

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Condensed Interim Financial Statements (Not Audited)**  
**30 June 2018**

Jordan Loan Guarantee Corp.  
Public Shareholding Company

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Independent Member of Geneva Group International  
P.O.Box: 921879 Amman 11192 Jordan  
T +(962) 6 5151125  
F +(962) 6 5151124  
Email: arabprof@apcjordan.com

**Report on Review of Condensed Interim Financial Statements**

To The Board of Directors  
Jordan Loan Guarantee Corp.  
Public Shareholding Company  
Amman - Jordan

**Introduction**

We have reviewed the accompanying condensed interim financial statements of **Jordan Loan Guarantee Corp.**, comprising the interim statement of financial position as at 30 June 2018 and the related interim statement of profit or loss, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the six-months period then ended and the notes about condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard number (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

**Scope of Review**


We conducted our review in accordance with the International Standard on Review Engagements number (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard number (34) "Interim Financial Reporting".

30 July 2018  
Amman - Jordan



  
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**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Interim Statement of Financial Position as at 30 June 2018**

(In Jordanian Dinar)

	Note	30 June 2018	31 December 2017
<b>Assets</b>			
Cash and cash equivalents		1,929,417	451,741
Deposits at banks		26,475,619	27,581,297
Restricted bank deposits		34,245,737	25,605,714
Restricted financial assets measured at amortized cost		165,146,184	114,104,720
Financial assets measured at fair value through other comprehensive income		1,179,015	1,180,139
Financial assets measured at amortized cost		4,282,546	4,590,771
Receivables and other current assets		1,035,680	733,502
Deferred tax assets		411,122	214,875
Property and equipment		3,242,598	3,225,008
<b>Total assets</b>		<u>237,947,918</u>	<u>177,687,767</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Provisions against loans guarantee	4	10,627,804	7,795,998
Central Bank of Jordan loan - industrial loans guarantee program		5,160,695	5,160,695
Central Bank of Jordan loan - export credit guarantee program		99,999,277	99,999,277
Ministry of Planning withholdings		1,248,500	1,248,500
Startup micro projects loans		83,588,958	26,498,958
Payables and other current liabilities		1,988,125	2,146,599
Income tax provision		123,262	137,816
<b>Total liabilities</b>		<u>202,736,621</u>	<u>142,987,843</u>
<b>Equity</b>			
Paid in capital		29,080,310	29,080,310
Statutory reserve		1,628,770	1,628,770
Voluntary reserve		2,204,824	2,204,824
Fair value adjustments		492,090	493,158
Retained earnings		1,805,303	1,292,862
<b>Total equity</b>		<u>35,211,297</u>	<u>34,699,924</u>
<b>Total liabilities and equity</b>		<u>237,947,918</u>	<u>177,687,767</u>

"The accompanying notes from (1) to (8) are an integral part of these condensed interim financial statements and read with review report"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Interim Statement of Profit or Loss For the Six Months Ended at 30 June 2018**  
**(In Jordanian Dinar)**

	For the three months ended		For the six months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Revenues</b>				
Interest income				
Bonds interest income	368,319	300,769	729,518	549,921
Commissions on guaranteed loans	72,866	44,122	145,027	117,088
Commissions on guaranteed exports and domestic buyers	283,089	247,628	564,169	470,569
Commissions on guaranteed industrial loans and financial leasing	20,968	23,714	41,135	38,606
Dividends income	95,338	80,708	182,779	157,678
Other revenues	11,649	-	68,649	47,247
<b>Total revenues</b>	<u>8,811</u>	<u>7,977</u>	<u>31,181</u>	<u>15,953</u>
	<b>861,040</b>	<b>704,918</b>	<b>1,762,458</b>	<b>1,397,062</b>
<b>Deduct :</b>				
Administrative expenses	376,727	317,090	729,588	625,944
Provisions against loans guarantee	575,738	108,582	575,738	337,256
Provision against impairment of financial assets	11,521	-	11,521	-
Provision against end of service indemnity	5,734	5,485	11,405	10,910
<b>Profit (loss) before income tax</b>	<u>( 108,680)</u>	<u>273,761</u>	<u>434,206</u>	<u>422,952</u>
Income tax for the period	22,901	( 62,828)	( 81,419)	( 110,334)
<b>Profit (loss) for the period</b>	<u>( 85,779)</u>	<u>210,933</u>	<u>352,787</u>	<u>312,618</u>
<b>Basic and diluted earnings (loss) per share</b>	<u>( 0.003)</u>	<u>0.007</u>	<u>0.012</u>	<u>0.011</u>

"The accompanying notes from (1) to (8) are an integral part of these condensed interim financial statements and read with review report"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Interim Statement of Comprehensive Income For the Six Months Ended at 30 June 2018**

(In Jordanian Dinar)

	For the three months ended		For the six months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Profit (loss) for the period	( 85,779)	210,933	352,787	312,618
<b>Other comprehensive income:</b>				
Changes in fair value of financial assets through other comprehensive income	-	-	( 1,068)	1,643
<b>Total comprehensive income (loss) for the period</b>	<b>( 85,779)</b>	<b>210,933</b>	<b>351,719</b>	<b>314,261</b>

"The accompanying notes from (1) to (8) are an integral part of these condensed interim financial statements and read with review report"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Interim Statement of Changes in Equity For the Six Months Ended at 30 June 2018**  
**(In Jordanian Dinar)**

	Paid in capital	Reserves		Fair value adjustments	Retained earnings	Total
		Statutory	Voluntary			
<b>Balance at 1 January 2018</b>	29,080,310	1,628,770	2,204,824	493,158	1,292,862	34,699,924
Impact of adopting IFRS (9)	-	-	-	-	159,654	159,654
<b>Restated opening balance at 1 January 2018</b>	29,080,310	1,628,770	2,204,824	493,158	1,452,516	34,859,578
Total comprehensive income for the period	-	-	-	( 1,068)	352,787	351,719
<b>Balance at 30 June 2018</b>	29,080,310	1,628,770	2,204,824	492,090	1,805,303	35,211,297
<b>Balance at 1 January 2017</b>	29,080,310	1,526,945	2,204,824	109,615	663,707	33,585,401
Total comprehensive income for the period	-	-	-	1,643	312,618	314,261
<b>Balance at 30 June 2017</b>	29,080,310	1,526,945	2,204,824	111,258	976,325	33,899,662

"The accompanying notes from (1) to (8) are an integral part of these condensed interim financial statements and read with review report"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Interim Statement of Cash Flows For the Six Months Ended at 30 June 2018**

(In Jordanian Dinar)

	30 June 2018	30 June 2017
<b>Operating Activities</b>		
Profit for the period before income tax	434,206	422,952
Depreciation	58,505	49,129
Provision against end of service indemnity	11,405	10,910
Provision against loans guarantees	3,392,090	767,793
Provision against impairment of financial assets	11,521	-
<b>Changes in working capital</b>		
Receivables and other current assets	( 302,178)	( 627,146)
Payables and other current liabilities	( 169,879)	35,039
Net payments for loans guarantee	( 560,284)	( 118,751)
Paid income tax	( 132,510)	( 187,565)
<b>Net Cash Flows From Operating Activities</b>	<u>2,742,876</u>	<u>352,361</u>
<b>Investing Activities</b>		
Property and equipment	( 76,095)	( 95,999)
Financial assets measured at amortized cost	308,225	1,999,586
<b>Net Cash Flows From Investing Activities</b>	<u>232,130</u>	<u>1,903,587</u>
<b>Financing Activities</b>		
Restricted financial assets measured at amortized cost	( 51,041,464)	( 71,857,915)
Restricted Bank deposits	( 8,640,023)	( 504,603)
Deposits at banks	1,094,157	-
Startup micro projects loans	57,090,000	-
Central Bank of Jordan loan - export credit guarantees program	-	71,949,409
<b>Net Cash Flows Used in Financing Activities</b>	<u>( 1,497,330)</u>	<u>( 413,109)</u>
<b>Net changes in cash and cash equivalents</b>	1,477,676	1,842,839
Cash and cash equivalents, beginning of the year	451,741	26,556,420
<b>Cash and cash equivalents, end of the period</b>	<u>1,929,417</u>	<u>28,399,259</u>

"The accompanying notes from (1) to (8) are an integral part of these condensed interim financial statements and read with review report"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Notes to the Condensed Interim Financial Statements (Not Audited)**  
**30 June 2018**

(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.

The accompanying condensed interim financial statements have been approved for issue by the Company's Board of Directors on 30 July 2018.

**2 . Summary of Significant Accounting Policies**

**Basis of Preparation**

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard number (34) "Interim Financial Reporting". They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

The condensed interim financial statements have been prepared on a historical cost basis except for financial assets at fair value.

The condensed interim financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous period, except for change in the policy for calculation of impairment loss of financial assets to comply with IFRS (9).

The table below shows the effect on opening balances as at 1/1/2018 :

	<u>31/12/2017</u>	Impact of adopting IFRS (9)	<u>1/1/2018</u>
Deferred tax assets	214,875	159,654	374,529
Retained earnings	1,292,862	159,654	1,452,516

### 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 interim statement of profit or loss.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

### Cash and Cash Equivalents

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

### Financial Assets at Fair Value through Other Comprehensive Income

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the interim statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. In case those assets - or part of them- were sold, the resultant gain or loss is recorded in the interim statement of comprehensive income within owners' equity and the reserve for the sold assets is directly transferred to the retained earnings and not through the interim statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the interim statement of profit or loss on a separate line item.

### Financial Assets at Amortized Cost

Financial assets at amortized cost are the financial assets which the company management intends according to its business model to hold for the purpose of collecting the contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium\discount is amortized using the effective interest rate method, and recorded to interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or parts thereof are deducted. Any impairment is registered in the interim statement of profit or loss and should be presented subsequently at amortized cost less any impairment losses.

### 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.

### Impairment of financial assets

Starting 2018, the Company has changed the loan loss impairment method by replacing IAS 39's incurred loss approach with an expected credit loss approach as described by the provisions of IFRS 9.

The expected credit loss allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12 months' expected credit loss is the portion of lifetime expected credit loss that represent the expected credit loss that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its assets that are subject to impairment test into Stage 1, Stage 2, and Stage 3 as described below:

**Stage 1:** Includes financial instruments that have not deteriorated significantly in credit quality since initial recognition or that has low credit risk at the reporting date. At this stage, a 12-month expected credit losses are recognized and interest revenue is calculated on the gross carrying amount of the asset

**Stage 2:** Includes financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event. At this stage, a lifetime expected credit losses are recognized Interest revenue is still calculated on the asset's gross carrying amount

**Stage 3:** Includes financial assets that have objective evidence of impairment at the reporting date. At this stage, a lifetime expected credit losses are recognized Interest revenue is calculated on the net carrying amount (i.e. reduced for expected credit losses).

### 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 interim 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.

#### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the interim 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.

#### **Foreign Currency**

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at interim financial statement date. 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 interim statement of profit or loss.

Jordan Loan Guarantee Corp.  
Notes to the Condensed Interim Financial Statements (Not Audited)  
30 June 2018

**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 interim statement 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 interim 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.

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

	Loans Ceilings		Guaranteed loans	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Housing loans guarantees	28,435,906	29,347,606	20,574,456	22,847,187
Productive loans guarantees	50,667,134	38,617,134	52,183,675	48,073,074
Export credit guarantees & domestic buyers	2,983,393	3,647,407	2,983,393	3,647,407
Industrial loans guarantees	24,299,596	17,403,581	24,299,596	17,403,581
Finance lease	1,624,591	2,370,605	1,624,591	2,370,605
Business vehicles	87,880	171,793	87,880	171,793
	<b>108,098,500</b>	<b>91,558,126</b>	<b>101,753,591</b>	<b>94,513,647</b>

**4 . Provisions against loans guarantee**

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

	30 June 2018	31 December 2017
Provision for productive loans guarantees	1,540,007	-
Provision for housing loans guarantees	374,971	-
Provision for export credit guarantees	1,409	-
Reserved provision against loans guarantees	47,767	-
Provision for industrial financing	2,201,959	2,020,153
Provision for pioneer projects financing	310,502	393,639
Provision for startup companies financing	1,786,632	1,274,253
Provision for export credit guarantees financing	4,364,557	2,255,124
General provision	-	798,273
Special provision	-	1,054,556
	<b>10,627,804</b>	<b>7,795,998</b>

**5 . Tax Status**

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2015.
- The income tax returns for the years 2016 and 2017 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 six-months ended 30 June 2018 was calculated in accordance with the Income Tax Law.

Jordan Loan Guarantee Corp.  
Notes to the Condensed Interim Financial Statements (Not Audited)  
30 June 2018

6 . 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.

30 June 2018	Up to one year	More than one year	Total
<b>Assets</b>			
Cash and cash equivalents			
Deposits at banks	1,929,417	-	1,929,417
Receivables and other current assets	26,475,619	-	26,475,619
Restricted bank deposits	1,035,680	-	1,035,680
Financial assets measured at fair value through other comprehensive income	-	34,245,737	34,245,737
Restricted financial assets measured at amortized cost	-	1,179,015	1,179,015
Financial assets measured at amortized cost	-	165,146,184	165,146,184
Deferred tax assets	-	4,282,546	4,282,546
Property and equipment	-	411,122	411,122
	-	3,242,598	3,242,598
<b>Total assets</b>	<b>29,440,716</b>	<b>208,507,202</b>	<b>237,947,918</b>
<b>Liabilities</b>			
Provisions against loans guarantee	-	10,627,804	10,627,804
Central Bank of Jordan loan – industrial loans guarantees program	-	5,160,695	5,160,695
Central Bank of Jordan loan – export credit guarantees program	-	99,999,277	99,999,277
Ministry of Planning withholding	-	1,248,500	1,248,500
Startup micro projects loans	-	83,588,958	83,588,958
Payables and other current liabilities	1,988,125	-	1,988,125
Income tax provision	123,262	-	123,262
<b>Total liabilities</b>	<b>2,111,387</b>	<b>200,625,234</b>	<b>202,736,621</b>
<b>31 December 2017</b>			
	Up to one year	More than one year	Total
<b>Assets</b>			
Cash and cash equivalents			
Deposits at banks	451,741	-	451,741
Receivables and other current assets	27,581,297	-	27,581,297
Financial assets measured at amortized cost	733,502	-	733,502
Restricted bank deposits	300,000	4,290,771	4,590,771
Financial assets measured at fair value through other comprehensive income	-	25,605,714	25,605,714
Restricted financial assets measured at amortized cost	-	1,180,139	1,180,139
Deferred tax assets	-	114,104,720	114,104,720
Property and equipment	-	214,875	214,875
	-	3,225,008	3,225,008
<b>Total assets</b>	<b>29,066,540</b>	<b>148,621,227</b>	<b>177,687,767</b>
<b>Liabilities</b>			
Provisions against loans guarantee	-	7,795,998	7,795,998
Central Bank of Jordan loan – industrial loans guarantee program	-	5,160,695	5,160,695
Central Bank of Jordan loan – export credit guarantee program	-	99,999,277	99,999,277
Ministry of Planning withholdings	-	1,248,500	1,248,500
Startup micro projects loans	-	26,498,958	26,498,958
Payables and other current liabilities	2,146,599	-	2,146,599
Income tax provision	137,816	-	137,816
<b>Total liabilities</b>	<b>2,284,415</b>	<b>140,703,428</b>	<b>142,987,843</b>

**Jordan Loan Guarantee Corp.**  
**Notes to the Condensed Interim Financial Statements (Not Audited)**  
**30 June 2018**

**7 . 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 withholdings 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.

30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	929,825	145,000	104,190	1,179,015
31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	930,949	145,000	104,190	1,180,139

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.

**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. As most of the Company's financial instruments have fixed interest rates and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents and quoted securities.

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

30 June 2018	Less than one year	More than one year	Total
Provisions against loans guarantee	-	10,627,804	10,627,804
Central Bank of Jordan loan - industrial loans guarantee program	-	5,160,695	5,160,695
Central Bank of Jordan loan - export credit guarantee program	-	99,999,277	99,999,277
Ministry of Planning withholdings	-	1,248,500	1,248,500
Startup micro projects loans	-	83,588,958	83,588,958
Payables and other current liabilities	1,988,125	-	1,988,125
Income tax provision	123,262	-	123,262
	<u>2,111,387</u>	<u>200,625,234</u>	<u>202,736,621</u>
31 December 2017	Less than one year	More than one year	Total
Provisions against loans guarantee	-	7,795,998	7,795,998
Central Bank of Jordan loan - industrial loans guarantee program	-	5,160,695	5,160,695
Central Bank of Jordan loan - export credit guarantee program	-	99,999,277	99,999,277
Ministry of Planning withholdings	-	1,248,500	1,248,500
Startup micro projects loans	-	26,498,958	26,498,958
Payables and other current liabilities	2,146,599	-	2,146,599
Income tax provision	137,816	-	137,816
	<u>2,284,415</u>	<u>140,703,428</u>	<u>142,987,843</u>

### 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 interim comprehensive income would been increased / reduced by JOD (88,333) for the six-months ended at 30 June 2018 (2017: JOD 40,275).

### 8 . 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.