

Jordan Loan Guarantee Corp.
Public Shareholding Company

Financial Statements as at 31 December 2016
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 Audit of the Financial Statements

Opinion

We have audited the financial statements of **Jordan Loan Guarantee Corp.**, which comprise the statement of financial position as at 31 December 2016, and 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report.

13 February 2017
Amman – Jordan

Arab Professionals

Jordan Loan Guarantee Corp.
Public Shareholding Company
Statement of financial position as at 31 December 2016

(In Jordanian Dinar)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Assets			
Cash and cash equivalents	4	26,556,420	8,733,702
Restricted bank deposits	11,13,14	23,274,359	8,838,602
Restricted financial assets measured at amortized cost	11,13,14	12,578,848	-
Financial assets measured at fair value through other comprehensive income	5	776,410	779,177
Financial assets measured at amortized cost	6	4,590,356	3,097,962
Receivables and other current assets	7	707,394	521,910
Deferred tax assets	8	763,344	776,751
Property and equipment	9	3,217,656	3,280,646
Total assets		<u>72,464,787</u>	<u>26,028,750</u>
Liabilities and equity			
Liabilities			
Provisions against loans guarantee	10	4,792,966	4,121,251
Central Bank of Jordan loan	11	5,160,695	5,160,695
Payables and other current liabilities	12	1,077,591	774,026
Ministry of planning deposit	13	1,248,500	1,248,500
Startup micro projects loans	14	26,498,958	-
Income tax provision	8	100,676	34,086
Total liabilities		<u>38,879,386</u>	<u>11,338,558</u>
Equity			
	16		
Paid in capital		29,080,310	10,000,000
Statutory reserve		1,526,945	1,483,583
Voluntary reserve		2,204,824	2,204,824
Fair value adjustments		109,615	112,243
Retained earnings		663,707	889,542
Total equity		<u>33,585,401</u>	<u>14,690,192</u>
Total liabilities and equity		<u>72,464,787</u>	<u>26,028,750</u>

"The attached notes from (1) to (25) 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 2016

(In Jordanian Dinar)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Revenues			
Interest income		394,601	284,964
Bonds interest income		246,817	365,593
Commissions on guaranteed loans		768,680	639,120
Commissions on guaranteed exports and domestic buyers		108,861	129,484
Commissions on guaranteed industrial loans and financial leasing		274,437	201,392
Dividends income		64,896	63,958
Loss from sale of financial assets measured at fair value through profit or loss		-	(1,649)
Unneeded impairment provision		37,334	-
Other revenues		28,824	30,220
Total revenues		<u>1,924,450</u>	<u>1,713,082</u>
Deduct :			
Administrative expenses	17	1,185,020	1,130,147
Provisions against loans guarantee	10	280,379	193,216
Provision against end of service indemnity		25,436	24,139
Board of directors' remunerations		26,670	34,452
Total expenses		<u>1,517,505</u>	<u>1,381,954</u>
Profit for the year before tax		406,945	331,128
Tax (expense) saving for the year		(136,839)	265,566
Profit for the year		<u>270,106</u>	<u>596,694</u>
Basic and diluted earnings per share	18	<u>0.022</u>	<u>0.060</u>

"The attached notes from (1) to (25) 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 2016

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
Profit for the year	270,106	596,694
Other comprehensive income		
Change in fair value of financial assets through other comprehensive income	<u>(2,628)</u>	<u>(15,954)</u>
Total comprehensive income for the year	<u>267,478</u>	<u>580,740</u>

"The attached notes from (1) to (25) 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 2016**

(In Jordanian Dinar)

	Paid in capital	Reserves		Fair value adjustments	Retained* earnings	Total
		Statutory	Voluntary			
Balance at 1 January 2016	10,000,000	1,483,583	2,204,824	112,243	889,542	14,690,192
Capital increase	19,080,310	-	-	-	(152,579)	18,927,731
Dividends paid	-	-	-	-	(300,000)	(300,000)
Comprehensive income for the year	-	-	-	(2,628)	270,106	267,478
Statutory reserve	-	43,362	-	-	(43,362)	-
Balance at 31 December 2016	29,080,310	1,526,945	2,204,824	109,615	663,707	33,585,401
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	10,000,000	1,483,583	2,204,824	112,243	889,542	14,690,192

*The above retained earnings does not include any fair value gains that are not allowed to be distributed to shareholders.

"The attached notes from (1) to (25) 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 2016

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
Operating Activities		
Profit for the year before income tax	406,945	331,128
Depreciation	93,567	92,979
Amortization of deferred income	(28,592)	(24,118)
Provision against end of service indemnity	25,436	24,139
Provisions against loans guarantee	1,003,253	611,951
Board of directors' remunerations	26,670	34,452
Unneeded impairment provision	(37,334)	-
Change in working capital		
Payables and other current liabilities	280,052	(16,914)
Receivables and other current assets	(185,484)	76,187
Financial assets measured at fair value through profit or loss	-	2,180
Net payments for loans guarantee	(331,538)	(639,865)
Income tax paid	(56,704)	(159,915)
Net Cash Flows From Operating Activities	<u>1,196,271</u>	<u>332,204</u>
Investing Activities		
Financial assets measured at amortized cost	(1,455,060)	3,598,509
Property and equipment	(30,577)	(47,907)
Net Cash Flows (Used in) From Investing Activities	<u>(1,485,637)</u>	<u>3,550,602</u>
Financing Activities		
Capital increase	18,927,731	-
Restricted bank deposits	(14,435,757)	(3,231,625)
Restricted financial assets measured at amortized cost	(12,578,848)	2,886,130
Startup micro projects loans	26,498,958	-
Dividends paid	(300,000)	(400,000)
Net Cash Flows from (Used in) Financing Activities	<u>18,112,084</u>	<u>(745,495)</u>
Net change in cash and cash equivalents	17,822,718	3,137,311
Cash and cash equivalents, beginning of the year	8,733,702	5,596,391
Cash and cash equivalents, end of the year	<u>26,556,420</u>	<u>8,733,702</u>

"The attached notes from (1) to (25) form an integral part of these financial statements"

**Jordan Loan Guarantee Corp.
Public Shareholding Company
Notes to the Financial Statements
31 December 2016**

(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 13 February 2017.

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 2016. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

<u>Standard No.</u>	<u>Title of Standards</u>	<u>Effective Date</u>
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Use of Estimates

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

- Management 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 2016

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	
	2016	2015	2016	2015
Housing loans guarantees	29,350,606	30,199,606	24,129,454	26,742,374
Productive loans guarantees	32,177,000	23,427,000	35,799,758	23,798,229
Export credit guarantees & domestic buyers	3,674,448	3,464,914	3,674,448	3,464,914
Industrial loans guarantees	16,075,779	13,403,582	16,075,779	13,403,582
Finance lease	3,080,837	3,734,072	3,080,837	3,734,072
Business vehicles	189,046	217,873	189,046	217,873

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2016

4. Cash and cash equivalents

	2016	2015
Cash on hand	524	1,000
Bank deposits	26,555,896	8,732,702
	<u>26,556,420</u>	<u>8,733,702</u>

Bank deposits mature within (3) to (12) months, with an annual interest rate ranging between (3%) and (4.25%) yearly.

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

	2016	2015
Investments in listed shares (in Jordan)	422,220	424,987
Investments in unlisted shares (in Jordan)	354,190	354,190
	<u>776,410</u>	<u>779,177</u>

6. Financial assets measured at amortized cost

	2016	2015
Investment in bonds - Jordan	4,590,356	3,375,702
Deduct: impairment provision	-	(277,740)
	<u>4,590,356</u>	<u>3,097,962</u>

Investment in bonds mature up to the year 2026 with an annual interest rate ranging between (5.498%) and (7.75%) yearly.

7. Receivables and other current assets

	2016	2015
Accrued commissions income	387,017	337,060
Accrued interest income	224,520	153,833
Accounts receivable	74,068	17,362
Prepaid expenses	11,511	15,277
Refundable deposits	7,865	7,865
Others	2,413	2,320
Deduct: provision against impairment in accrued interest	-	(11,807)
	<u>707,394</u>	<u>521,910</u>

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2016

8. Income tax

The movements on the income tax provision are as follows:

	2016	2015
Balance at beginning of the year	34,086	137,794
Current income tax charge	123,294	56,207
Income tax paid	<u>(56,704)</u>	<u>(159,915)</u>
	<u>100,676</u>	<u>34,086</u>

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

	2016	2015
Provisions against loans guarantee	744,895	705,619
End of service provision	24,218	19,131
Provision against impairment of financial assets measured at amortized cost	-	57,909
Change in fair value reserve	<u>(5,769)</u>	<u>(5,908)</u>
	<u>763,344</u>	<u>776,751</u>

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department but the Department has not reviewed the Company's records till the date of this report.
- The income tax provision for the year 2016 was calculated in accordance with the Income Tax Law.

9. Property and Equipment

	Lands	Buildings	Furniture & Fixtures	Vehicles	Computers & Software	Advance payments to purchase software	Total
Cost							
Balance at 1/1/2016	1,688,453	1,522,285	144,529	101,101	440,923	-	3,897,291
Additions	-	4,150	3,642	-	22,785	-	30,577
Balance at 31/12/2016	<u>1,688,453</u>	<u>1,526,435</u>	<u>148,171</u>	<u>101,101</u>	<u>463,708</u>	<u>-</u>	<u>3,927,868</u>
Accumulated depreciation							
Balance at 1/1/2016	-	180,832	119,053	82,703	234,057	-	616,645
Depreciation for the year	-	30,483	7,123	2,985	52,976	-	93,567
Balance at 31/12/2016	<u>-</u>	<u>211,315</u>	<u>126,176</u>	<u>85,688</u>	<u>287,033</u>	<u>-</u>	<u>710,212</u>
Net book value at 31/12/2016	<u>1,688,453</u>	<u>1,315,120</u>	<u>21,995</u>	<u>15,413</u>	<u>176,675</u>	<u>-</u>	<u>3,217,656</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>

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>2016</u>	<u>2015</u>
General provision	673,718	593,163
Special provision	1,059,904	1,009,418
Provision for industrial financing	2,224,514	2,177,731
Provision for pioneer projects financing	395,873	340,939
Provision for startup companies financing	438,957	-
	<u>4,792,966</u>	<u>4,121,251</u>

The movements on these provisions are as follows:

General provision

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	593,163	538,477
Charge for the year	80,555	54,686
	<u>673,718</u>	<u>593,163</u>

Special provision

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	1,009,418	1,278,596
Charge for the year	199,824	138,530
Recoveries	311,544	226,637
Compensations paid	(460,882)	(802,593)
Transfer from restricted special provision	-	168,248
	<u>1,059,904</u>	<u>1,009,418</u>

Provision for industrial financing

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	2,177,731	1,935,942
Charge for the year against Central Bank of Jordan loan's interest	228,983	305,698
Recoveries	65,960	357,082
Compensations paid	(248,160)	(420,991)
	<u>2,224,514</u>	<u>2,177,731</u>

Provision for pioneer projects financing

	2016	2015
Balance at beginning of the year	340,939	227,902
Charge for the year against ministry of planning deposits	54,934	113,037
	<u>395,873</u>	<u>340,939</u>

Provision for startup companies financing

	2016	2015
Balance at beginning of the year	-	-
Charge for the year against startup micro projects loans	438,957	-
	<u>438,957</u>	<u>-</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 (7,285,464) and JOD (7,250,165) as at 31 December 2016 and 2015 respectively.

12. Payables and other current liabilities

	2016	2015
Unearned commissions	462,081	313,381
Deferred grants income	104,827	110,635
Reinsurers	209,298	108,908
Shareholders Withholdings	83,495	82,948
Provision for end of service indemnity	121,090	95,654
Provision for Board of Directors' remunerations	26,670	34,452
Accrued expenses	70,130	27,846
Others	-	202
	<u>1,077,591</u>	<u>774,026</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 2016 amounted to JOD (1,248,500) and the restricted balance presented under assets in the statement of financial position amounted to JOD (1,640,804) (2015: JOD 1,588,437).

14. Startup micro projects loans

During 2016 the Company has acquired interest free loans from the Central Bank of Jordan and other commercial and islamic banks for the purpose of helping startup companies to develop their business activities, by using the proceeds from these loans exclusively in financing startup micro projects loans guarantee program through investing them in low risk financial instruments and retain their returns as a provision to face any liabilities that may arise against the granted guarantees, in case of running out from the retained returns the Company will stop granting any new guarantees.

The loan from Central Bank of Jordan which amounted to JOD (11,239,200) will mature on 8 March 2021 and the loans from the commercial and islamic banks which amounted to JOD (15,259,758) will mature on 1 March 2026.

The restricted balance presented under assets in the statement of financial position amounted to JOD (26,926,939) as at 31 December 2016, part of it is mortgaged against Central Bank of Jordan loan amounted to JOD (12,485,849).

15. 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 2016 was JOD (180,985) to purchase property and equipment and JOD (316,308) to cover other expenses related to the grant purposes.

Revenues from the grant were deducted from their related expenses.

16. Equity

Capital

The General Assembly has resolved in its meeting held on 27 March 2016 to increase the authorized capital from JOD (10) Million/share to JOD (30) Million/share, (19,080,310) shares have been subscribed at par value of JOD (1).

The Company's authorized capital is JOD (30) Million and the subscribed and paid in capital is JOD (29,080,310) divided equally into (29,080,310) shares with par value of JOD (1) each as at 31 December 2016, JOD (10) Million as at 31 December 2015.

Statutory Reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income. This reserve is available for distribution to shareholders.

Dividends paid

The General Assembly has resolved in its meeting held during 2016 to distribute 3% cash dividends to shareholders.

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2016

17. Administrative expenses

	<u>2016</u>	<u>2015</u>
Salaries and wages	656,180	620,497
Company's contribution in social security	74,810	68,841
Company's contribution in saving fund	57,330	55,413
Depreciation	93,567	92,979
Medical and health insurance expenses	42,456	60,452
Board of Directors' transportation	46,400	46,600
Subscriptions	41,228	40,036
Post, telephone, water and electricity	38,187	37,956
Professional fees	19,708	28,973
Official duties and training courses	37,538	19,190
Marketing expenses	20,665	17,529
Stationary and printings	13,613	13,614
Maintenance	14,867	12,967
Rent	850	850
Vehicles expenses	9,953	5,142
Others	17,668	9,108
	<u>1,185,020</u>	<u>1,130,147</u>

18. Basic and diluted earnings per share

	<u>2016</u>	<u>2015</u>
Profit for the year	270,106	596,694
Weighted average number of shares	<u>12,300,092</u>	<u>10,000,000</u>
	<u>0.022</u>	<u>0.060</u>

19. Executive management remuneration

The salaries and remunerations of the executive management amounted to JOD (328,751) and JOD (300,549) during 2016 and 2015 respectively.

20. Legalization

The Company appears as a defendant in a law suits relating to export guarantees 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 2016

21. Analysis of the maturities of assets and liabilities

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

2016	Up to one year	More than one year	Total
Assets			
Cash and cash equivalents	26,556,420	-	26,556,420
Restricted bank deposits	-	23,274,359	23,274,359
Financial assets measured at fair value through other comprehensive income	-	776,410	776,410
Restricted financial assets measured at amortized cost	-	12,578,848	12,578,848
Financial assets measured at amortized cost	2,000,000	2,590,356	4,590,356
Receivables and other current assets	707,394	-	707,394
Deferred tax assets	-	763,344	763,344
Property and equipment	-	3,217,656	3,217,656
Total assets	29,263,814	43,200,973	72,464,787
Liabilities			
Provisions against loans guarantee	-	4,792,966	4,792,966
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	1,077,591	-	1,077,591
Ministry of planning deposit	-	1,248,500	1,248,500
Startup micro projects loans	-	26,498,958	26,498,958
Income tax provision	100,676	-	100,676
Total liabilities	1,178,267	37,701,119	38,879,386
2015			
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

Jordan Loan Guarantee Corp.
Notes to the Financial Statements (continued)
31 December 2016

22. Interest rate re-pricing gap

The Company adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates.

2016	Up to one year	More than one year	Non-interest bearing	Total
Assets				
Cash and cash equivalents	26,555,896	-	524	26,556,420
Restricted bank deposits	-	-	23,274,359	23,274,359
Financial assets measured at fair value through other comprehensive income	-	-	776,410	776,410
Restricted financial assets measured at amortized cost	-	-	12,578,848	12,578,848
Financial assets measured at amortized cost	2,000,000	2,590,356	-	4,590,356
Receivables and other current assets	-	-	707,394	707,394
Deferred tax assets	-	-	763,344	763,344
Property and equipment	-	-	3,217,656	3,217,656
Total assets	28,555,896	2,590,356	41,318,535	72,464,787
Liabilities				
Provisions against loans guarantee	-	-	4,792,966	4,792,966
Central Bank of Jordan loan	-	-	5,160,695	5,160,695
Payables and other current liabilities	-	-	1,077,591	1,077,591
Ministry of planning deposit	-	-	1,248,500	1,248,500
Startup micro projects loans	-	-	26,498,958	26,498,958
Income tax provision	-	-	100,676	100,676
Total liabilities	-	-	38,879,386	38,879,386
Net	28,555,896	2,590,356	2,439,149	33,585,401
<hr/>				
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

23. 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	
	2016	2015
Revenue from loans guarantee	1,043,117	840,512
Revenue from guarantee of exports and domestic buyers	108,861	129,484
Revenue from investing in financial securities	706,314	712,866
Assets related to guarantee of loans and export sector	36,240,224	9,175,662
Assets related to investment in financial securities	32,147,706	12,751,867

24. 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, ministry of planning deposit and startup micro projects loans.

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.

2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	422,220	-	354,190	776,410
2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	424,987	-	354,190	779,177

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 risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. 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:

2016	Less than one year	More than one year	Total
Provisions against loans guarantee	-	4,792,966	4,792,966
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	1,077,591	-	1,077,591
Ministry of planning deposit	-	1,248,500	1,248,500
Startup micro projects loans	-	26,498,958	26,498,958
Income tax provision	100,676	-	100,676
	1,178,267	37,701,119	38,879,386

2015	Less than one year	More than one year	Total
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
	808,112	10,530,446	11,338,558

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 (132,800) during 2016 (2015: JOD 43,664).

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 (40,111) during 2016 (2015: JOD 40,374).

25. Capital Management

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