

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

**Financial Statements as at 31 December 2014**  
**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.  
Amman - Jordan**

We have audited the accompanying financial statements of **Jordan Loan Guarantee Corp.** which comprise the statement of financial position as at 31 December 2014, the statement of income, 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 2014, 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.

Amman – Jordan  
28 January 2015

*Arab Professionals*

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Statement of financial position as at 31 December 2014**  
**(In Jordanian Dinar)**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>			
Cash and cash equivalents	4	5,596,391	2,626,520
Restricted bank deposits	12,14	5,606,977	5,169,921
Restricted financial assets measured at amortized cost	12,14	2,886,130	2,885,742
Financial assets measured at fair value through profit or loss	5	2,180	72,764
Financial assets measured at fair value through other comprehensive income	6	793,873	600,288
Financial assets measured at amortized cost	7	6,696,471	9,276,040
Receivables and other current assets	8	504,996	485,756
Deferred tax assets	9	534,833	407,213
Property and equipment	10	3,325,718	3,263,324
<b>Total assets</b>		<b><u>25,947,569</u></b>	<b><u>24,787,568</u></b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Provisions against loans guarantee	11	4,149,165	3,373,321
Central Bank of Jordan loan	12	5,160,695	5,160,695
Payables and other current liabilities	13	741,963	484,388
Ministry of planning deposit	14	1,248,500	1,248,500
Income tax provision	9	137,794	117,814
<b>Total liabilities</b>		<b><u>11,438,117</u></b>	<b><u>10,384,718</u></b>
<b>Equity</b>			
	16		
Paid in capital		10,000,000	10,000,000
Statutory reserve		1,447,025	1,398,770
Voluntary reserve		2,204,824	2,204,824
Fair value adjustments		128,197	41,931
Retained earnings		729,406	757,325
<b>Total equity</b>		<b><u>14,509,452</u></b>	<b><u>14,402,850</u></b>
<b>Total liabilities and equity</b>		<b><u>25,947,569</u></b>	<b><u>24,787,568</u></b>

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

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Statement of income for the year ended 31 December 2014**  
**(In Jordanian Dinar)**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>			
Bonds interest income		562,037	656,415
Interest income		207,636	132,464
Commissions on guaranteed loans		563,686	504,695
Commissions on guaranteed exports and domestic buyers		144,840	199,242
Commissions on guaranteed industrial loans and financial leasing		165,522	139,107
Revaluation of financial assets measured at fair value through profit or loss		59,090	4,006
Dividends income		50,247	36,000
Other revenues		2,240	1,356
<b>Total revenues</b>		<b><u>1,755,298</u></b>	<b><u>1,673,285</u></b>
<b>Deduct :</b>			
Administrative expenses	17	992,725	927,154
Provisions against loans guarantee	11	254,598	189,571
Provision against end of service indemnity		25,428	20,940
Board of directors' remunerations		26,798	34,590
<b>Total expenses</b>		<b><u>1,299,549</u></b>	<b><u>1,172,255</u></b>
<b>Profit for the year before income tax</b>		<b>455,749</b>	<b>501,030</b>
Income tax expense	9	( 35,413)	( 81,334)
<b>Profit for the year</b>		<b><u>420,336</u></b>	<b><u>419,696</u></b>
<b>Basic and diluted earnings per share</b>	18	<b><u>0.042</u></b>	<b><u>0.042</u></b>

"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 2014**

**(In Jordanian Dinar)**

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	<u>2014</u>	<u>2013</u>
Profit for the year	420,336	419,696
<b>Other comprehensive income</b>		
Change in fair value of financial assets through other comprehensive income	<u>86,266</u>	<u>( 2,336)</u>
<b>Total comprehensive income for the year</b>	<u><b>506,602</b></u>	<u><b>417,360</b></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 2014**

(In Jordanian Dinar)

	Paid in capital	Reserves		Fair value adjustments	Retained earnings	Total
		Statutory	Voluntary			
<b>Balance at 1 January 2014</b>	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)	-
<b>Balance at 31 December 2014</b>	<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>
<b>Balance at 1 January 2013</b>	10,000,000	1,345,208	2,204,824	44,267	691,191	14,285,490
Dividends paid	-	-	-	-	( 300,000)	( 300,000)
Comprehensive income for the year	-	-	-	( 2,336)	419,696	417,360
Statutory reserve	-	53,562	-	-	( 53,562)	-
<b>Balance at 31 December 2013</b>	<u>10,000,000</u>	<u>1,398,770</u>	<u>2,204,824</u>	<u>41,931</u>	<u>757,325</u>	<u>14,402,850</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 cash flows for the year ended 31 December 2014**

(In Jordanian Dinar)

	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Profit for the year before income taxes	455,749	501,030
Depreciation	52,557	51,829
Amortization of deferred income	( 2,240)	-
Revaluation of financial assets measured at fair value through profit or loss	( 59,090)	( 4,006)
Provision against end of service indemnity	25,428	20,940
Provisions against loans guarantee	730,026	683,115
Board of directors' remunerations	26,798	34,590
<b>Change in working capital</b>		
Payables and other current liabilities	207,589	58,377
Receivables and other current assets	( 19,240)	6,682
Financial assets measured at fair value through profit or loss	129,674	190,523
Net payments for loans guarantee	45,818	( 202,422)
Income tax paid	( 146,182)	( 84,621)
<b>Net Cash Flows From Operating Activities</b>	<u>1,446,887</u>	<u>1,256,037</u>
<b>Investing Activities</b>		
Financial assets measured at amortized cost	2,579,569	( 303,146)
Financial assets measured at fair value through other comprehensive income	( 104,190)	-
Property and equipment	( 114,951)	( 125,801)
<b>Net Cash Flows From (Used In) Investing Activities</b>	<u>2,360,428</u>	<u>( 428,947)</u>
<b>Financing Activities</b>		
Increase in restricted bank deposits	( 437,056)	( 353,219)
Restricted financial assets measured at amortized cost	( 388)	73
Dividends paid	( 400,000)	( 300,000)
<b>Net Cash Flows Used in Financing Activities</b>	<u>( 837,444)</u>	<u>( 653,146)</u>
<b>Net change in cash and cash equivalents</b>	2,969,871	173,944
Cash and cash equivalents, beginning of the year	<u>2,626,520</u>	<u>2,452,576</u>
<b>Cash and cash equivalents, end of the year</b>	<u>5,596,391</u>	<u>2,626,520</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 2014**

**(In Jordanian Dinar)**

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**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 28 January 2015 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**

A number of new and revised standards are effective for annual periods beginning on 1 January 2014. Information on these new standards is presented below.

<u>Standard</u>	<u>Title of Standards</u>
IFRS 10,12 and IAS 27	Investment entities (Amendments)
IAS 32	Offsetting financial assets and financial liabilities (Amendments)
IAS 36	Recoverable amount disclosures for non-financial assets (Amendments)
IAS 39	Novation of derivatives and continuation of hedge accounting (Amendments)

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2014**

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The following standards have been published that are mandatory for accounting periods after 31 December 2014.

<u>Standard</u>	<u>Title of Standards</u>
IFRS 11	Accounting for acquisitions of interests in joint operations (Amendments)
IFRS 15	Revenue from contracts with customers

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

#### **Use of Estimates**

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

Management 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 income.

#### **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 income statement.

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 income.

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.

### **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.

### **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.

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2014**

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**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 income.

**3. Balances of guaranteed loans and ceilings**

	Ceilings		Guaranteed	
	2014	2013	2014	2013
Housing loans guarantees	37,926,299	40,060,976	28,558,530	30,764,259
Productive loans guarantees	20,027,000	18,487,500	19,697,300	13,647,797
Export credit guarantees & domestic buyers	2,221,000	4,724,000	2,221,000	4,724,000
Industrial loans guarantees	10,797,952	8,344,491	10,797,952	8,344,491
Financial leasing	5,360,558	6,204,812	5,360,558	6,204,812
Business vehicles	235,622	133,625	235,622	133,625

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2014**

**4. Cash and cash equivalents**

	<u>2014</u>	<u>2013</u>
Cash on hand	468	1,000
Current bank accounts	-	8,555
Bank deposits	<u>5,595,923</u>	<u>2,616,965</u>
	<u><b>5,596,391</b></u>	<u><b>2,626,520</b></u>

Bank deposits mature from (3) to (11) months, with an annual interest rate ranging between (4%) and (5%) yearly.

**5. Financial assets measured at fair value through profit or loss**

	<u>2014</u>	<u>2013</u>
Investment funds	<u><b>2,180</b></u>	<u><b>72,764</b></u>

**6. Financial assets measured at fair value through other comprehensive income**

	<u>2014</u>	<u>2013</u>
Investments in quoted shares (in Jordan)	439,683	350,288
Investments in unquoted shares (in Jordan)	<u>354,190</u>	<u>250,000</u>
	<u><b>793,873</b></u>	<u><b>600,288</b></u>

**7. Financial assets measured at amortized cost**

	<u>2014</u>	<u>2013</u>
Investment in bonds – Jordan	6,974,211	9,553,780
Deduct: impairment provision	<u>( 277,740)</u>	<u>( 277,740)</u>
	<u><b>6,696,471</b></u>	<u><b>9,276,040</b></u>

Investment in bonds mature up to the year 2019 with an annual interest rate ranging between (5.498%) and (8.6%) yearly.

**8. Receivables and other current assets**

	<u>2014</u>	<u>2013</u>
Accrued commissions income	273,625	264,611
Accrued interest income	169,166	217,024
Accounts receivable	53,971	-
Prepaid expenses	12,016	7,537
Refundable deposits	7,855	7,815
Others	170	576
Deduct : provision against impairment in accrued interest	<u>( 11,807)</u>	<u>( 11,807)</u>
	<u><b>504,996</b></u>	<u><b>485,756</b></u>

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2014**

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**9. Income tax**

The movements on the income tax provision are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	117,814	66,285
Current income tax charge	166,162	136,150
Income tax paid	<u>( 146,182)</u>	<u>( 84,621)</u>
	<u><b>137,794</b></u>	<u><b>117,814</b></u>

The income tax presented in the statement of income consists of:

	<u>2014</u>	<u>2013</u>
Current income tax charge	<u>( 166,162)</u>	<u>( 136,150)</u>
Deferred tax relating to provisions against loans guarantee	127,189	51,884
Deferred tax relating to end of service indemnity provision	<u>3,560</u>	<u>2,932</u>
	<u><b>( 35,413)</b></u>	<u><b>( 81,334)</b></u>

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

	<u>2014</u>	<u>2013</u>
Provisions against loans guarantee	488,934	361,745
Provision against impairment of financial assets measured at amortized cost	40,537	40,537
End of service provision	10,012	6,452
Change in fair value reserve	<u>( 4,650)</u>	<u>( 1,521)</u>
	<u><b>534,833</b></u>	<u><b>407,213</b></u>

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2010.
- The Income Tax returns for the years 2011, 2012 and 2013 have 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 2014 was calculated in accordance with the Income Tax Law.

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2014**

**10. Property & Equipment**

	<u>Lands</u>	<u>Buildings</u>	<u>Furniture &amp; Fixtures</u>	<u>Vehicles</u>	<u>Computers &amp; Software</u>	<u>Advance payments to purchase software</u>	<u>Total</u>
<b>Cost</b>							
Balance as 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 as 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>
<b>Accumulated depreciation</b>							
Balance as 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 as at 31/12/2014	-	<u>150,387</u>	<u>111,681</u>	<u>92,802</u>	<u>183,315</u>	-	<u>538,185</u>
<b>Net book value as at 31/12/2014</b>	<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>
<b>Cost</b>							
Balance as at 1/1/2013	1,688,453	1,522,285	139,759	95,721	196,538	-	3,642,756
Additions	-	-	4,532	-	894	120,427	125,853
Disposals	-	-	( 6,736)	-	( 12,921)	-	( 19,657)
Balance as at 31/12/2013	<u>1,688,453</u>	<u>1,522,285</u>	<u>137,555</u>	<u>95,721</u>	<u>184,511</u>	<u>120,427</u>	<u>3,748,952</u>
<b>Accumulated depreciation</b>							
Balance as at 1/1/2013	-	89,495	102,201	78,642	183,066	-	453,404
Depreciation for the year	-	30,446	8,443	7,080	5,860	-	51,829
Disposals	-	-	( 6,693)	-	( 12,912)	-	( 19,605)
Balance as at 31/12/2013	-	<u>119,941</u>	<u>103,951</u>	<u>85,722</u>	<u>176,014</u>	-	<u>485,628</u>
<b>Net book value as at 31/12/2013</b>	<u>1,688,453</u>	<u>1,402,344</u>	<u>33,604</u>	<u>9,999</u>	<u>8,497</u>	<u>120,427</u>	<u>3,263,324</u>

**11. Provisions against loans guarantee**

During 2014 the Board of Directors has adjusted the basis of calculating provisions against loans guarantee to reflect the estimated risk against guaranteed loans, where 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 (180) days for productive and housing loans.

The excess in provisions resulted from the new estimates have been transferred to restricted special provision.

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

	<u>2014</u>	<u>2013</u>
General provision	538,477	789,427
Special provision	1,278,596	871,558
Restricted special provision	168,248	-
Provision for industrial financing	1,935,942	1,597,187
Provision for pioneer projects financing	227,902	115,149
	<u>4,149,165</u>	<u>3,373,321</u>

The movements on these provisions are as follows:

**General provision**

	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	789,427	679,337
Transfer to special provision	( 70,328)	-
Transfer to restricted special provision	( 281,248)	-
Charge for the year	<u>100,626</u>	<u>110,090</u>
	<u>538,477</u>	<u>789,427</u>

**Jordan Loan Guarantee Corp.**  
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<b>Special provision</b>	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	871,558	867,411
Transfer from general provision	70,328	-
Charge for the year	266,972	79,481
Recoveries	287,653	129,494
Compensations paid	<u>( 217,915)</u>	<u>( 204,828)</u>
	<b><u>1,278,596</u></b>	<b><u>871,558</u></b>
<b>Restricted special provision</b>	<u>2014</u>	<u>2013</u>
Transfer from general provision	281,248	-
Unneeded provision	<u>( 113,000)</u>	<u>-</u>
	<b><u>168,248</u></b>	<b><u>-</u></b>
<b>Provision for industrial financing</b>	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	1,597,187	1,338,892
Charge for the year	362,675	385,383
Recoveries	66,211	-
Compensations paid	<u>( 90,131)</u>	<u>( 127,088)</u>
	<b><u>1,935,942</u></b>	<b><u>1,597,187</u></b>
<b>Provision for pioneer projects financing</b>	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	115,149	6,988
Charge for the year	<u>112,753</u>	<u>108,161</u>
	<b><u>227,902</u></b>	<b><u>115,149</u></b>

**12. 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. 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 7,017,179 and JOD 6,692,182 as at 31 December 2014 and 2013, respectively.



**13. Payables and other current liabilities**

	2014	2013
Reinsurers	200,690	203,118
Provision for end of service indemnity	71,516	46,088
Accrued expenses	20,223	50,703
Provision for Board of Directors' remunerations	26,798	34,590
Unearned commissions	230,994	78,300
Shareholders Withholdings	80,852	71,173
Deferred grant income	110,159	-
Others	731	416
	<u>741,963</u>	<u>484,388</u>

**14. 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 70% of the principal value of a guaranteed loan and of the interest accrued up to maximum of 180 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 2014 amounted to JOD 1,248,500 and the restricted balance presented under assets in the statement of financial position amounted to JOD 1,475,928 (2013: JOD 1,363,481).

**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 received till end of 2014 was JOD (112,400) to purchase property and equipment and JOD (94,583) to cover other expenses related to the grant.

Revenues were offset against their related expenses.

**16. 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 2014 & 2013.

**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 2015 to distribute 4% cash dividends to shareholders.
- The General Assembly has resolved in its meeting held on 13 March 2014 to distribute 4% cash dividends to shareholders.

**Jordan Loan Guarantee Corp.**  
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**17. Administrative expenses**

	<u>2014</u>	<u>2013</u>
Salaries and wages	553,522	508,820
Company's contribution in social security	62,286	55,389
Company's contribution in saving fund	51,493	43,951
Board of Directors' transportation	46,800	46,800
Medical and health insurance expenses	47,118	54,467
Depreciation	52,557	51,829
Maintenance	11,947	12,377
Vehicles expenses	9,519	11,035
Marketing expenses	7,628	19,438
Professional fees	37,920	18,243
Official duties and training courses	28,195	30,213
Stationary and printings	13,669	10,548
Subscriptions	24,174	24,676
Post, telephone, water and electricity	35,290	28,158
Rent	783	787
Others	9,824	10,423
	<u><b>992,725</b></u>	<u><b>927,154</b></u>

**18. Basic and diluted earnings per share**

	<u>2014</u>	<u>2013</u>
Profit for the year	420,336	419,696
Weighted average number of shares	<u>10,000,000</u>	<u>10,000,000</u>
	<u><b>0.042</b></u>	<u><b>0.042</b></u>

**19. Executive management remuneration**

The salaries and remunerations of the executive management amounted to JOD 275,121 and JOD 241,481 during 2014 and 2013 respectively.

**20. 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 2014**

**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.

<b>2014</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Assets</b>			
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
<b>Total assets</b>	<b>9,703,581</b>	<b>16,243,988</b>	<b>25,947,569</b>
<b>Liabilities</b>			
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
<b>Total liabilities</b>	<b>879,757</b>	<b>10,558,360</b>	<b>11,438,117</b>
<b>2013</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	2,626,520	-	2,626,520
Restricted bank deposits	-	5,169,921	5,169,921
Restricted financial assets measured at amortized cost	-	2,885,742	2,885,742
Financial assets measured at fair value through profit or loss	72,764	-	72,764
Financial assets measured at fair value through other comprehensive income	-	600,288	600,288
Financial assets measured at amortized cost	3,380,941	5,895,099	9,276,040
Receivables and other current assets	485,756	-	485,756
Deferred tax assets	-	407,213	407,213
Property and equipment	-	3,263,324	3,263,324
<b>Total assets</b>	<b>6,565,981</b>	<b>18,221,587</b>	<b>24,787,568</b>
<b>Liabilities</b>			
Provisions against loans guarantee	-	3,373,321	3,373,321
Central Bank of Jordan loan	-	5,160,695	5,160,695
Payables and other current liabilities	484,388	-	484,388
Ministry of planning deposit	-	1,248,500	1,248,500
Income tax provision	117,814	-	117,814
<b>Total liabilities</b>	<b>602,202</b>	<b>9,782,516</b>	<b>10,384,718</b>

**Jordan Loan Guarantee Corp.**  
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**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.

2014	Less than 1 year	More than 1 year	Non-interest bearing	Total
<b>Assets</b>				
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
<b>Total assets</b>	<b>9,195,937</b>	<b>3,096,457</b>	<b>13,655,175</b>	<b>25,947,569</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>11,438,117</b>	<b>11,438,117</b>
<b>Net</b>	<b>9,195,937</b>	<b>3,096,457</b>	<b>2,217,058</b>	<b>14,509,452</b>
<hr/>				
2013	Less than 1 year	More than 1 year	Non-interest bearing	Total
<b>Assets</b>				
Cash and cash equivalents	2,616,965	-	9,555	2,626,520
Restricted bank deposits	-	-	5,169,921	5,169,921
Restricted financial assets measured at amortized cost	-	-	2,885,742	2,885,742
Financial assets measured at fair value through profit or loss	-	-	72,764	72,764
Financial assets measured at fair value through other comprehensive income	-	-	600,288	600,288
Financial assets measured at amortized cost	3,380,941	5,895,099	-	9,276,040
Receivables and other current assets	-	-	485,756	485,756
Deferred tax assets	-	-	407,213	407,213
Property and equipment	-	-	3,263,324	3,263,324
<b>Total assets</b>	<b>5,997,906</b>	<b>5,895,099</b>	<b>12,894,563</b>	<b>24,787,568</b>
<b>Liabilities</b>				
Provisions against loans guarantee	-	-	3,373,321	3,373,321
Central Bank of Jordan loan	-	-	5,160,695	5,160,695
Payables and other current liabilities	-	-	484,388	484,388
Ministry of planning deposit	-	-	1,248,500	1,248,500
Income tax provision	-	-	117,814	117,814
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>10,384,718</b>	<b>10,384,718</b>
<b>Net</b>	<b>5,997,906</b>	<b>5,895,099</b>	<b>2,509,845</b>	<b>14,402,850</b>

**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:

	2014	2013
	Local	Local
Revenue from loans guarantee	729,208	643,802
Revenue from guarantee of exports and domestic buyers	144,840	199,242
Revenue from investing in financial securities	879,010	828,885
Assets related to guarantee of loans and export sector	8,766,732	8,320,274
Assets related to investment in financial securities	13,245,805	12,771,274

**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 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.

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>
2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	72,764	-	-	72,764
Financial assets at fair value through other comprehensive income	350,288	-	250,000	600,288
	<u>423,052</u>	<u>-</u>	<u>250,000</u>	<u>673,052</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:

<b>2014</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Provisions against loans guarantee	-	4,149,165	<b>4,149,165</b>
Central Bank of Jordan loan	-	5,160,695	<b>5,160,695</b>
Payables and other current liabilities	741,963	-	<b>741,963</b>
Ministry of planning deposit	-	1,248,500	<b>1,248,500</b>
Income tax provision	137,794	-	<b>137,794</b>
	<b>879,757</b>	<b>10,558,360</b>	<b>11,438,117</b>
<b>2013</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Provisions against loans guarantee	-	3,373,321	<b>3,373,321</b>
Central Bank of Jordan loan	-	5,160,695	<b>5,160,695</b>
Payables and other current liabilities	484,388	-	<b>484,388</b>
Ministry of planning deposit	-	1,248,500	<b>1,248,500</b>
Income tax provision	117,814	-	<b>117,814</b>
	<b>602,202</b>	<b>9,782,516</b>	<b>10,384,718</b>

**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, interest rates ranging from 4% to 5% annually. 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 27,980 during 2014 (2013: JOD 13,085).

**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 42,429 during 2014 (2013: JOD 33,803).

**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.