Jordan Mortgage Refinance Company

Public Shareholding Company

Financial Statements

31 December 2018

Jordan Mortgage Refinance Company
Public Shareholding Company

	Pages
- Independent auditors' report	2 - 3
- Statement of financial position	4
- Statement of profit or loss	5
- Statement of comprehensive income	6
- Statement of changes in equity	7
- Statement of cash flows	8
- Notes to the financial statements	9 - 22

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INDEPENDENT AUDITOR'S REPORT

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

Opinion
We have audited the financial statements of **Jordan Mortgage Refinance Company PLC**, which comprise the statement of financial position as at 31 December 2018, and statement of profit or loss, 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 2018, 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 the matters described below to be the key audit matters to be communicated in our report.

(1) Provision for Expected Credit Loss
Included in the accompanying financial statements at the end of the year 2018 financial assets totaling JOD (516,941,759), as the provision for the expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

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.

GGi
INDEPENDENT MEMBER

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, and we recommend the General Assembly to approve it.

6 February 2019

Amman – Jordan

Arab Professionals Public Accountants

Arab Professionals

Ibrahim Hammoudeh

License No. (606)

GGi INDEPENDENT MEMBER

Jordan Mortgage Refinance Company
Public Shareholding Company
Statement of financial position
As at 31 December 2018

(In Jordanian Dinar)

	Notes	2018	2017
Assets			
Cash and cash equivalents	3	6,322,860	5,316,075
Deposits at banks	4	2,497,239	5,000,000
Refinance loans	5	506,249,981	407,771,264
Employees' housing loans	6	594,717	568,360
Interest receivable		6,648,067	5,033,330
Financial assets at amortized cost	7	5,997,627	6,000,000
Financial assets at fair value through other comprehensive income	8	380,765	397,320
Other assets	9	20,587	20,461
Property and equipment	10	435,832	456,907
Total Assets		**529,147,675**	**430,563,717**
Liabilities and Equity			
Liabilities			
Bonds	11	490,500,000	396,500,000
Central Bank of Jordan loan	12	17,228,789	16,389,341
Accrued interest		5,593,800	4,399,340
Other liabilities	13	1,473,213	1,138,394
Total Liabilities		514,795,802	418,427,075
Equity	14		
Paid – in capital		5,000,000	5,000,000
Statutory reserve		2,656,224	2,198,954
Voluntary reserve		1,949,774	1,949,774
Special reserve		1,504,410	1,253,500
Fair value adjustments		(388,128)	(371,573)
Retained earnings		3,629,593	2,105,987
Total Equity		14,351,873	12,136,642
Total Liabilities and Equity		**529,147,675**	**430,563,717**

"The attached notes from (1) to (27) 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 2018

(In Jordanian Dinar)

	Notes	2018	2017
Interest income	15	25,213,200	19,651,913
Interest expense	16	(19,666,870)	(15,276,052)
Gross operating income		**5,546,330**	**4,375,861**
Administrative expenses	17	(887,968)	(888,052)
Depreciation	10	(28,791)	(27,057)
Provision for expected credit loss		(56,932)	-
Other revenues		56	-
Fees and other expenses	18	(55,000)	(53,571)
Profit before income tax		**4,517,695**	**3,407,181**
Income tax expense	22	(1,113,506)	(789,038)
Profit for the year		**3,404,189**	**2,618,143**
Basic and diluted earnings per share	19	**0.681**	**0.524**

"The attached notes from (1) to (27) 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 2018

(In Jordanian Dinar)

	2018	**2017**
Profit for the year	3,404,189	2,618,143
Other comprehensive income		
Changes in fair value of financial assets	(16,555)	(322,823)
Total comprehensive income for the year	**3,387,634**	**2,295,320**

"The attached notes from (1) to (27) 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 2018

(In Jordanian Dinar)

	Paid Capital	Reserves: Statutory Reserve	Reserves: Voluntary Reserve	Reserves: Special Reserve	Fair Value Adjustments	Retained Earnings	Total
Balance at 1 January 2018	**5,000,000**	**2,198,954**	**1,949,774**	**1,253,500**	**(371,573)**	**2,105,987**	**12,136,642**
Impact of adopting IFRS (9)	-	-	-	-	-	(222,403)	**(222,403)**
Restated opening balance under IFRS (9)	**5,000,000**	**2,198,954**	**1,949,774**	**1,253,500**	**(371,573)**	**1,883,584**	**11,914,239**
Dividends paid	-	-	-	-	-	(950,000)	**(950,000)**
Total comprehensive income	-	-	-	-	(16,555)	3,404,189	**3,387,634**
Reserves	-	457,270	-	250,910	-	(708,180)	-
Balance at 31 December 2018	**5,000,000**	**2,656,224**	**1,949,774**	**1,504,410**	**(388,128)**	**3,629,593**	**14,351,873**
Balance at 1 January 2017	**5,000,000**	**1,852,879**	**1,949,774**	**1,019,320**	**(48,750)**	**718,099**	**10,491,322**
Dividends paid	-	-	-	-	-	(650,000)	**(650,000)**
Total comprehensive income	-	-	-	-	(322,823)	2,618,143	**2,295,320**
Reserves	-	346,075	-	234,180	-	(580,255)	-
Balance at 31 December 2017	**5,000,000**	**2,198,954**	**1,949,774**	**1,253,500**	**(371,573)**	**2,105,987**	**12,136,642**

"The attached notes from (1) to (27) 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 2018

(In Jordanian Dinar)

	2018	2017
Operating Activities		
Profit for the year before income tax	4,517,695	3,407,181
Depreciation	28,791	27,057
Provision for expected credit loss	56,932	-
Central Bank of Jordan loan	863,949	821,855
Financial assets premium amortization	-	1,455
Changes in working capital		
Deposits at banks	2,500,000	22,000,000
Interests receivable	(1,614,737)	(1,737,708)
Refinance loans	(98,745,768)	(159,745,768)
Employees' housing loans	(32,364)	21,407
Other assets	(126)	10,027
Accrued interests	1,169,959	1,527,668
Bonds	94,000,000	140,000,000
Income tax paid	(844,777)	(415,673)
Other liabilities	66,090	(122,331)
Net cash flows from operating activities	1,965,644	5,795,170
Investing Activities		
Property and equipment	(7,716)	(15,708)
Financial assets measured at amortized cost	-	(1,000,000)
Net cash flows used in investing activities	(7,716)	(1,015,708)
Financing Activities		
Dividends paid	(950,000)	(650,000)
Changes in cash and cash equivalents	1,007,928	4,129,462
Cash and cash equivalents, beginning of year	5,316,075	1,186,613
Cash and cash equivalents, end of year	**6,324,003**	**5,316,075**

"The attached notes from (1) to (27) form an integral part of these financial statements"

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 Company stocks are listed in Amman Stock Exchange – Jordan.

The financial statements were authorized for issue by the Company’s Board of Directors in their meeting held on 6 February 2019.

2 . Summary of Accounting Policies

Basis of preparation

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

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

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

The accounting policies are consistent with those used in the previous year, except for the adoption of new and amended standards effective as at the beginning of the year.

Starting 2018, the Company has changed the loan loss impairment policy by replacing the incurred loss approach with the expected credit loss (ECL) approach as described by the provisions of IFRS 9 which has resulted in a change to the opening balance of the retained earnings by JOD (222,403).

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2018. 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 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the provisions. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

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

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the statement of profit or loss.

- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

Cash and Cash Equivalents

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

Accrual Accounts

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

Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

These assets are not subject to impairment testing.

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

Financial Assets at Amortized Cost

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

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

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

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

Impairment of financial assets

The Company has changed the loan loss impairment method by replacing IAS 39's incurred loss approach with an expected credit loss approach as described by the provisions of IFRS 9.

The expected credit loss allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12 months' expected credit loss is the portion of lifetime expected credit loss that represent the expected credit loss that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its assets that are subject to impairment test into Stage 1, Stage 2, and Stage 3 as described below:

Stage 1: Includes financial instruments that have not deteriorated significantly in credit quality since initial recognition or that has low credit risk at the reporting date. At this stage, a 12-month expected credit losses are recognized and interest revenue is calculated on the gross carrying amount of the asset.

Stage 2: Includes financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event. At this stage, a lifetime expected credit losses are recognized Interest revenue is still calculated on the asset's gross carrying amount.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. At this stage, a lifetime expected credit losses are recognized Interest revenue is calculated on the net carrying amount (i.e. reduced for expected credit losses).

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 brining the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

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

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

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

Revenues

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rending services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

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

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

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

Other revenues are recorded according to the accrual basis.

Income tax
Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.
Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

3 . Cash and Cash Equivalents

	2018	2017
Cash at banks	697,924	960
Deposits for period less than 3 month	5,626,079	5,315,115
	6,324,003	5,316,075
Provision for expected credit loss	(1,143)	-
	6,322,860	**5,316,075**

The movement on the provision for expected credit loss was as follow:

	2018	2017
Impact of adopting IFRS (9)	967	-
Provision for expected credit loss for the year	176	-
	1,143	**-**

Annual interest rate for bank deposit is (5.25%).

4 . Deposits at Banks

	2018	2017
Deposits for period more than 3 months and less than 6 months	2,500,000	-
Deposits for period more than 9 months and less than 1 year	-	5,000,000
Provision for expected credit loss	(2,761)	-
	2,497,239	**5,000,000**

The movement on the provision for expected credit loss was as follow:

	2018	2017
Impact of adopting IFRS (9)	12,231	-
Provision for expected credit loss for the year	2,761	-
Recovered amount due to balance and interest change	(12,231)	-
	2,761	**-**

Annual interest rate for bank deposits is (6.650%).

5 . Refinance Loans

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

	2018	2017
Balance at 1 January	407,771,264	248,025,496
Granted loans	207,500,000	214,000,000
Repaid loans	(108,754,232)	(54,254,232)
	506,517,032	407,771,264
Provision for expected credit loss	(267,051)	-
	506,249,981	**407,771,264**

The movement on the provision for expected credit loss was as follow:

	2018	2017
Impact of adopting IFRS (9)	201,165	-
Provision for expected credit loss for the year	65,886	-
	267,051	**-**

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

Year	JOD
2019	197,254,232
2020	170,754,232
2021	118,254,232
2022	254,232
2023	20,000,104
	506,517,032

These loans earn interest ranges between (4.30%) and (7%) yearly.

6 . Employees' housing loans

	2018	2017
Balance at 1 January	568,360	589,767
Granted loans	71,582	48,800
Repaid loans	(39,218)	(70,207)
Provision for expected credit loss	(6,007)	-
	594,717	**568,360**

The movement on the provision for expected credit loss was as follow:

	2018	2017
Impact of adopting IFRS (9)	5,684	-
Provision for expected credit loss	323	-
	6,007	**-**

7 . Financial assets at amortized costs

	Interest rate	2018	2017
Water Authority bonds, issue number (69) , maturity date 10/11/2026	6.484%	5,000,000	5,000,000
Al-Ahli Bank bonds, maturity date 12/10/2023	7.5%	1,000,000	1,000,000
Provision for expected credit loss		(2,373)	-
		5,997,627	**6,000,000**

The movement on the provision for expected credit loss was as follow:

	2018	2017
Impact of adopting IFRS (9)	2,356	-
Provision for expected credit loss	17	-
	2,373	**-**

8 . Financial assets at fair value through other comprehensive income

This represents the fair value investment of (2.85%) of Jordan Loan Guarantee Corp. capital, a public shareholding company.

9 . Other Assets

	2018	2017
Prepaid expenses	18,939	18,813
Refundable deposits	1,648	1,648
	20,587	**20,461**

10 . Property and Equipment

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Total
Cost						
Balance at 1/1/2018	176,400	410,608	112,507	59,700	82,598	**841,813**
Additions	-	-	380	-	7,336	**7,716**
Disposals	-	-	-	-	(232)	**(232)**
Balance at 31/12/2018	176,400	410,608	112,887	59,700	89,702	**849,297**
Accumulated depreciation						
Balance at 1/1/2018	-	180,248	98,173	29,159	77,326	**384,906**
Depreciation	-	9,428	3,939	10,180	5,244	**28,791**
Disposals	-	-	-	-	(232)	**(232)**
Balance at 31/12/2018	-	189,676	102,112	39,339	82,338	**413,465**
Net book value at 31/12/2018	**176,400**	**220,932**	**10,775**	**20,361**	**7,364**	**435,832**
Cost						
Balance at 1/1/2017	176,400	407,750	118,934	59,700	82,627	**845,411**
Additions	-	2,858	12,647	-	203	**15,708**
Disposals	-	-	(19,074)	-	(232)	**(19,306)**
Balance at 31/12/2017	176,400	410,608	112,507	59,700	82,598	**841,813**
Accumulated depreciation						
Balance at 1/1/2017	-	170,688	114,794	18,980	72,693	**377,155**
Depreciation	-	9,560	2,453	10,179	4,865	**27,057**
Disposals	-	-	(19,074)	-	(232)	**(19,306)**
Balance at 31/12/2017	-	180,248	98,173	29,159	77,326	**384,906**
Net book value at 31/12/2017	**176,400**	**230,360**	**14,334**	**30,541**	**5,272**	**456,907**

11 . Bonds

This item represents bonds issued by the company and carry an annual interest rate between (3.35%) and (6%).

	2018	2017
Balance at 1 January	396,500,000	256,500,000
Issued bonds	207,500,000	209,000,000
Repaid bonds	(113,500,000)	(69,000,000)
	490,500,000	**396,500,000**

The bonds outstanding balance is payable as follows:

Year	**JOD**
2019	187,000,000
2020	165,500,000
2021	118,000,000
2022	-
2023	20,000,000
	490,500,000

12 . 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 (5.122%) per annum payable on the instrument's maturity date.

13 . Other Liabilities

	2018	2017
Provision for income tax (Note 22)	869,577	600,848
Provision for end of services indemnity	424,973	370,747
Employees medication	111,724	100,970
Board of Directors' remunerations	55,000	53,571
Provision for employees' vacations	5,194	5,194
Accrued expenses	6,441	6,760
Other	304	304
	1,473,213	**1,138,394**

14 . 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 2018 and 2017.

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 2018 to distribute 19% cash dividends to the shareholders.

The Board of Director will propose to the General Assembly in is its meeting which will be held in 2019 to distribute 35% cash dividends to shareholders.

15 . Interest Income

	2018	2017
Interest on refinance loans	24,214,432	18,492,187
Treasury bonds interest	395,871	337,724
Interest on time deposits	555,462	807,762
Interest on employee's housing loans	13,685	14,240
Refinance loans commission	33,750	-
	25,213,200	**19,651,913**

16 . Interest Expense

	2018	2017
Interest on bonds	18,765,399	14,425,294
Interest on Central Bank of Jordan loan	863,949	821,855
Others	37,522	28,903
	19,666,870	**15,276,052**

17 . Administrative Expenses

	2018	2017
Salaries and benefits	410,695	410,398
Social security	57,622	53,402
Board of Directors' transportation	118,910	105,618
End of service indemnity and vacations	54,227	79,373
Employees bonus	77,686	61,233
Health, life and accidents insurance	44,259	54,779
Employees' provident fund	30,619	30,778
Professional fees	17,050	16,886
Building and insurance expenses	13,182	14,440
Employees' training	9,946	10,730
Maintenance	9,015	8,137
Utilities	7,289	7,401
Hospitality	4,370	5,922
Fees and subscriptions	5,336	5,702
Donations	7,500	5,000
Stationery and publications	4,988	4,700
Vehicles expenses	5,431	4,206
Post and telephone	2,505	2,553
Advertisement	2,656	1,681
Travel and transfers	1,185	-
Companies Controller fees	600	600
Miscellaneous	2,897	4,513
	887,968	**888,052**

18 . Fees and Other Expenses

	2018	2017
Board of Director's remunerations	**55,000**	**53,571**

19 . Basic and Diluted Earnings per Share

	2018	2017
Profit for the year	3,404,189	2,618,143
Weighted average number of shares	5,000,000	5,000,000
	0.681	**0.524**

20 . Executive Management remuneration

The remuneration of executive management during the years 2018 and 2017 amounted to JOD (237,426) and JOD (238,787) respectively.

21 . Segment Reporting

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

22 . Income Tax

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

	2018	2017
Balance at beginning of the year	600,848	227,483
Income tax expense for the year	1,113,506	789,038
Income tax paid	(844,777)	(415,673)
Balance at end of the year (Note 13)	**869,577**	**600,848**

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

	2018	2017
Income tax expense for the year	**1,113,506**	**789,038**

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

	2018	2017
Declared income	4,517,695	3,407,181
Tax exempted income	(31,246)	(241,070)
Tax unacceptable expenses	153,159	121,548
Taxable income	**4,639,608**	**3,287,659**
Income tax rate	24%	24%
Effective tax rate	24.6%	23%

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2015.
- The income tax return for the years 2016 and 2017 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- The income tax provision for the year 2018 was calculated in accordance with the Income Tax Law.

23 . 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.

2018	Up to one year	More than one year	Total
Assets			
Cash and cash equivalents	6,322,860	-	**6,322,860**
Deposits at banks	2,497,239	-	**2,497,239**
Refinance loans	197,254,232	308,995,749	**506,249,981**
Employees' housing loans	39,218	555,499	**594,717**
Interest receivable	6,648,067	-	**6,648,067**
Financial assets at amortized cost	-	5,997,627	**5,997,627**
Financial assets at fair value through other comprehensive income	-	380,765	**380,765**
Other assets	20,587	-	**20,587**
Property and equipment	-	435,832	**435,832**
Total Assets	**212,782,203**	**316,365,472**	**529,147,675**
Liabilities			
Bonds	187,000,000	303,500,000	**490,500,000**
Central Bank of Jordan loan	-	17,228,789	**17,228,789**
Accrued interest	5,593,800	-	**5,593,800**
Other liabilities	1,473,213	-	**1,473,213**
Total Liabilities	**194,067,013**	**320,728,789**	**514,795,802**

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

24 . 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.

2018	Up to one year	More than one year	Non-interest bearing	Total
Assets				
Cash and cash equivalents	6,322,860	-	-	**6,322,860**
Deposits at banks	2,497,239	-	-	**2,497,239**
Refinance loans	197,254,232	308,995,749	-	**506,249,981**
Employees' housing loans	39,218	555,499	-	**594,717**
Interest receivable	-	-	6,648,067	**6,648,067**
Financial assets at amortized cost	-	5,997,627	-	**5,997,627**
Financial assets at fair value through other comprehensive income	-	-	380,765	**380,765**
Other assets	-	-	20,587	**20,587**
Property and equipment	-	-	435,832	**435,832**
Total Assets	**206,113,549**	**315,548,875**	**7,485,251**	**529,147,675**
Liabilities				
Bonds	187,000,000	303,500,000	-	**490,500,000**
Central Bank of Jordan loan	-	17,228,789	-	**17,228,789**
Accrued interest	-	-	5,593,800	**5,593,800**
Other liabilities	-	-	1,473,213	**1,473,213**
Total Liabilities	**187,000,000**	**320,728,789**	**7,067,013**	**514,795,802**
Net	**19,113,549**	**(5,179,914)**	**418,238**	**14,351,873**

2017	Up to one year	More than one year	Non-interest bearing	Total
Assets				
Cash and cash equivalents	5,315,115	-	960	**5,316,075**
Deposits at banks	5,000,000	-	-	**5,000,000**
Refinance loans	108,754,232	299,017,032	-	**407,771,264**
Employees' housing loans	37,812	530,548	-	**568,360**
Interest receivable	-	-	5,033,330	**5,033,330**
Financial assets at amortized cost	-	6,000,000	-	**6,000,000**
Financial assets at fair value through other comprehensive income	-	-	397,320	**397,320**
Other assets	-	-	20,461	**20,461**
Property and equipment	-	-	456,907	**456,907**
Total Assets	**119,107,159**	**305,547,580**	**5,908,978**	**430,563,717**
Liabilities				
Bonds	113,500,000	283,000,000	-	**396,500,000**
Central Bank of Jordan loan	-	16,389,341	-	**16,389,341**
Accrued interest	-	-	4,399,340	**4,399,340**
Other liabilities	-	-	1,138,394	**1,138,394**
Total Liabilities	**113,500,000**	**299,389,341**	**5,537,734**	**418,427,075**
Net	**5,607,159**	**6,158,239**	**371,244**	**12,136,642**

25 . Fair Value of Financial Instruments

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

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 observably 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.

2018	Level 1	Level 2	Level 3	Total
Financial assets through other comprehensive income	380,765	-	-	**380,765**

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

26 . Financial Risk Management

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 (70) Million for the year ended 2018 against JOD (60) Million for the year ended 2017.

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.

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:

2018	Less than one year	One year to two years	More than two years	Total
Bonds	187,000,000	165,500,000	138,000,000	**490,500,000**
Central Bank of Jordan loan	-	-	17,228,789	**17,228,789**
Accrued interest	5,593,800	-	-	**5,593,800**
Other liabilities	1,473,213	-	-	**1,473,213**
	194,067,013	**165,500,000**	**155,228,789**	**514,795,802**

2017	Less than one year	One year to two years	More than two years	Total
Bonds	113,500,000	185,000,000	98,000,000	**396,500,000**
Central Bank of Jordan loan	-	-	16,389,341	**16,389,341**
Accrued interest	4,399,340	-	-	**4,399,340**
Other liabilities	1,138,394	-	-	**1,138,394**
	119,037,734	**185,000,000**	**114,389,341**	**418,427,075**

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 (38,077) during 2018 (2017: JOD 39,732).

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