

Jordan Mortgage Refinance Company

Public Shareholding Company

Financial Statements

31 December 2020

**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

Opinion

We have audited the financial statements of Jordan Mortgage Refinance Company PLC, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 2020 financial assets totaling JOD (594,990,523), 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.

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.

9 February 2021
Amman – Jordan




Arab Professionals
Amin Samara
License No. (481)

Jordan Mortgage Refinance Company
Public Shareholding Company
Statement of Financial Position
As at 31 December 2020
(In Jordanian Dinar)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Assets			
Cash and cash equivalents	3	8,457,512	5,113,300
Deposits at banks	4	2,495,209	2,495,389
Refinance loans	5	582,004,614	530,995,749
Employees' housing loans	6	515,545	554,175
Interest receivable		7,364,018	7,721,827
Financial assets at amortized cost	7	5,995,940	5,997,627
Financial assets at fair value through other comprehensive income	8	827,750	372,488
Other assets	9	30,772	21,962
Property and equipment	10	421,214	455,865
Total Assets		<u>608,112,574</u>	<u>553,728,382</u>
Liabilities and Equity			
Liabilities			
Bonds	11	562,000,000	510,500,000
Central Bank of Jordan loan	12	19,038,873	18,111,232
Accrued interest		6,560,713	6,615,956
Other liabilities	13	1,912,367	1,927,242
Total Liabilities		<u>589,511,953</u>	<u>537,154,430</u>
Equity			
	14		
Paid - in capital		5,000,000	5,000,000
Statutory reserve		3,696,785	3,217,815
Voluntary reserve		1,949,774	1,949,774
Special reserve		2,018,515	1,768,775
Fair value adjustments		58,858	(396,405)
Retained earnings		5,876,689	5,033,993
Total Equity		<u>18,600,621</u>	<u>16,573,952</u>
Total Liabilities and Equity		<u>608,112,574</u>	<u>553,728,382</u>

"The attached notes from (1) to (29) 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 2020

(In Jordanian Dinar)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Interest income	15	31,473,334	31,891,893
Interest expense	16	(24,592,885)	(25,256,979)
Gross operating income		6,880,449	6,634,914
Administrative expenses	17	(1,063,459)	(985,670)
Depreciation	10	(38,551)	(31,486)
Donation (Himmat Watan)	18	(750,000)	-
Provision for expected credit loss		(239,510)	(1,850)
Other revenues		775	-
Fees and other expenses	19	(55,000)	(55,000)
Profit before income tax		4,734,704	5,560,908
Income tax and National contribution expense	23	(1,413,298)	(1,580,545)
Profit for the year		3,321,406	3,980,363
Basic and diluted earnings per share	20	0.664	0.796

"The attached notes from (1) to (29) 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 2020**

(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Profit for the year	3,321,406	3,980,363
Other comprehensive income item:		
Changes in fair value of financial assets	<u>455,263</u>	<u>(8,277)</u>
Total comprehensive income for the year	<u><u>3,776,669</u></u>	<u><u>3,972,086</u></u>

"The attached notes from (1) to (29) 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 2020**

(In Jordanian Dinar)

	Paid Capital	Reserves			Fair Value Adjustments	Retained Earnings	Total
		Statutory Reserve	Voluntary Reserve	Special Reserve			
Balance at 1 January 2020	5,000,000	3,217,815	1,949,774	1,768,775	(396,405)	5,033,993	16,573,952
Dividends paid	-	-	-	-	-	(1,750,000)	(1,750,000)
Total comprehensive income	-	-	-	-	455,263	3,321,406	3,776,669
Reserves	-	478,970	-	249,740	-	(728,710)	-
Balance at 31 December 2020	5,000,000	3,696,785	1,949,774	2,018,515	58,858	5,876,689	18,600,621
Balance at 1 January 2019	5,000,000	2,656,224	1,949,774	1,504,410	(388,128)	3,629,586	14,351,866
Dividends paid	-	-	-	-	-	(1,750,000)	(1,750,000)
Total comprehensive income	-	-	-	-	(8,277)	3,980,363	3,972,086
Reserves	-	561,591	-	264,365	-	(825,956)	-
Balance at 31 December 2019	5,000,000	3,217,815	1,949,774	1,768,775	(396,405)	5,033,993	16,573,952

"The attached notes from (1) to (29) 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 2020

(In Jordanian Dinar)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Profit for the year before income tax	4,734,704	5,560,908
Depreciation	38,551	31,486
Provision for expected credit loss	239,510	1,850
Central Bank of Jordan loan	927,641	882,443
Changes in working capital		
Interest receivable	357,809	(1,073,760)
Refinance loans	(51,245,768)	(24,745,768)
Employees' housing loans	39,430	40,542
Other assets	(8,810)	(1,375)
Accrued interest	(55,243)	1,022,156
Bonds	51,500,000	20,000,000
Income tax paid	(1,504,046)	(1,209,520)
Other liabilities	75,874	82,997
Net cash flows from operating activities	<u>5,099,652</u>	<u>591,959</u>
Investing Activities		
Property and equipment	(3,900)	(51,519)
Financing Activities		
Dividends paid	(1,750,000)	(1,750,000)
Changes in cash and cash equivalents	3,345,752	(1,209,560)
Cash and cash equivalents, beginning of year	5,114,443	6,324,003
Cash and cash equivalents, end of year	<u><u>8,460,195</u></u>	<u><u>5,114,443</u></u>

"The attached notes from (1) to (29) form an integral part of these financial statements"

Jordan Mortgage Refinance Company
Public Shareholding Company
Notes to the Financial Statements
31 December 2020

(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 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 9 February 2021.

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.

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2020. 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 Standard	Effective Date
IFRS 17	Insurance Contracts	1 January 2023

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.

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.

Trading and Settlement Date Accounting

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

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.

Accrual Accounts

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

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 rendering 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.

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

	2020	2019
Cash at banks	6,995,550	3,209,322
Deposits held for period less than 3 month	1,464,645	1,905,121
	<u>8,460,195</u>	<u>5,114,443</u>
Provision for expected credit loss	(2,683)	(1,143)
	<u>8,457,512</u>	<u>5,113,300</u>

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

	2020	2019
Opening balance	1,143	1,143
Provision for expected credit loss for the year	1,540	-
	<u>2,683</u>	<u>1,143</u>

Annual interest rate for bank deposits is (2.75% - 4.875%).

4 . Deposits at Banks

	2020	2019
Deposits held for period more than 3 months and less than 6 months	2,500,000	2,500,000
Provision for expected credit loss	(4,791)	(4,611)
	<u>2,495,209</u>	<u>2,495,389</u>

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

	2020	2019
Opening balance	4,611	2,761
Provision for expected credit loss for the year	180	1,850
	<u>4,791</u>	<u>4,611</u>

Annual interest rate for bank deposits is (4.45%).

5 . Refinance Loans

This item represents loans granted to local and foreign banks and finance lease companies for the purpose of financing housing loans.

	2020	2019
Balance at 1 January	531,262,800	506,517,032
Granted loans	243,500,000	222,000,000
Repaid loans	(192,254,232)	(197,254,232)
	582,508,568	531,262,800
Provision for expected credit loss	(503,954)	(267,051)
	582,004,614	530,995,749

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

	2020	2019
Opening balance	267,051	267,051
Provision for expected credit loss for the year	236,903	-
	503,954	267,051

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

Year	JOD
2021	204,254,232
2022	131,254,232
2023	127,000,104
2024	120,000,000
	582,508,568

These loans earn annual interest ranges between (4.15%) and (7%).

6 . Employees' housing loans

	2020	2019
Balance at 1 January	560,182	600,724
Repaid loans	(39,430)	(40,542)
	520,752	560,182
Provision for expected credit loss	(5,207)	(6,007)
	515,545	554,175

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

	2020	2019
Opening balance	6,007	6,007
(Unneeded) provision for expected credit loss	(800)	-
	5,207	6,007

7 . Financial assets at amortized costs

	Interest rate	2020	2019
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	5.5%	1,000,000	1,000,000
		6,000,000	6,000,000
Provision for expected credit loss		(4,060)	(2,373)
		5,995,940	5,997,627

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

	2020	2019
Opening balance	2,373	2,373
Provision for expected credit loss for the year	1,687	-
	4,060	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 listed in Amman Stock Exchange.

9 . Other Assets

	2020	2019
Prepaid expenses	20,724	20,314
Purchases under progress	8,400	1,648
Refundable deposits	1,648	-
	30,772	21,962

10 . Property and Equipment

	Land	Buildings	Furniture & Fixtures	Vehicles	Computers	Total
Cost						
Balance at 1/1/2020	176,400	410,608	112,887	77,700	123,221	900,816
Additions	-	-	481	-	3,419	3,900
Disposals	-	-	-	-	(2,365)	(2,365)
Balance at 31/12/2020	176,400	410,608	113,368	77,700	124,275	902,351
Accumulated depreciation						
Balance at 1/1/2020	-	199,047	105,872	53,119	86,913	444,951
Depreciation	-	8,458	3,651	13,779	12,663	38,551
Disposals	-	-	-	-	(2,365)	(2,365)
Balance at 31/12/2020	-	207,505	109,523	66,898	97,211	481,137
Net book value at 31/12/2020	176,400	203,103	3,845	10,802	27,064	421,214
Cost						
Balance at 1/1/2019	176,400	410,608	112,887	59,700	89,702	849,297
Additions	-	-	-	18,000	33,519	51,519
Balance at 31/12/2019	176,400	410,608	112,887	77,700	123,221	900,816
Accumulated depreciation						
Balance at 1/1/2019	-	189,676	102,112	39,339	82,338	413,465
Depreciation	-	9,371	3,760	13,780	4,575	31,486
Balance at 31/12/2019	-	199,047	105,872	53,119	86,913	444,951
Net book value at 31/12/2019	176,400	211,561	7,015	24,581	36,308	455,865

11 . Bonds

This item represents bonds issued by the company and carry an annual interest rate between (3.1%) and (6%).

	<u>2020</u>	<u>2019</u>
Balance at 1 January	510,500,000	490,500,000
Issued bonds	238,500,000	207,000,000
Repaid bonds	<u>(187,000,000)</u>	<u>(187,000,000)</u>
	<u>562,000,000</u>	<u>510,500,000</u>

The bonds outstanding balance is payable as follows:

<u>Year</u>	<u>JOD</u>
2021	199,000,000
2022	126,000,000
2023	127,000,000
2024	<u>110,000,000</u>
	<u>562,000,000</u>

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

	<u>2020</u>	<u>2019</u>
Provision for income tax (Note 23)	1,149,079	1,240,602
Provision for end of services indemnity	566,958	488,270
Employees medication	125,064	130,475
Board of Directors' remunerations	55,000	55,000
Accrued expenses	6,493	7,396
Provision for employees' vacations	5,194	5,194
Others	<u>4,579</u>	<u>305</u>
	<u>1,912,367</u>	<u>1,927,242</u>

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 2020 and 2019.

The Board of Directors will propose to the General Assembly in its meeting which will be held in 2021 to increase the authorized capital of the Company from JOD (5) million/share to JOD (10) million/share from retained earnings, and distribute it to existing shareholders as bonus shares.

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 2020 to distribute 35% cash dividends to the shareholders.

15 . Interest Income

	2020	2019
Interest on refinance loans	30,666,711	30,904,873
Interest on time deposits	361,132	541,557
Treasury bonds interest	324,200	324,200
Al-Ahli Bank bonds interest	60,041	75,699
Refinance loans commission	48,900	32,600
Interest on employee's housing loans	12,350	12,964
	<u>31,473,334</u>	<u>31,891,893</u>

16 . Interest Expense

	2020	2019
Interest on bonds	23,588,079	24,301,012
Interest on Central Bank of Jordan loan	954,717	908,200
Others	50,089	47,767
	<u>24,592,885</u>	<u>25,256,979</u>

17 . Administrative Expenses

	<u>2020</u>	<u>2019</u>
Salaries and benefits	500,558	453,266
Social security	65,672	61,642
Board of Directors' transportation	125,400	125,400
Employees bonus	108,544	96,734
End of service indemnity and vacations	78,688	63,297
Health, life and accidents insurance	45,102	44,829
Employees' provident fund	36,954	33,449
Professional fees	18,170	24,880
Donations	15,000	10,000
Building expenses	12,940	14,096
Employees' training	12,633	9,609
Maintenance	8,637	9,800
Utilities	7,149	8,014
Vehicles expenses	5,906	7,055
Fees and subscriptions	5,597	5,508
Stationery and publications	4,731	4,814
Hospitality	2,807	4,773
Post and telephone	2,017	2,145
Advertisement	1,979	1,785
Companies Controller fees	600	600
Travel and transfers	-	2,048
Miscellaneous	4,375	1,926
	<u>1,063,459</u>	<u>985,670</u>

18 . Donation (Himmat Watan)

In order to support the efforts exerted by the Government to combat the Corona virus epidemic and confront the economic and social impacts, and based on the corporate social responsibility, the Company's Board of directors decided to donate JOD (750,000) in favor of (Himmat Watan) donation fund and transfer the amount to the Central Bank of Jordan on 6th of April 2020.

19 . Fees and Other Expenses

	<u>2020</u>	<u>2019</u>
Board of Director's remunerations	<u>55,000</u>	<u>55,000</u>

20 . Basic and Diluted Earnings per Share

	<u>2020</u>	<u>2019</u>
Profit for the year	3,321,406	3,980,363
Weighted average number of shares	5,000,000	5,000,000
	<u><u>0.664</u></u>	<u><u>0.796</u></u>

21 . Executive Management remuneration

The remuneration of executive management during the years 2020 and 2019 amounted to JOD (304,876) and JOD (268,889) respectively.

22 . Segment Reporting

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

23 . Income Tax

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

	2020	2019
Balance at beginning of the year	1,240,602	869,577
Income tax expense for the year	1,413,298	1,580,545
Income tax paid	(1,504,046)	(1,209,520)
Income tax refund from prior years	(775)	-
Balance at end of the year (Note 13)	<u>1,149,079</u>	<u>1,240,602</u>

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

	2020	2019
Income tax expense for the year	1,211,398	1,354,753
National contribution tax	201,900	225,792
	<u>1,413,298</u>	<u>1,580,545</u>

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

	2020	2019
Declared income	4,734,704	5,560,908
Tax exempted income	(47,411)	(23,249)
Tax unacceptable expenses	360,198	107,147
Taxable income	<u>5,047,491</u>	<u>5,644,806</u>
Income tax rate (Include the National contribution)	28%	28%
Effective tax rate (Include the National contribution)	29.8%	28.4%

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2018.
- The Income tax return for the year 2019 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 and National contribution tax provision for the year 2020 were calculated in accordance with the Income Tax Law.

24 . 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.

2020	Up to one year	From one to two years	More than two years	Not tied to maturities	Total
Assets					
Cash and cash equivalents	8,457,512	-	-	-	8,457,512
Deposits at banks	2,495,209	-	-	-	2,495,209
Refinance loans	203,750,278	131,254,232	247,000,104	-	582,004,614
Employees' housing loans	28,595	64,288	422,662	-	515,545
Interest receivable	7,364,018	-	-	-	7,364,018
Financial assets at amortized cost	-	-	5,995,940	-	5,995,940
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	29,124	-	-	1,648	30,772
Property and equipment	-	-	-	421,214	421,214
Total Assets	222,124,736	131,318,520	253,418,706	1,250,612	608,112,574
Liabilities					
Bonds	199,000,000	126,000,000	237,000,000	-	562,000,000
Central Bank of Jordan loan	-	-	19,038,873	-	19,038,873
Accrued interest	6,560,713	-	-	-	6,560,713
Other liabilities	1,215,151	-	-	697,216	1,912,367
Total Liabilities	206,775,864	126,000,000	256,038,873	697,216	589,511,953
2019					
Assets					
Cash and cash equivalents	5,113,300	-	-	-	5,113,300
Deposits at banks	2,495,389	-	-	-	2,495,389
Refinance loans	191,965,995	168,754,232	170,275,522	-	530,995,749
Employees' housing loans	35,513	64,288	454,374	-	554,175
Interest receivable	7,721,827	-	-	-	7,721,827
Financial assets at amortized cost	-	-	5,997,627	-	5,997,627
Financial assets at fair value	-	-	-	372,488	372,488
Other assets	20,314	-	-	1,648	21,962
Property and equipment	-	-	-	455,865	455,865
Total Assets	207,352,338	168,818,520	176,727,523	830,001	553,728,382
Liabilities					
Bonds	187,000,000	163,500,000	160,000,000	-	510,500,000
Central Bank of Jordan loan	-	-	18,111,232	-	18,111,232
Accrued interest	6,615,956	-	-	-	6,615,956
Other liabilities	1,303,303	-	-	623,939	1,927,242
Total Liabilities	194,919,259	163,500,000	178,111,232	623,939	537,154,430

25 . 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.

2020	Up to one year	From one to two years	More than two years	Not tied to interest	Total
Assets					
Cash and cash equivalents	8,457,474	-	-	38	8,457,512
Deposits at banks	2,495,209	-	-	-	2,495,209
Refinance loans	203,750,278	131,254,232	247,000,104	-	582,004,614
Employees' housing loans	28,594	64,288	422,663	-	515,545
Interest receivable	-	-	-	7,364,018	7,364,018
Financial assets at amortized cost	-	-	5,995,940	-	5,995,940
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	-	-	-	30,772	30,772
Property and equipment	-	-	-	421,214	421,214
Total Assets	214,731,555	131,318,520	253,418,707	8,643,792	608,112,574
Liabilities					
Bonds	199,000,000	126,000,000	237,000,000	-	562,000,000
Central Bank of Jordan loan	-	-	19,038,873	-	19,038,873
Accrued interest	-	-	-	6,560,713	6,560,713
Other liabilities	-	-	-	1,912,367	1,912,367
Total Liabilities	199,000,000	126,000,000	256,038,873	8,473,080	589,511,953
Net	15,731,555	5,318,520	(2,620,166)	170,712	18,600,621
2019					
Assets					
Cash and cash equivalents	5,113,258	-	-	42	5,113,300
Deposits at banks	2,495,389	-	-	-	2,495,389
Refinance loans	191,965,995	168,754,232	170,275,522	-	530,995,749
Employees' housing loans	35,513	64,288	454,374	-	554,175
Interest receivable	-	-	-	7,721,827	7,721,827
Financial assets at amortized cost	-	-	5,997,627	-	5,997,627
Financial assets at fair value	-	-	-	372,488	372,488
Other assets	-	-	-	21,962	21,962
Property and equipment	-	-	-	455,865	455,865
Total Assets	199,610,155	168,818,520	176,727,523	8,572,184	553,728,382
Liabilities					
Bonds	187,000,000	163,500,000	160,000,000	-	510,500,000
Central Bank of Jordan loan	-	-	18,111,232	-	18,111,232
Accrued interest	-	-	-	6,615,956	6,615,956
Other liabilities	-	-	-	1,927,242	1,927,242
Total Liabilities	187,000,000	163,500,000	178,111,232	8,543,198	537,154,430
Net	12,610,155	5,318,520	(1,383,709)	28,986	16,573,952

26 . 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 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>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets through other comprehensive income	827,750	-	-	827,750
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets through other comprehensive income	372,488	-	-	372,488

27 . 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 (105) Million for the year ended 2020 against JOD (75) Million for the year ended 2019.

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:

2020	Up to one year	From one to two years	More than two years	Not tied to maturity	Total
Bonds	199,000,000	126,000,000	237,000,000	-	562,000,000
Central Bank of Jordan loan	-	-	19,038,873	-	19,038,873
Accrued interest	6,560,713	-	-	-	6,560,713
Other liabilities	1,215,151	-	-	697,216	1,912,367
Total liabilities	206,775,864	126,000,000	256,038,873	697,216	589,511,953
Total Assets	222,124,736	131,318,520	253,418,706	1,250,612	608,112,574

2019	Up to one year	From one to two years	More than two years	Not tied to maturity	Total
Bonds	187,000,000	163,500,000	160,000,000	-	510,500,000
Central Bank of Jordan loan	-	-	18,111,232	-	18,111,232
Accrued interest	6,615,956	-	-	-	6,615,956
Other liabilities	1,303,303	-	-	623,939	1,927,242
Total liabilities	194,919,259	163,500,000	178,111,232	623,939	537,154,430
Total Assets	207,352,338	168,818,520	176,727,523	830,001	553,728,382

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 (82,775) during 2020 (2019: JOD 37,249).

28 . 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.

29 . The Impact of the New Corona Pandemic (Covid-19)

IFRS 9 requires an estimate of expected credit losses based on current and projected economic conditions.

In light of the rapid global developments resulting from the outbreak of the Corona virus (Covid-19) at the beginning of 2020 around the world, which caused a global economic crisis. The Central Bank of Jordan has taken a package of measures to mitigate and limit the repercussions of this virus on the national economy, and among this package is to reduce interest rates on facilities granted by banks and allow them to restructure loans and postpone the installments due on individuals and companies affected by this pandemic.

Accordingly, the management has studied the impact of this pandemic on the company's main activity, which is issuing a bond in the local capital market and granting refinance loans to banks and financial institutions. Also a study of the effect of postponing the due installments on the (borrowers from the company) banks and financial leasing companies from a credit point of view and their ability to commit to making the payments due on them to the Company according to the refinancing agreements and to determine the extent of this impact on the Company's cash flows.

Also, the Company recalculated the balance of expected credit losses and reflected it on the financial statements after raising the degree of hedging by reclassifying all debt instruments of local and foreign banks and financial leasing companies. The Company was also keen to take many precautionary measures to ensure the continuity of work without interruption by activating the means of remote work.

The credit risks to which the company may be exposed result from the inability of any of the borrowing authorities from the Company to fulfill its obligations to the Company, which may lead to the Company not being able to fulfill its obligations towards the proprietors of the bond.

In light of monitoring the current situation and following up the financial statements of these parties borrowed from the Company, there are no indications in the short or medium term indicating that these agencies are unable to fulfill their obligations towards the Company or even postpone it. Especially if we know that the banks and the financial leasing companies in the process of postponing the installments due to them do not in any way mean postponing the installments due on them towards the company.