

Jordan Mortgage Refinance Company

Public Shareholding Company

Financial Statements

31 December 2023

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 2023, 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 2023, 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 2023 financial assets totaling JOD (510,961,502), 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 Jordan Mortgage Refinance Company Public Shareholding Company as at 31 December 2023 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 2024
Amman - Jordan




Arab Professionals
Ibrahim Hammoudeh
License No. (606)

Jordan Mortgage Refinance Company
Public Shareholding Company
Statement of Financial Position
As at 31 December 2023
(In Jordanian Dinar)

	Notes	2023	2022
Assets			
Cash and cash equivalents	3	9,326,972	5,102,480
Refinance loans	4	499,493,356	611,993,356
Employees' housing loans	5	624,539	677,910
Interest receivable		6,716,650	7,631,230
Financial assets at amortized cost	6	20,963,042	20,959,386
Financial assets at fair value through other comprehensive income	7	827,750	827,750
Other assets	8	20,924	22,604
Property and equipment	9	412,102	422,579
Total Assets		538,385,335	647,637,295
Liabilities and Equity			
Liabilities			
Bonds	10	480,000,000	592,500,000
Central Bank of Jordan loan	11	22,116,734	21,039,129
Accrued interest		5,467,131	6,151,352
Other liabilities	12	2,284,270	2,150,828
Total Liabilities		509,868,135	621,841,309
Equity			
	13		
Paid - in capital		12,500,000	12,500,000
Statutory reserve		5,573,198	4,926,798
Voluntary reserve		1,949,774	1,949,774
Special reserve		2,960,728	2,537,728
Fair value adjustments		58,858	58,858
Retained earnings		5,474,642	3,822,828
Total Equity		28,517,200	25,795,986
Total Liabilities and Equity		538,385,335	647,637,295

"The attached notes from (1) to (26) 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 2023

(In Jordanian Dinar)

	Notes	<u>2023</u>	<u>2022</u>
Interest income	14	33,289,356	31,542,728
Interest expense	15	(25,633,354)	(24,139,038)
Gross operating income		7,656,002	7,403,690
Administrative expenses	16	(1,171,631)	(1,176,749)
Depreciation	9	(20,371)	(26,250)
Fees and other expenses	17	(55,000)	(55,000)
Profit before income tax		6,409,000	6,145,691
Income and National contribution tax expense	21	(1,812,786)	(1,703,457)
Profit for the year		<u>4,596,214</u>	<u>4,442,234</u>
Basic and diluted earnings per share	18	<u>0.368</u>	<u>0.355</u>

“The attached notes from (1) to (26) 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 2023

(In Jordanian Dinar)

	<u>2023</u>	<u>2022</u>
Profit for the year	4,596,214	4,442,234
Other comprehensive income item:		
Changes in fair value of financial assets	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>4,596,214</u></u>	<u><u>4,442,234</u></u>

“The attached notes from (1) to (26) 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 2023**

(In Jordanian Dinar)

	Paid-in capital	Reserves			Fair value adjustments	Retained* earnings	Total
		Statutory	Voluntary	Special			
Balance at 1 January 2023	12,500,000	4,926,798	1,949,774	2,537,728	58,858	3,822,828	25,795,986
Dividends paid (Note 13)	-	-	-	-	-	(1,875,000)	(1,875,000)
Total comprehensive income	-	-	-	-	-	4,596,214	4,596,214
Reserves	-	646,400	-	423,000	-	(1,069,400)	-
Balance at 31 December 2023	12,500,000	5,573,198	1,949,774	2,960,728	58,858	5,474,642	28,517,200
Balance at 1 January 2022	10,000,000	4,306,729	1,949,774	2,254,627	58,858	4,304,793	22,874,781
Dividends paid	2,500,000	-	-	-	-	(4,000,000)	(1,500,000)
Cost of increase in capital	-	-	-	-	-	(21,029)	(21,029)
Total comprehensive income	-	-	-	-	-	4,442,234	4,442,234
Reserves	-	620,069	-	283,101	-	(903,170)	-
Balance at 31 December 2022	12,500,000	4,926,798	1,949,774	2,537,728	58,858	3,822,828	25,795,986

* According to instructions issued by SEC, negative (debit) balance in the change in fair value account of equity instruments valued at fair value through comprehensive income is excluded from profits distributable to shareholders.

"The attached notes from (1) to (26) 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 2023

(In Jordanian Dinar)

	<u>2023</u>	<u>2022</u>
Operating Activities		
Profit for the year before income tax	6,409,000	6,145,691
Depreciation	20,371	26,250
Central Bank of Jordan loan	1,109,059	1,055,021
Discount of financial assets at amortized cost	(3,656)	-
Board of Director's remunerations	55,000	55,000
Provision for end of services indemnity and vacations	60,342	75,563
Provision for employees medication	42,000	42,000
Changes in working capital		
Deposits at banks	-	2,500,000
Interest receivable	914,580	(592,965)
Refinance loans	112,500,000	(27,245,664)
Employees' housing loans	53,371	(198,267)
Other assets	1,680	34,433
Accrued interest	(715,675)	317,476
Bonds	(112,500,000)	27,500,000
Other liabilities	(91,439)	(266,162)
Income tax paid	(1,745,247)	(1,721,471)
Net cash flows from operating activities	<u>6,109,386</u>	<u>7,726,905</u>
Investing Activities		
Property and equipment	(9,894)	(45,893)
Financial assets at amortized cost	-	(14,963,446)
Net cash flows used in investing activities	<u>(9,894)</u>	<u>(15,009,339)</u>
Financing Activities		
Cost of increase in capital	-	(21,029)
Dividends paid	(1,875,000)	(1,500,000)
Net cash flows used in financing activity	<u>(1,875,000)</u>	<u>(1,521,029)</u>
Changes in cash and cash equivalents	4,224,492	(8,803,463)
Cash and cash equivalents, beginning of year (before provision for expected credit losses)	5,105,163	13,908,626
Cash and cash equivalents, end of year (before provision for expected credit losses)	<u>9,329,655</u>	<u>5,105,163</u>

"The attached notes from (1) to (26) form an integral part of these financial statements"

Jordan Mortgage Refinance Company
Public Shareholding Company
Notes to the Financial Statements
31 December 2023
(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 4 February 2024.

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

Several standards have been published that are mandatory for accounting periods after 31 December 2023. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

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.

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.

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.

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 is 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

	2023	2022
Cash at banks	1,292,652	2,335,400
Deposits held for 1 month	8,037,003	2,769,763
	<u>9,329,655</u>	<u>5,105,163</u>
Provision for expected credit losses	(2,683)	(2,683)
	<u>9,326,972</u>	<u>5,102,480</u>

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

	2023	2022
Opening balance	2,683	2,683
	<u>2,683</u>	<u>2,683</u>

Annual interest rate for bank deposits is (4.25% - 6.30%).

4 . Refinance loans

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

	2023	2022
Balance at 1 January	612,500,000	585,254,336
Granted loans	41,500,000	166,000,000
Repaid loans	(154,000,000)	(138,754,336)
	<u>500,000,000</u>	<u>612,500,000</u>
Provision for expected credit losses	(506,644)	(506,644)
	<u>499,493,356</u>	<u>611,993,356</u>

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

	2023	2022
Opening balance	506,644	503,954
Transfer from provision for expected credit losses of deposits	-	2,690
	<u>506,644</u>	<u>506,644</u>

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

Year	JOD
2024	260,500,000
2025	120,500,000
2026	24,000,000
2027	15,000,000
After 2027	80,000,000
	<u>500,000,000</u>

These loans earn annual interest ranges between (3.75%) and (8.65%).

5 . Employees' housing loans

	2023	2022
Balance at 1 January	685,218	486,951
Granted loans	-	327,400
Repaid loans	(53,371)	(129,133)
	<u>631,847</u>	<u>685,218</u>
Provision for expected credit losses	(7,308)	(7,308)
	<u>624,539</u>	<u>677,910</u>

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

	2023	2022
Opening balance	7,308	5,207
Transfer from provision for expected credit losses of deposits	-	2,101
	<u>7,308</u>	<u>7,308</u>

6 . Financial assets at amortized costs

	Interest rate	2023	2022
Al-Ahli Bank bonds, maturity date 13/11/2029	10.25%	1,000,000	1,000,000
Water Authority bonds, issue number (69) maturity date 10/11/2026	6.484%	5,000,000	5,000,000
Jordanian Treasury Bonds (24-2022) maturity date 7/8/2032 at discount of JOD (32,763)	6.904%	9,970,514	9,967,237
Jordanian Treasury Bonds (37-2022) maturity date 13/11/2032 at discount of JOD (3,791)	7.669%	4,996,588	4,996,209
		<u>20,967,102</u>	<u>20,963,446</u>
Provision for expected credit losses		(4,060)	(4,060)
		<u>20,963,042</u>	<u>20,959,386</u>

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

	2023	2022
Opening balance	4,060	4,060
	<u>4,060</u>	<u>4,060</u>

7 . Financial assets at fair value through other comprehensive income

This represents the fair value investment of (2.846%) of Jordan Loan Guarantee Corp. capital, a public shareholding company listed in Amman Stock Exchange.

8 . Other assets

	2023	2022
Prepaid expenses	17,776	19,456
Refundable deposits	3,148	3,148
	<u>20,924</u>	<u>22,604</u>

9 . Property and equipment

	Land	Buildings	Furniture & fixtures	Vehicles	Computers	Total
Cost						
Balance at 1/1/2023	176,400	447,894	123,278	77,700	126,147	951,419
Additions	-	7,760	828	-	1,306	9,894
Disposals	-	-	(1,179)	-	-	(1,179)
Balance at 31/12/2023	<u>176,400</u>	<u>455,654</u>	<u>122,927</u>	<u>77,700</u>	<u>127,453</u>	<u>960,134</u>
Accumulated depreciation						
Balance at 1/1/2023	-	224,158	114,299	74,098	116,285	528,840
Depreciation	-	8,547	2,877	3,599	5,348	20,371
Disposals	-	-	(1,179)	-	-	(1,179)
Balance at 31/12/2023	<u>-</u>	<u>232,705</u>	<u>115,997</u>	<u>77,697</u>	<u>121,633</u>	<u>548,032</u>
Net book value at 31/12/2023	<u>176,400</u>	<u>222,949</u>	<u>6,930</u>	<u>3</u>	<u>5,820</u>	<u>412,102</u>
Cost						
Balance at 1/1/2022	176,400	410,608	121,863	77,700	125,050	911,621
Additions	-	37,286	2,030	-	6,577	45,893
Disposals	-	-	(615)	-	(5,480)	(6,095)
Balance at 31/12/2022	<u>176,400</u>	<u>447,894</u>	<u>123,278</u>	<u>77,700</u>	<u>126,147</u>	<u>951,419</u>
Accumulated depreciation						
Balance at 1/1/2022	-	215,840	112,207	70,498	110,140	508,685
Depreciation	-	8,318	2,707	3,600	11,625	26,250
Disposals	-	-	(615)	-	(5,480)	(6,095)
Balance at 31/12/2022	<u>-</u>	<u>224,158</u>	<u>114,299</u>	<u>74,098</u>	<u>116,285</u>	<u>528,840</u>
Net book value at 31/12/2022	<u>176,400</u>	<u>223,736</u>	<u>8,979</u>	<u>3,602</u>	<u>9,862</u>	<u>422,579</u>

10 . Bonds

This item represents bonds issued by the company and carry an annual interest rate between (2.75%) and (7.65%).

	2023	2022
Balance at 1 January	592,500,000	565,000,000
Issued bonds	41,500,000	161,000,000
Repaid bonds	(154,000,000)	(133,500,000)
	<u>480,000,000</u>	<u>592,500,000</u>

The bonds outstanding balance is payable as follows:

Year	JOD
2024	250,500,000
2025	120,500,000
2026	19,000,000
2027	10,000,000
After 2027	80,000,000
	<u>480,000,000</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 (5.122%) per annum payable on the instrument's maturity date.

12 . Other liabilities

	2023	2022
Provision for income tax (Note 21)	1,398,972	1,331,433
Provision for end of services indemnity	684,081	623,739
Employees medication	135,050	130,159
Board of Directors' remunerations	55,000	55,000
Accrued expenses	6,711	6,635
Provision for employees' vacations	2,412	2,412
Others	2,044	1,450
	2,284,270	2,150,828

13 . Equity

Paid in capital

The Company's authorized and paid-in capital is JOD (12.5) Million divided equally into (12.5) Million shares with par value of JOD (1) each as at 31 December 2023 and 2022..

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. The voluntary 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 approved in its meeting held in 2023 to distribute JOD (1,875,000) as cash dividends.

The Board of Directors will propose to the General Assembly in its meeting which will be held in 2024 to distribute (12%) as cash dividends to shareholders.

14 . Interest income

	2023	2022
Interest on refinance loans	31,429,026	30,406,902
Treasury bonds interest	1,401,705	653,728
Interest on time deposits	345,225	386,174
Al-Ahli Bank bonds interest	91,295	54,116
Refinance loans commission	5,950	25,800
Interest on employee's housing loans	15,888	16,008
Others	267	-
	<u>33,289,356</u>	<u>31,542,728</u>

15 . Interest expense

	2023	2022
Interest on bonds	24,467,442	23,025,167
Interest on Central Bank of Jordan loan	1,109,059	1,055,021
Others	56,853	58,850
	<u>25,633,354</u>	<u>24,139,038</u>

16 . Administrative expenses

	2023	2022
Salaries and benefits	602,424	592,323
Social security	73,428	73,838
Board of Directors' transportation	125,400	125,400
Employees bonus	115,493	108,172
End of service indemnity and vacations	60,342	75,563
Health, life and accidents insurance	45,565	45,450
Employees' provident fund	41,522	40,626
Professional fees	18,170	19,040
Institute of Banking Studies fees	13,233	13,233
Building expenses	14,908	14,083
Maintenance	12,664	12,696
Donations	10,000	10,000
Fees and subscriptions	7,954	8,094
Utilities	7,907	9,822
Vehicles expenses	7,082	7,405
Stationery and publications	4,839	4,963
Hospitality	4,259	3,817
Advertisement	2,066	2,370
Post and telephone	1,880	2,287
Companies Controller fees	600	1,200
Employees' training	300	736
Travel and accommodation	-	1,440
Miscellaneous	1,595	4,191
	<u>1,171,631</u>	<u>1,176,749</u>

17 . Fees and other expenses

	2023	2022
Board of Director's remunerations	<u>55,000</u>	<u>55,000</u>

18 . Basic and diluted earnings per share

	2023	2022
Profit for the year	4,596,214	4,442,234
Weighted average number of shares	12,500,000	12,500,000
	<u>0.368</u>	<u>0.355</u>

19 . Executive management remuneration

The remuneration of executive management during the years 2023 and 2022 amounted to JOD (319,965) and JOD (335,612) 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:

	2023	2022
Balance at beginning of the year	1,331,433	1,349,447
Income and national contribution tax expense for the year	1,812,786	1,703,457
Income tax paid	<u>(1,745,247)</u>	<u>(1,721,471)</u>
Balance at end of the year (Note 13)	<u>1,398,972</u>	<u>1,331,433</u>

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

	2023	2022
Income tax expense for the year	1,553,817	1,460,106
National contribution tax for the year	<u>258,969</u>	<u>243,351</u>
	<u>1,812,786</u>	<u>1,703,457</u>

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

	2023	2022
Declared income	6,409,000	6,145,691
Tax exempted income	(37,109)	(179,478)
Tax unacceptable expenses	<u>102,342</u>	<u>117,563</u>
Taxable income	<u>6,474,233</u>	<u>6,083,776</u>

Income tax rate (Include the National contribution tax)	28%	28%
Effective tax rate (Include the National contribution tax)	28.3%	28.6%

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2020.
- The Income tax returns for the years 2021 and 2022 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 2023 were calculated in accordance with the Income Tax Law.

22 . Analysis of the maturities of assets and liabilities

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

2023	Up to one year	From one to two years	More than two years	Not tied to maturities	Total
Assets					
Cash and cash equivalents	9,326,958	-	-	14	9,326,972
Refinance loans	259,993,356	120,500,000	119,000,000	-	499,493,356
Employees' housing loans	50,016	114,649	459,874	-	624,539
Interest receivable	6,716,650	-	-	-	6,716,650
Financial assets at amortized cost	-	7,310	20,955,732	-	20,963,042
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	17,776	-	-	3,148	20,924
Property and equipment	-	-	-	412,102	412,102
Total Assets	276,104,756	120,621,959	140,415,606	1,243,014	538,385,335
Liabilities					
Bonds	250,500,000	120,500,000	109,000,000	-	480,000,000
Central Bank of Jordan loan	-	-	22,116,734	-	22,116,734
Accrued interest	5,467,131	-	-	-	5,467,131
Other liabilities	1,462,728	-	-	821,542	2,284,270
Total Liabilities	257,429,859	120,500,000	131,116,734	821,542	509,868,135
2022	Up to one year	From one to two years	More than two years	Not tied to maturities	Total
Assets					
Cash and cash equivalents	5,102,472	-	-	8	5,102,480
Refinance loans	153,493,356	255,500,000	203,000,000	-	611,993,356
Employees' housing loans	50,016	114,649	513,245	-	677,910
Interest receivable	7,631,230	-	-	-	7,631,230
Financial assets at amortized cost	-	7,310	20,952,076	-	20,959,386
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	19,456	-	-	3,148	22,604
Property and equipment	-	-	-	422,579	422,579
Total Assets	166,296,530	255,621,959	224,465,321	1,253,485	647,637,295
Liabilities					
Bonds	154,000,000	245,500,000	193,000,000	-	592,500,000
Central Bank of Jordan loan	-	-	21,039,129	-	21,039,129
Accrued interest	6,151,352	-	-	-	6,151,352
Other liabilities	1,394,518	-	-	756,310	2,150,828
Total Liabilities	161,545,870	245,500,000	214,039,129	756,310	621,841,309

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.

2023	Up to one year	From one to two years	More than two years	Not tied to interest	Total
Assets					
Cash and cash equivalents	9,326,958	-	-	14	9,326,972
Refinance loans	259,993,356	120,500,000	119,000,000	-	499,493,356
Employees' housing loans	50,016	114,649	459,874	-	624,539
Interest receivable	-	-	-	6,716,650	6,716,650
Financial assets at amortized cost	-	-	20,955,732	7,310	20,963,042
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	-	-	-	20,924	20,924
Property and equipment	-	-	-	412,102	412,102
Total Assets	269,370,330	120,614,649	140,415,606	7,984,750	538,385,335
Liabilities					
Bonds	250,500,000	120,500,000	109,000,000	-	480,000,000
Central Bank of Jordan loan	-	-	22,116,734	-	22,116,734
Accrued interest	-	-	-	5,467,131	5,467,131
Other liabilities	-	-	-	2,284,270	2,284,270
Total Liabilities	250,500,000	120,500,000	131,116,734	7,751,401	509,868,135
Net	18,870,330	114,649	9,298,872	233,349	28,517,200

2022	Up to one year	From one to two years	More than two years	Not tied to interest	Total
Assets					
Cash and cash equivalents	5,102,472	-	-	8	5,102,480
Refinance loans	153,493,356	255,500,000	203,000,000	-	611,993,356
Employees' housing loans	50,016	114,649	513,245	-	677,910
Interest receivable	-	-	-	7,631,230	7,631,230
Financial assets at amortized cost	-	-	20,952,076	7,310	20,959,386
Financial assets at fair value	-	-	-	827,750	827,750
Other assets	-	-	-	22,604	22,604
Property and equipment	-	-	-	422,579	422,579
Total Assets	158,645,844	255,614,649	224,465,321	8,911,481	647,637,295
Liabilities					
Bonds	154,000,000	245,500,000	193,000,000	-	592,500,000
Central Bank of Jordan loan	-	-	21,039,129	-	21,039,129
Accrued interest	-	-	-	6,151,352	6,151,352
Other liabilities	-	-	-	2,150,828	2,150,828
Total Liabilities	154,000,000	245,500,000	214,039,129	8,302,180	621,841,309
Net	4,645,844	10,114,649	10,426,192	609,301	25,795,986

24 . Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, securities 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>2023</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>2022</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

25 . 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 (110) Million for the year ended 2023 against JOD (120) Million for the year ended 2022.

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:

2023	Up to one year	From one to two years	More than two years	Not tied to maturity	Total
Bonds	250,500,000	120,500,000	109,000,000	-	480,000,000
Central Bank of Jordan loan	-	-	22,116,734	-	22,116,734
Accrued interest	5,467,131	-	-	-	5,467,131
Other liabilities	1,462,728	-	-	821,542	2,284,270
Total liabilities	257,429,859	120,500,000	131,116,734	821,542	509,868,135
Total Assets	276,104,756	120,621,959	140,415,606	1,243,014	538,385,335
2022	Up to one year	From one to two years	More than two years	Not tied to maturity	Total
Bonds	154,000,000	245,500,000	193,000,000	-	592,500,000
Central Bank of Jordan loan	-	-	21,039,129	-	21,039,129
Accrued interest	6,151,352	-	-	-	6,151,352
Other liabilities	1,394,518	-	-	756,310	2,150,828
Total liabilities	161,545,870	245,500,000	214,039,129	756,310	621,841,309
Total Assets	166,296,530	255,621,959	224,465,321	1,253,485	647,637,295

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) for 2023, 2022 JOD (82,775).

26 . 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.