

Jordan Loan Guarantee Corp.
Public Shareholding Company

Financial Statements as at 31 December 2015
Together With
Independent Auditors' Report

Arab Professionals
(Member firm within Grant Thornton International Ltd)

**Jordan Loan Guarantee Corp.
Public Shareholding Company**

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INDEPENDENT AUDITORS' REPORT

**To The Shareholders of
Jordan Loan Guarantee Corp.
Public Shareholding Company
Amman - Jordan**

Report on the financial statement

We have audited the accompanying financial statements of **Jordan Loan Guarantee Corp.** which comprise the statement of financial position as at 31 December 2015, the 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 a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Jordan Loan Guarantee Corp.** as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the 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.

7 February 2016
Amman - Jordan

Arab Professionals

Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of financial position as at 31 December 2015
(In Jordanian Dinar)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Assets			
Cash and cash equivalents	4	8,733,702	5,596,391
Restricted bank deposits	11,13	8,838,602	5,606,977
Restricted financial assets measured at amortized cost	11,13	-	2,886,130
Financial assets measured at fair value through profit or loss		-	2,180
Financial assets measured at fair value through other comprehensive income	5	779,177	793,873
Financial assets measured at amortized cost	6	3,097,962	6,696,471
Receivables and other current assets	7	521,910	504,996
Deferred tax assets	8	776,751	534,833
Property and equipment	9	3,280,646	3,325,718
Total assets		<u>26,028,750</u>	<u>25,947,569</u>
Liabilities and equity			
Liabilities			
Provisions against loans guarantee	10	4,121,251	4,149,165
Central Bank of Jordan loan	11	5,160,695	5,160,695
Payables and other current liabilities	12	774,026	741,963
Ministry of planning deposit	13	1,248,500	1,248,500
Income tax provision	8	34,086	137,794
Total liabilities		<u>11,338,558</u>	<u>11,438,117</u>
Equity			
	15		
Paid in capital		10,000,000	10,000,000
Statutory reserve		1,483,583	1,447,025
Voluntary reserve		2,204,824	2,204,824
Fair value adjustments		112,243	128,197
Retained earnings		889,542	729,406
Total equity		<u>14,690,192</u>	<u>14,509,452</u>
Total liabilities and equity		<u>26,028,750</u>	<u>25,947,569</u>

"The attached notes from (1) to (24) form an integral part of these financial statements"

Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of profit or loss for the year ended 31 December 2015
(In Jordanian Dinar)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Revenues			
Bonds interest income		365,593	562,037
Interest income		284,964	207,636
Commissions on guaranteed loans		639,120	563,686
Commissions on guaranteed exports and domestic buyers		129,484	144,840
Commissions on guaranteed industrial loans and financial leasing		201,392	165,522
Dividends income		63,958	50,247
Revaluation of financial assets measured at fair value through profit or loss		-	59,090
Loss from sale of financial assets measured at fair value through profit or loss		(1,649)	-
Other revenues		30,220	2,240
Total revenues		<u>1,713,082</u>	<u>1,755,298</u>
Deduct :			
Administrative expenses	16	1,130,147	992,725
Provisions against loans guarantee	10	193,216	254,598
Provision against end of service indemnity		24,139	25,428
Board of directors' remunerations		34,452	26,798
Total expenses		<u>1,381,954</u>	<u>1,299,549</u>
Profit for the year before tax		331,128	455,749
Tax income (expense)		265,566	(35,413)
Profit for the year		<u>596,694</u>	<u>420,336</u>
Basic and diluted earnings per share	17	<u>0.060</u>	<u>0.042</u>

"The attached notes from (1) to (24) form an integral part of these financial statements"

Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of comprehensive income for the year ended 31 December 2015

(In Jordanian Dinar)

	<u>2015</u>	<u>2014</u>
Profit for the year	596,694	420,336
Other comprehensive income		
Change in fair value of financial assets through other comprehensive income	<u>(15,954)</u>	<u>86,266</u>
Total comprehensive income for the year	<u>580,740</u>	<u>506,602</u>

"The attached notes from (1) to (24) form an integral part of these financial statements"

**Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of changes in equity for the year ended 31 December 2015**

(In Jordanian Dinar)

	Paid in capital	Reserves		Fair value adjustments	Retained earnings	Total
		Statutory	Voluntary			
Balance at 1 January 2015	10,000,000	1,447,025	2,204,824	128,197	729,406	14,509,452
Dividends paid	-	-	-	-	(400,000)	(400,000)
Comprehensive income for the year	-	-	-	(15,954)	596,694	580,740
Statutory reserve	-	36,558	-	-	(36,558)	-
Balance at 31 December 2015	<u>10,000,000</u>	<u>1,483,583</u>	<u>2,204,824</u>	<u>112,243</u>	<u>889,542</u>	<u>14,690,192</u>
Balance at 1 January 2014	10,000,000	1,398,770	2,204,824	41,931	757,325	14,402,850
Dividends paid	-	-	-	-	(400,000)	(400,000)
Comprehensive income for the year	-	-	-	86,266	420,336	506,602
Statutory reserve	-	48,255	-	-	(48,255)	-
Balance at 31 December 2014	<u>10,000,000</u>	<u>1,447,025</u>	<u>2,204,824</u>	<u>128,197</u>	<u>729,406</u>	<u>14,509,452</u>

"The attached notes from (1) to (24) form an integral part of these financial statements"

Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of cash flows for the year ended 31 December 2015

(In Jordanian Dinar)

	<u>2015</u>	<u>2014</u>
Operating Activities		
Profit for the year before income taxes	331,128	455,749
Depreciation	92,979	52,557
Amortization of deferred income	(24,118)	(2,240)
Revaluation of financial assets measured at fair value through profit or loss	-	(59,090)
Provision against end of service indemnity	24,139	25,428
Provisions against loans guarantee	611,951	730,026
Board of directors' remunerations	34,452	26,798
Change in working capital		
Payables and other current liabilities	(16,914)	207,589
Receivables and other current assets	76,187	(19,240)
Financial assets measured at fair value through profit or loss	2,180	129,674
Net payments for loans guarantee	(639,865)	45,818
Income tax paid	(159,915)	(146,182)
Net Cash Flows From Operating Activities	<u>332,204</u>	<u>1,446,887</u>
Investing Activities		
Financial assets measured at amortized cost	3,598,509	2,579,569
Financial assets measured at fair value through other comprehensive income	-	(104,190)
Property and equipment	(47,907)	(114,951)
Net Cash Flows From Investing Activities	<u>3,550,602</u>	<u>2,360,428</u>
Financing Activities		
Restricted bank deposits	(3,231,625)	(437,056)
Restricted financial assets measured at amortized cost	2,886,130	(388)
Dividends paid	(400,000)	(400,000)
Net Cash Flows Used in Financing Activities	<u>(745,495)</u>	<u>(837,444)</u>
Net change in cash and cash equivalents	3,137,311	2,969,871
Cash and cash equivalents, beginning of the year	<u>5,596,391</u>	<u>2,626,520</u>
Cash and cash equivalents, end of the year	<u>8,733,702</u>	<u>5,596,391</u>

"The attached notes from (1) to (24) form an integral part of these financial statements"

Jordan Loan Guarantee Corp.
Public Shareholding Company
Notes to the Financial Statements
31 December 2015

(In Jordanian Dinar)

1. General

Jordan Loan Guarantee Corp. is a public shareholding company incorporated on 26 March 1994. The company was formed as successor to the Loan Guarantee Project as result of the Council of ministers' decision that transferred all accounts and assets of the project to the Central Bank of Jordan in preparation for the establishment of a public shareholding company for loan guarantee. The Company head office is in the Hashemite Kingdom of Jordan.

The company's goals include providing guarantees to fully or partially cover loans of different types, granted by banks and financial institutions for the establishing, expanding, and raising the productive and marketing capacity of economic projects with the aim of creating job opportunities and securing possibilities for earning or saving foreign reserves. The company's goals also include extending guarantees required to cover risks in the field of Jordanian export sector.

These financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 7 February 2016 and it is subject to the General Assembly approval.

2. Significant 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 financial assets 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.

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2015. 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 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments)	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018

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 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.
- Management reviews periodically provisions against loan guarantee to assess their sufficiency according to the Company's policy and the risk management assessment.

Cash and Cash Equivalents

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

Financial Instruments

Under IFRS (9), financial assets at initial recognition are measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss is expensed in the statement of profit or loss.

Debt investments are measured at amortized cost only if both of the following criteria are met: the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

If either of the two criteria above is not met, debt investments are measured at fair value through profit or loss.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Company can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be reported in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss on sale of investments – or are there any impairment requirements. However, the Company may transfer the cumulative gain or loss within equity.

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.

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, plant 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 property, plant and equipment 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

Buildings	2%
Furniture & fixtures	10-20%
Vehicles	15%
Computers & software	20%

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

Grants

Grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Grants whose primary condition is that the Company should purchase, construct or otherwise acquire depreciable assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Accounts payable

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provision for end of service indemnity

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

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

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

Commissions on loan guarantees are recognized annually on the ceilings or guaranteed portion of loans- granted by banks and financial institutions according to guarantee type.

Commissions on post-shipment export credit guarantees are recognized annually on the guaranteed export amount after deducting the reinsurance Company share.

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

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.

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

Income tax

Income tax expenses represent accrued taxes and deferred taxes.

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.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized. Deferred tax assets are reviewed at the date of the statement of financial position, and reduced in case it is expected that no benefit will arise therefore, partially or totally.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the statement of profit or loss.

3. Balances of guaranteed loans and ceilings

	Loans Ceilings		Guaranteed loans	
	2015	2014	2015	2014
Housing loans guarantees	30,199,606	37,926,299	26,742,374	28,558,530
Productive loans guarantees	23,427,000	20,027,000	23,798,229	19,697,300
Export credit guarantees & domestic buyers	3,464,914	2,221,000	3,464,914	2,221,000
Industrial loans guarantees	13,403,582	10,797,952	13,403,582	10,797,952
Financial leasing	3,734,072	5,360,558	3,734,072	5,360,558
Business vehicles	217,873	235,622	217,873	235,622

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

4. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Cash on hand	1,000	468
Bank deposits	<u>8,732,702</u>	<u>5,595,923</u>
	<u>8,733,702</u>	<u>5,596,391</u>

Bank deposits mature within (3) to (11) months, with an annual interest rate ranging between (2%) and (3.85%) yearly.

5. Financial assets measured at fair value through other comprehensive income

	<u>2015</u>	<u>2014</u>
Investments in listed shares (in Jordan)	424,987	439,683
Investments in unlisted shares (in Jordan)	<u>354,190</u>	<u>354,190</u>
	<u>779,177</u>	<u>793,873</u>

6. Financial assets measured at amortized cost

	<u>2015</u>	<u>2014</u>
Investment in bonds – Jordan	3,375,702	6,974,211
Deduct: impairment provision	<u>(277,740)</u>	<u>(277,740)</u>
	<u>3,097,962</u>	<u>6,696,471</u>

Investment in bonds mature up to the year 2019 with an annual interest rate ranging between (5.498%) and (7.75%) yearly.

7. Receivables and other current assets

	<u>2015</u>	<u>2014</u>
Accrued commissions income	337,060	273,625
Accrued interest income	153,833	169,166
Accounts receivable	17,362	53,971
Prepaid expenses	15,277	12,016
Refundable deposits	7,865	7,855
Others	2,320	170
Deduct: provision against impairment in accrued interest	<u>(11,807)</u>	<u>(11,807)</u>
	<u>521,910</u>	<u>504,996</u>

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

8. Income tax

The movements on the income tax provision are as follows:

	2015	2014
Balance at beginning of the year	137,794	117,814
Current income tax charge	56,207	166,162
Income tax paid	<u>(159,915)</u>	<u>(146,182)</u>
	<u>34,086</u>	<u>137,794</u>

Deferred tax assets presented in the statement of financial position relates to:

	2015	2014
Provisions against loans guarantee	705,619	488,934
Provision against impairment of financial assets measured at amortized cost	57,909	40,537
End of service provision	19,131	10,012
Change in fair value reserve	<u>(5,908)</u>	<u>(4,650)</u>
	<u>776,751</u>	<u>534,833</u>

- Due to the change in income tax rate from 14% to 20% according to the new income tax law number (34) for the year 2014 which became effective as at 1/1/2015, the company recalculated its differed tax assets at the beginning of the year and recorded a tax income of JOD (231,207).
- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2014.
- The income tax provision for the year 2015 was calculated in accordance with the Income Tax Law.

9. Property and Equipment

	<u>Lands</u>	<u>Buildings</u>	<u>Furniture & Fixtures</u>	<u>Vehicles</u>	<u>Computers & Software</u>	<u>Advance payments to purchase software</u>	<u>Total</u>
Cost							
Balance at 1/1/2015	1,688,453	1,522,285	141,115	95,721	215,902	200,427	3,863,903
Additions	-	-	3,414	19,900	24,594	-	47,908
Disposals	-	-	-	(14,520)	-	-	(14,520)
Transfers	-	-	-	-	200,427	(200,427)	-
Balance at 31/12/2015	<u>1,688,453</u>	<u>1,522,285</u>	<u>144,529</u>	<u>101,101</u>	<u>440,923</u>	<u>-</u>	<u>3,897,291</u>
Accumulated depreciation							
Balance at 1/1/2015	-	150,387	111,681	92,802	183,315	-	538,185
Depreciation for the year	-	30,445	7,372	4,420	50,742	-	92,979
Disposals	-	-	-	(14,519)	-	-	(14,519)
Balance at 31/12/2015	<u>-</u>	<u>180,832</u>	<u>119,053</u>	<u>82,703</u>	<u>234,057</u>	<u>-</u>	<u>616,645</u>
Net book value at 31/12/2015	<u>1,688,453</u>	<u>1,341,453</u>	<u>25,476</u>	<u>18,398</u>	<u>206,866</u>	<u>-</u>	<u>3,280,646</u>
Cost							
Balance at 1/1/2014	1,688,453	1,522,285	137,555	95,721	184,511	120,427	3,748,952
Additions	-	-	3,560	-	31,391	80,000	114,951
Balance at 31/12/2014	<u>1,688,453</u>	<u>1,522,285</u>	<u>141,115</u>	<u>95,721</u>	<u>215,902</u>	<u>200,427</u>	<u>3,863,903</u>
Accumulated depreciation							
Balance at 1/1/2014	-	119,941	103,951	85,722	176,014	-	485,628
Depreciation for the year	-	30,446	7,730	7,080	7,301	-	52,557
Balance at 31/12/2014	<u>-</u>	<u>150,387</u>	<u>111,681</u>	<u>92,802</u>	<u>183,315</u>	<u>-</u>	<u>538,185</u>
Net book value at 31/12/2014	<u>1,688,453</u>	<u>1,371,898</u>	<u>29,434</u>	<u>2,919</u>	<u>32,587</u>	<u>200,427</u>	<u>3,325,718</u>

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

10. Provisions against loans guarantee

Based on Board of Directors resolution related to the basis of calculating provisions against loans guarantee to reflect the estimated risk against guaranteed loans, the general provision is computed at 1% of the guaranteed productive and housing loans and 3% of the average daily guaranteed portion of export credit for the last three months. The special provision is computed against loans defaulted for more than (181) days for productive and housing loans.

The breakdown of provisions for loans guarantee presented in the statement of financial position is as follows:

	<u>2015</u>	<u>2014</u>
General provision	593,163	538,477
Special provision	1,009,418	1,278,596
Restricted special provision	-	168,248
Provision for industrial financing	2,177,731	1,935,942
Provision for pioneer projects financing	<u>340,939</u>	<u>227,902</u>
	<u>4,121,251</u>	<u>4,149,165</u>

The movements on these provisions are as follows:

General provision

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	538,477	789,427
Charge for the year	54,686	100,626
Transfer to special provision	-	(70,328)
Transfer to restricted special provision	-	(281,248)
	<u>593,163</u>	<u>538,477</u>

Special provision

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	1,278,596	871,558
Transfer from restricted special provision	168,248	-
Charge for the year	138,530	266,972
Recoveries	226,637	287,653
Compensations paid	(802,593)	(217,915)
Transfer from general provision	<u>-</u>	<u>70,328</u>
	<u>1,009,418</u>	<u>1,278,596</u>

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

Restricted special provision

	2015	2014
Balance at beginning of the year	168,248	-
Transfer to special provision	(168,248)	-
Transfer from general provision	-	281,248
Unneeded provision	-	(113,000)
	<u>-</u>	<u>168,248</u>

Provision for industrial financing

	2015	2014
Balance at beginning of the year	1,935,942	1,597,187
Charge for the year	305,698	362,675
Recoveries	357,082	66,211
Compensations paid	(420,991)	(90,131)
	<u>2,177,731</u>	<u>1,935,942</u>

Provision for pioneer projects financing

	2015	2014
Balance at beginning of the year	227,902	115,149
Charge for the year	113,037	112,753
	<u>340,939</u>	<u>227,902</u>

11. Central Bank of Jordan loan

The board of ministers in their meeting held on 7 February 2006 authorized the Central Bank of Jordan, to give the Company a non interest bearing loan granted by the European commission of an amount equivalent to JOD 5,160,695, the loan does not have a maturity date or any interest. The grant shall revert to the Central Bank of Jordan upon the liquidation of the Company.

Interest earned on the amount restricted against the loan is transferred to the provision for industrial financing and is to be used along with the restricted amount against liabilities resulting from industrial loans doubtful debt.

The restricted balance presented under assets in the statement of financial position amounted to JOD 7,250,165 and JOD 7,017,179 as at 31 December 2015 and 2014 respectively.

12. Payables and other current liabilities

	2015	2014
Unearned commissions	313,381	230,994
Deferred grants income	110,635	110,159
Reinsurers	108,908	200,690
Shareholders Withholdings	82,948	80,852
Provision for end of service indemnity	95,654	71,516
Provision for Board of Directors' remunerations	34,452	26,798
Accrued expenses	27,846	20,223
Others	202	731
	<u>774,026</u>	<u>741,963</u>

13. Ministry of planning deposit

The company signed an agreement with the Ministry of Planning and Development and Employment fund whereby, the Ministry will provide an amount of JOD 1,250,000 for setting up a loan guarantee scheme for the loans granted by the Development and Employment fund to finance pioneer projects. guarantees given under this scheme will cover up to maximum of 80% of the principal value of a guaranteed loan and of the interest accrued up to maximum of 181 days, funds transferred to the company under this agreement plus accrued interest shall be used to cover the guaranteed portion of defaulted loans.

The fund balance as at 31 December 2015 amounted to JOD 1,248,500 and the restricted balance presented under assets in the statement of financial position amounted to JOD 1,588,437 (2014: JOD 1,475,928).

14. Grant from World Bank

The World Bank has granted the company JOD (1,000,000) under supervision of Central Bank of Jordan to develop certain areas in the Company (market research, risk management, product development, marketing, analysis and systems, human resources management).

Total amount used from the grant till end of 2015 was JOD (136,994) to purchase property and equipment and JOD (235,583) to cover other expenses related to the grant purposes.

Revenues from the grant were deducted from their related expenses.

15. Equity

Paid in Capital

The Company's authorized and paid in capital is JOD (10) Million divided equally into (10) Million shares with par value of JOD (1) each as at 31 December 2015 and 2014.

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.

Proposed Dividends

- The Board of Directors will propose to the General Assembly in its meeting which will be held during 2016 to distribute 3% cash dividends to shareholders.
- The General Assembly has resolved in its meeting held during 2015 to distribute 4% cash dividends to shareholders.

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

16. Administrative expenses

	<u>2015</u>	<u>2014</u>
Salaries and wages	620,497	553,522
Company's contribution in social security	68,841	62,286
Company's contribution in saving fund	55,413	51,493
Depreciation	92,979	52,557
Medical and health insurance expenses	60,452	47,118
Board of Directors' transportation	46,600	46,800
Subscriptions	40,036	24,174
Post, telephone, water and electricity	37,956	35,290
Professional fees	28,973	37,920
Official duties and training courses	19,190	28,195
Marketing expenses	17,529	7,628
Stationary and printings	13,614	13,669
Maintenance	12,967	11,947
Rent	850	783
Vehicles expenses	5,142	9,519
Others	9,108	9,824
	<u>1,130,147</u>	<u>992,725</u>

17. Basic and diluted earnings per share

	<u>2015</u>	<u>2014</u>
Profit for the year	596,694	420,336
Weighted average number of shares	<u>10,000,000</u>	<u>10,000,000</u>
	<u>0.060</u>	<u>0.042</u>

18. Executive management remuneration

The salaries and remunerations of the executive management amounted to JOD 300,549 and JOD 275,121 during 2015 and 2014 respectively.

19. Legalization

The Company appears as a defendant in a law suit relating to export guarantee amounting to JOD 702,994 the Company's share is JOD 124,134 the management believes that this case will have no effect on the financial position of the Company.

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2015

20. 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.

2015	Up to one year	More than one year	Total
Assets			
Cash and cash equivalents	8,733,702	-	8,733,702
Restricted bank deposits	-	8,838,602	8,838,602
Financial assets measured at fair value through other comprehensive income	-	779,177	779,177
Restricted financial assets measured at amortized cost	-	3,097,962	3,097,962
Receivables and other current assets	521,910	-	521,910
Deferred tax assets	-	776,751	776,751
Property and equipment	-	3,280,646	3,280,646
Total assets	9,255,612	16,773,138	26,028,750
Liabilities			
Provisions against loans guarantee	-	4,121,251	4,121,251
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	774,026	-	774,026
Ministry of planning deposit	-	1,248,500	1,248,500
Income tax provision	34,086	-	34,086
Total liabilities	808,112	10,530,446	11,338,558
2014			
Assets			
Cash and cash equivalents	5,596,391	-	5,596,391
Restricted bank deposits	-	5,606,977	5,606,977
Restricted financial assets measured at amortized cost	-	2,886,130	2,886,130
Financial assets measured at fair value through profit or loss	2,180	-	2,180
Financial assets measured at fair value through other comprehensive income	-	793,873	793,873
Financial assets measured at amortized cost	3,600,014	3,096,457	6,696,471
Receivables and other current assets	504,996	-	504,996
Deferred tax assets	-	534,833	534,833
Property and equipment	-	3,325,718	3,325,718
Total assets	9,703,581	16,243,988	25,947,569
Liabilities			
Provisions against loans guarantee	-	4,149,165	4,149,165
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	741,963	-	741,963
Ministry of planning deposit	-	1,248,500	1,248,500
Income tax provision	137,794	-	137,794
Total liabilities	879,757	10,558,360	11,438,117

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
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21. 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.

2015	Up to one year	More than one year	Non-interest bearing	Total
Assets				
Cash and cash equivalents	8,732,702	-	1,000	8,733,702
Restricted bank deposits	-	-	8,838,602	8,838,602
Financial assets measured at fair value through other comprehensive income	-	-	779,177	779,177
Financial assets measured at amortized cost	-	3,097,962	-	3,097,962
Receivables and other current assets	-	-	521,910	521,910
Deferred tax assets	-	-	776,751	776,751
Property and equipment	-	-	3,280,646	3,280,646
Total assets	8,732,702	3,097,962	14,198,086	26,028,750
Liabilities				
Provisions against loans guarantee	-	-	4,121,251	4,121,251
Central Bank of Jordan loan	-	-	5,160,695	5,160,695
Payables and other current liabilities	-	-	774,026	774,026
Ministry of planning deposit	-	-	1,248,500	1,248,500
Income tax provision	-	-	34,086	34,086
Total liabilities	-	-	11,338,558	11,338,558
Net	8,732,702	3,097,962	2,859,528	14,690,192
<hr/>				
2014	Up to one year	More than one year	Non-interest bearing	Total
Assets				
Cash and cash equivalents	5,595,923	-	468	5,596,391
Restricted bank deposits	-	-	5,606,977	5,606,977
Restricted financial assets measured at amortized cost	-	-	2,886,130	2,886,130
Financial assets measured at fair value through profit or loss	-	-	2,180	2,180
Financial assets measured at fair value through other comprehensive income	-	-	793,873	793,873
Financial assets measured at amortized cost	3,600,014	3,096,457	-	6,696,471
Receivables and other current assets	-	-	504,996	504,996
Deferred tax assets	-	-	534,833	534,833
Property and equipment	-	-	3,325,718	3,325,718
Total assets	9,195,937	3,096,457	13,655,175	25,947,569
Liabilities				
Provisions against loans guarantee	-	-	4,149,165	4,149,165
Central Bank of Jordan loan	-	-	5,160,695	5,160,695
Payables and other current liabilities	-	-	741,963	741,963
Ministry of planning deposit	-	-	1,248,500	1,248,500
Income tax provision	-	-	137,794	137,794
Total liabilities	-	-	11,438,117	11,438,117
Net	9,195,937	3,096,457	2,217,058	14,509,452

22. Operating segments

The company's main operations include providing guarantees to fully or partially cover loans of different types granted by banks and financial institutions, extending guarantees required to cover risks in the field of Jordanian export sector, and investing in financial securities, information about operating segments are as follows:

	Local	
	2015	2014
Revenue from loans guarantee	840,512	729,208
Revenue from guarantee of exports and domestic buyers	129,484	144,840
Revenue from investing in financial securities	712,866	879,010
Assets related to guarantee of loans and export sector	9,175,662	8,766,732
Assets related to investment in financial securities	12,751,867	13,245,805

23. Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, financial securities and receivables. Financial liabilities of the Company include Central Bank of Jordan loan, accounts payable and ministry of planning deposit.

Fair Value

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	424,987	-	354,190	779,177
2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,180	-	-	2,180
Financial assets at fair value through other comprehensive income	439,683	-	354,190	793,873
	<u>441,863</u>	<u>-</u>	<u>354,190</u>	<u>796,053</u>

Financial assets included in level 3 are stated at cost less impairment charges, as the fair value of these assets cannot be measured reliably due to the lack of available active markets for identical assets.

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.

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 analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date:

<u>2015</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
Provisions against loans guarantee	-	4,121,251	4,121,251
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	774,026	-	774,026
Ministry of planning deposit	-	1,248,500	1,248,500
Income tax provision	34,086	-	34,086
	<u>808,112</u>	<u>10,530,446</u>	<u>11,338,558</u>

<u>2014</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
Provisions against loans guarantee	-	4,149,165	4,149,165
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	741,963	-	741,963
Ministry of planning deposit	-	1,248,500	1,248,500
Income tax provision	137,794	-	137,794
	<u>879,757</u>	<u>10,558,360</u>	<u>11,438,117</u>

Loans and exports guarantee risks

The company guarantees 70% of productive loans to the low and medium income applicants not exceeding JOD 100,000 and guarantees 75% of housing loans to the low and medium income applicants provided that the loan does not exceed JOD 75,000. The company guarantees 70% of industrial loans and financial leasing up to JOD 550,000 for each.

The company guarantees 90% of post shipment exports losses caused by any of the risks covered by the guarantee contract. The company reinsures the guaranteed capital through agreements with Regional & International Insurance Companies.

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, To avoid this risk, the company's deposits are short term and have fixed interest rates, if interest rates had increased or decreased by 0.5% annually the net result for the year would have been reduced / increased by JOD 43,664 during 2015 (2014: JOD 27,980).

Currency Risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either Jordanian Dinar or US Dollar. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

Equity Price Risk

Equity price risk result from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the year would be increased / reduced by JOD 40,374 during 2015 (2014: JOD 42,429).

24. Capital Management

The Company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders.