standard No.</u>	<u>Title of Standards</u>	<u>Effective Date</u>
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.

### 3. Cash and Cash Equivalents

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

Annual interest rate for bank deposit is 2.10%.

Jordan Mortgage Refinance Company PLC  
Notes to the Financial Statements (Continued)  
31 December 2016

4. Deposits at Banks

	<u>2016</u>	<u>2015</u>
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	<u>5,000,000</u>	<u>-</u>
	<u><u>27,000,000</u></u>	<u><u>21,500,000</u></u>

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.

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

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

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

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

6. Financial assets at amortized costs

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

Jordan Mortgage Refinance Company PLC  
Notes to the Financial Statements (Continued)  
31 December 2016

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	-
	<u>30,488</u>	<u>25,345</u>

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

Jordan Mortgage Refinance Company PLC  
Notes to the Financial Statements (Continued)  
31 December 2016

10. Bonds

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

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

The bonds outstanding balance is payable as follows:

<u>Year</u>	<u>JOD</u>
2017	69,000,000
2018	92,500,000
2019	85,000,000
2020	<u>10,000,000</u>
	<u>256,500,000</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 Current Liabilities

	<u>2016</u>	<u>2015</u>
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	-
	<u>887,360</u>	<u>1,124,498</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 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

	<u>2016</u>	<u>2015</u>
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
	<u>10,452,124</u>	<u>10,084,985</u>

15. Interest Expense

	<u>2016</u>	<u>2015</u>
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
	<u>8,045,573</u>	<u>7,648,265</u>

<b>16. Administrative Expenses</b>	<u>2016</u>	<u>2015</u>
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
	<u><u>970,863</u></u>	<u><u>938,923</u></u>
<b>17. Fees and Other Expenses</b>	<u>2016</u>	<u>2015</u>
Board of Director's remunerations	<u>55,000</u>	<u>55,000</u>
<b>18. Basic and Diluted Earnings per Share</b>	<u>2016</u>	<u>2015</u>
Profit for the year	1,030,960	1,071,562
Weighted average number of shares	<u>5,000,000</u>	<u>5,000,000</u>
	<u><u>0.206</u></u>	<u><u>0.214</u></u>

**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.

21. **Income Tax**

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

	<u>2016</u>	<u>2015</u>
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>	<u><b>227,483</b></u>	<u><b>530,370</b></u>

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

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

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

	<u>2016</u>	<u>2015</u>
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>	<u><b>1,435,060</b></u>	<u><b>1,504,950</b></u>
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.

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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 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 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 one year	More than 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>

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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 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 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 one year	More than one year	Non-interest 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.

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets through other comprehensive income	720,143	-	-	720,143
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>72,735,723</u>	<u>92,500,000</u>	<u>110,590,795</u>	<u>275,826,518</u>

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
	<u>61,357,298</u>	<u>80,500,000</u>	<u>24,831,156</u>	<u>166,688,454</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 (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.