

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

**Financial Statements as at 31 December 2017**  
**Together With**  
**Independent Auditor's Report**

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**Arab Professionals**  
(Member firm within Grant Thornton International Ltd)

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the financial statements of Jordan Loan Guarantee Corp., which comprise the statement of financial position as at 31 December 2017, 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 2017, 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

**(1) Provisions Against Loans Guarantee**

Included in the accompanying financial statements at the end of the year 2017 provisions against loan guarantee totaling JOD (7,795,998) and the calculation of these provisions based on many hypotheses and estimates, the adequacy of these provisions is considered to be a key audit for us. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating these provisions and assessing the reasonableness of estimates and assumptions used by the management in calculating the provisions amount.

## **(2) Deferred Tax Assets**

Included in the accompanying financial statements at the end of the year 2017 deferred tax assets totaling JOD (214,875) as the expected benefits of these assets is primarily dependent on the Company's ability to generate adequate future profits, and since forecasting future profits is based on the Company's assumptions and estimates, determining the future benefits of the deferred tax assets is considered a key audit matter. The audit procedures performed by us to address this key audit matter included discussing the recoverability of the deferred tax assets with the Company's tax advisors and testing of the Company's budgeting procedures upon which the forecasts are based. We have also considered the appropriateness of its calculation and disclosure in the financial statements.

## **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.

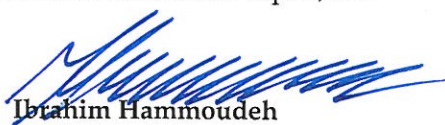
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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, and we recommend the General Assembly to approve it.

13 February 2018  
Amman - Jordan



Ibrahim Hammoudeh  
(License No. 606)  
Arab Professionals

**Jordan Loan Guarantee Corp.  
Public Shareholding Company  
Statement of financial position as at 31 December 2017**

(In Jordanian Dinar)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	4	451,741	16,861
Deposits at banks	5	27,581,297	26,539,559
Restricted bank deposits	12,13,14,15	25,605,714	23,274,359
Restricted financial assets measured at amortized cost	12,13,14,15	114,104,720	12,578,848
Financial assets measured at fair value through other comprehensive income	6	1,180,139	776,410
Financial assets measured at amortized cost	7	4,590,771	4,590,356
Receivables and other current assets	8	733,502	707,394
Deferred tax assets	9	214,875	763,344
Property and equipment	10	3,225,008	3,217,656
<b>Total assets</b>		<b><u>177,687,767</u></b>	<b><u>72,464,787</u></b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Provisions against loans guarantee	11	7,795,998	4,792,966
Central Bank of Jordan loan - industrial loans guarantee program	12	5,160,695	5,160,695
Central Bank of Jordan loan - export credit guarantee program	13	99,999,277	-
Ministry of planning deposit	14	1,248,500	1,248,500
Startup micro projects loans	15	26,498,958	26,498,958
Payables and other current liabilities	16	2,146,599	1,077,591
Income tax provision	9	137,816	100,676
<b>Total liabilities</b>		<b><u>142,987,843</u></b>	<b><u>38,879,386</u></b>
<b>Equity</b>			
	18		
Paid in capital		29,080,310	29,080,310
Statutory reserve		1,628,770	1,526,945
Voluntary reserve		2,204,824	2,204,824
Fair value adjustments		493,158	109,615
Retained earnings		1,292,862	663,707
<b>Total equity</b>		<b><u>34,699,924</u></b>	<b><u>33,585,401</u></b>
<b>Total liabilities and equity</b>		<b><u>177,687,767</u></b>	<b><u>72,464,787</u></b>

"The attached notes from (1) to (27) 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 2017**

(In Jordanian Dinar)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>			
Interest income		1,227,766	394,601
Bonds interest income		224,825	246,817
Commissions on guaranteed loans		1,003,811	768,680
Commissions on guaranteed exports and domestic buyers		97,418	108,861
Commissions on guaranteed industrial loans and financial leasing		324,472	274,437
Dividends income		55,494	64,896
Unneeded impairment provision		-	37,334
Other revenues		31,905	28,824
<b>Total revenues</b>		<b><u>2,965,691</u></b>	<b><u>1,924,450</u></b>
<b>Deduct :</b>			
Administrative expenses	19	1,370,018	1,185,020
Provisions against loans guarantee	11	548,920	280,379
Provision against end of service indemnity		28,504	25,436
Board of directors' remunerations		35,000	26,670
<b>Total expenses</b>		<b><u>1,982,442</u></b>	<b><u>1,517,505</u></b>
<b>Profit for the year before tax</b>		<b>983,249</b>	<b>406,945</b>
Tax expense for the year	9	( 252,269)	( 136,839)
<b>Profit for the year</b>		<b><u>730,980</u></b>	<b><u>270,106</u></b>
<b>Basic and diluted earnings per share</b>	20	<b><u>0.025</u></b>	<b><u>0.022</u></b>

"The attached notes from (1) to (27) 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 2017**

(In Jordanian Dinar)

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	<u>2017</u>	<u>2016</u>
Profit for the year	730,980	270,106
<b>Other comprehensive income</b>		
Change in fair value of financial assets through other comprehensive income	<u>383,543</u>	<u>( 2,628)</u>
<b>Total comprehensive income for the year</b>	<u><u>1,114,523</u></u>	<u><u>267,478</u></u>

"The attached notes from (1) to (27) 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 2017**

(In Jordanian Dinar)

	Paid in capital	Reserves		Fair value adjustments	Retained* earnings	Total
		Statutory	Voluntary			
<b>Balance at 1 January 2017</b>	<b>29,080,310</b>	<b>1,526,945</b>	<b>2,204,824</b>	<b>109,615</b>	<b>663,707</b>	<b>33,585,401</b>
Total comprehensive income for the year	-	-	-	383,543	730,980	<b>1,114,523</b>
Statutory reserve	-	101,825	-	-	( 101,825)	-
<b>Balance at 31 December 2017</b>	<b>29,080,310</b>	<b>1,628,770</b>	<b>2,204,824</b>	<b>493,158</b>	<b>1,292,862</b>	<b>34,699,924</b>
<b>Balance at 1 January 2016</b>	<b>10,000,000</b>	<b>1,483,583</b>	<b>2,204,824</b>	<b>112,243</b>	<b>889,542</b>	<b>14,690,192</b>
Capital increase	19,080,310	-	-	-	( 152,579)	<b>18,927,731</b>
Dividends paid	-	-	-	-	( 300,000)	( 300,000)
Total comprehensive income for the year	-	-	-	( 2,628)	270,106	<b>267,478</b>
Statutory reserve	-	43,362	-	-	( 43,362)	-
<b>Balance at 31 December 2016</b>	<b>29,080,310</b>	<b>1,526,945</b>	<b>2,204,824</b>	<b>109,615</b>	<b>663,707</b>	<b>33,585,401</b>

\* The above retained earnings does not include any fair value gains that are not allowed to be distributed to shareholders based on Security Exchange Commission instructions.

"The attached notes from (1) to (27) 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 2017**

(In Jordanian Dinar)

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Profit for the year before income tax	983,249	406,945
Depreciation	102,291	93,567
Amortization of deferred income	( 31,905)	( 28,592)
Provision against end of service indemnity	28,504	25,436
Provisions against loans guarantee	5,512,415	1,003,253
Board of directors' remunerations	35,000	26,670
Unneeded impairment provision	-	( 37,334)
<b>Change in working capital</b>		
Payables and other current liabilities	171,035	280,052
Receivables and other current assets	( 26,108)	( 185,484)
Net payments for loans guarantee	( 1,149,126)	( 331,538)
Income tax paid	( 180,729)	( 56,704)
<b>Net Cash Flows From Operating Activities</b>	<u>5,444,626</u>	<u>1,196,271</u>
<b>Investing Activities</b>		
Financial assets measured at amortized cost	( 415)	( 1,455,060)
Property and equipment	( 109,643)	( 30,577)
<b>Net Cash Flows Used in Investing Activities</b>	<u>( 110,058)</u>	<u>( 1,485,637)</u>
<b>Financing Activities</b>		
Central Bank of Jordan loan - export credit guarantee program	99,999,277	-
Restricted bank deposits	( 2,331,355)	( 14,435,757)
Restricted financial assets measured at amortized cost	( 101,525,872)	( 12,578,848)
Deposits at banks	( 1,041,738)	( 17,947,219)
Startup micro projects loans	-	26,498,958
Dividends paid	-	( 300,000)
Capital increase	-	18,927,731
<b>Net Cash Flows (Used in) From Financing Activities</b>	<u>( 4,899,688)</u>	<u>164,865</u>
<b>Net change in cash and cash equivalents</b>	434,880	( 124,501)
Cash and cash equivalents, beginning of the year	16,861	141,362
<b>Cash and cash equivalents, end of the year</b>	<u>451,741</u>	<u>16,861</u>

"The attached notes from (1) to (27) form an integral part of these financial statements"

**Jordan Loan Guarantee Corp.**  
**Public Shareholding Company**  
**Notes to the Financial Statements**  
**31 December 2017**

**(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 13 February 2018.

**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 2017. 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 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

### **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 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 consolidated 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 consolidated 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 consolidated statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the consolidated 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 consolidated 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.

### **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.

**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	
	2017	2016	2017	2016
Housing loans guarantees	28,940,106	29,350,606	21,976,898	24,129,454
Productive loans guarantees	49,817,134	32,177,000	48,873,435	35,799,758
Export credit guarantees & domestic buyers	3,418,410	3,674,448	3,418,410	3,674,448
Industrial loans guarantees	20,449,609	16,075,779	20,449,609	16,075,779
Finance lease	1,797,377	3,080,837	1,797,377	3,080,837
Business vehicles	118,943	189,046	118,943	189,046

**4. Cash and cash equivalents**

	2017	2016
Cash on hand	1,000	524
Cash at banks	41,680	-
Deposits mature within three months	409,061	16,337
	<b>451,741</b>	<b>16,861</b>

Annual interest rate for bank deposits is 3%.

**5. Deposits at banks**

Bank deposits mature within (4) to (12) months, with an annual interest rate ranging between (3%) and (6%) yearly.

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

	2017	2016
Investments in listed shares (in Jordan)	930,949	422,220
Investments in unlisted shares (in Jordan)	249,190	354,190
	<b>1,180,139</b>	<b>776,410</b>

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

	2017	2016
Investment in bonds – Jordan	<b>4,590,771</b>	<b>4,590,356</b>

Investment in bonds mature up to the year 2026 with an annual interest rate ranging between (5.498%) and (7.484%) yearly.

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2017**

**8. Receivables and other current assets**

	<u>2017</u>	<u>2016</u>
Accrued commissions income	388,675	387,017
Accrued interest income	267,748	224,520
Accounts receivable	50,969	74,068
Prepaid expenses	17,016	11,511
Refundable deposits	7,865	7,865
Others	1,229	2,413
	<u><b>733,502</b></u>	<u><b>707,394</b></u>

**9. Income tax**

The movements on the income tax provision are as follows:

	<u>2017</u>	<u>2016</u>
Balance at beginning of the year	100,676	34,086
Current income tax charge	217,869	123,294
Income tax paid	<u>( 180,729)</u>	<u>( 56,704)</u>
	<u><b>137,816</b></u>	<u><b>100,676</b></u>

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

	<u>2017</u>	<u>2016</u>
Income tax expense for the year	217,869	123,294
Prior years income tax	30,195	-
Deferred tax	4,205	13,545
	<u><b>252,269</b></u>	<u><b>136,839</b></u>

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

	<u>2017</u>	<u>2016</u>
Provisions against loans guarantee	210,911	744,895
End of service provision	29,919	24,218
Change in fair value reserve	<u>( 25,955)</u>	<u>( 5,769)</u>
	<u><b>214,875</b></u>	<u><b>763,344</b></u>

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2014.
- The income tax returns for the years 2015 and 2016 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 2017 was calculated in accordance with the Income Tax Law.

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
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**10. Property and equipment**

	<u>Lands</u>	<u>Buildings</u>	<u>Furniture &amp; Fixtures</u>	<u>Vehicles</u>	<u>Computers &amp; Software</u>	<u>Total</u>
<b>Cost</b>						
Balance at 1/1/2017	1,688,453	1,526,435	148,171	101,101	463,708	<b>3,927,868</b>
Additions	-	29,116	56,554	-	23,973	<b>109,643</b>
Balance at 31/12/2017	<u>1,688,453</u>	<u>1,555,551</u>	<u>204,725</u>	<u>101,101</u>	<u>487,681</u>	<b>4,037,511</b>
<b>Accumulated depreciation</b>						
Balance at 1/1/2017	-	211,315	126,176	85,688	287,033	<b>710,212</b>
Depreciation for the year	-	31,237	9,191	2,985	58,878	<b>102,291</b>
Balance at 31/12/2017	-	<u>242,552</u>	<u>135,367</u>	<u>88,673</u>	<u>345,911</u>	<b>812,503</b>
<b>Net book value at 31/12/2017</b>	<b><u>1,688,453</u></b>	<b><u>1,312,999</u></b>	<b><u>69,358</u></b>	<b><u>12,428</u></b>	<b><u>141,770</u></b>	<b><u>3,225,008</u></b>
<b>Cost</b>						
Balance at 1/1/2016	1,688,453	1,522,285	144,529	101,101	440,923	<b>3,897,291</b>
Additions	-	4,150	3,642	-	22,785	<b>30,577</b>
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>	<b>3,927,868</b>
<b>Accumulated depreciation</b>						
Balance at 1/1/2016	-	180,832	119,053	82,703	234,057	<b>616,645</b>
Depreciation for the year	-	30,483	7,123	2,985	52,976	<b>93,567</b>
Balance at 31/12/2016	-	<u>211,315</u>	<u>126,176</u>	<u>85,688</u>	<u>287,033</u>	<b>710,212</b>
<b>Net book value at 31/12/2016</b>	<b><u>1,688,453</u></b>	<b><u>1,315,120</u></b>	<b><u>21,995</u></b>	<b><u>15,413</u></b>	<b><u>176,675</u></b>	<b><u>3,217,656</u></b>

**11. 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>2017</u>	<u>2016</u>
General provision	798,273	673,718
Special provision	1,054,556	1,059,904
Provision for industrial financing	2,020,153	2,224,514
Provision for pioneer projects financing	393,639	395,873
Provision for startup companies financing	1,274,253	438,957
Provision for export credit guarantee financing	<u>2,255,124</u>	-
	<b><u>7,795,998</u></b>	<b><u>4,792,966</u></b>

The movements on these provisions are as follows:

**General provision**

	<u>2017</u>	<u>2016</u>
Balance at beginning of the year	673,718	593,163
Charge for the year	<u>124,555</u>	<u>80,555</u>
	<b><u>798,273</u></b>	<b><u>673,718</u></b>

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2017**

**Special provision**

	2017	2016
Balance at beginning of the year	1,059,904	1,009,418
Charge for the year	424,365	199,824
Recoveries	404,871	311,544
Compensations paid	( 834,584)	( 460,882)
	<u><b>1,054,556</b></u>	<u><b>1,059,904</b></u>

**Provision for industrial financing**

	2017	2016
Balance at beginning of the year	2,224,514	2,177,731
Charge for the year against Central Bank of Jordan loan's interest	311,649	228,983
Recoveries	11,100	65,960
Compensations paid	( 42,721)	( 248,160)
Income tax	( 56,006)	-
Prior years income tax	( 428,383)	-
	<u><b>2,020,153</b></u>	<u><b>2,224,514</b></u>

**Provision for pioneer projects financing**

	2017	2016
Balance at beginning of the year	395,873	340,939
Charge for the year against ministry of planning deposits	79,082	54,934
Income tax	( 15,816)	-
Prior years income tax	( 65,500)	-
	<u><b>393,639</b></u>	<u><b>395,873</b></u>

**Provision for startup companies financing**

	2017	2016
Balance at beginning of the year	438,957	-
Charge for the year against startup micro projects loans	1,153,859	438,957
Income tax	( 230,771)	-
Prior years income tax	( 87,792)	-
	<u><b>1,274,253</b></u>	<u><b>438,957</b></u>

**Provision for export credit guarantee financing**

	2017	2016
Charge for the year against Central Bank of Jordan loan	4,741,706	-
Interest on Central Bank of Jordan loan	( 1,322,801)	-
Stamps expenses	( 600,000)	-
Income tax	( 563,781)	-
	<u><b>2,255,124</b></u>	<u><b>-</b></u>

**12. Central Bank of Jordan loan - industrial loans guarantee program**

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 (7,236,845) and JOD (7,285,464) as at 31 December 2017 and 2016 respectively.

**13. Central Bank of Jordan loan - export credit guarantee program**

During 2017 the Company has acquired a loan from Central Bank of Jordan totaling JOD (100) million with an annual interest rate (2%) for a period of ten years, for the purpose of strengthen the Company's ability to provide guarantees for exporters of value added industries against the risk of importers' default, through the use of loan proceeds to purchase governmental securities and retain investment income after deducting interest expense as a provision to meet any obligations arising from the granted guarantees .

The restricted balance presented under assets in the statement of financial position amounted to JOD (102,818,180), all financial assets at amortized cost are mortgaged against Central Bank of Jordan loan, and their book value amounted to JOD (100,001,147).

**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 (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 2017 amounted to JOD (1,248,500) and the restricted balance presented under assets in the statement of financial position amounted to JOD (1,657,957) (2016: JOD 1,640,804).

**15. 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 (27,997,452) as at 31 December 2017, part of it is mortgaged against Central Bank of Jordan loan amounted to JOD (12,486,258).

**16. Payables and other current liabilities**

	<u>2017</u>	<u>2016</u>
Income tax payable on provision against restricted assets	866,374	-
Unearned commissions	580,839	462,081
Reinsurers	247,100	209,298
Provision for end of service indemnity	149,595	121,090
Accrued expenses	111,782	70,130
Shareholders Withholdings	82,759	83,495
Deferred grant income	72,922	104,827
Provision for Board of Directors' remunerations	35,000	26,670
Others	228	-
	<u><u>2,146,599</u></u>	<u><u>1,077,591</u></u>

**17. 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 2017 was JOD (165,949) to purchase property and equipment and JOD (481,825) to cover other expenses related to the grant purposes.

Revenues from the grant were deducted from their related expenses.

**18. Equity**

**Capital**

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 2017 and 2016.

**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.

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2017**

**19. Administrative expenses**

	2017	2016
Salaries and wages	754,723	656,180
Company's contribution in social security	88,058	74,810
Company's contribution in saving fund	66,685	57,330
Depreciation (Note 10)	102,291	93,567
Subscriptions	61,114	41,228
Marketing expenses	51,295	20,665
Medical and health insurance expenses	50,831	42,456
Board of Directors' transportation	45,500	46,400
Post, telephone, water and electricity	37,442	38,187
Official duties and training courses	34,827	37,538
Professional fees	22,183	19,708
Stationary and printings	15,932	13,613
Maintenance	12,131	14,867
Rent	850	850
Vehicles expenses	9,196	9,953
Others	16,960	17,668
	<u><u>1,370,018</u></u>	<u><u>1,185,020</u></u>

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

	2017	2016
Profit for the year	730,980	270,106
Weighted average number of shares	<u>29,080,310</u>	<u>12,300,092</u>
	<u><u>0.025</u></u>	<u><u>0.022</u></u>

**21. Executive management remuneration**

The salaries and remunerations of the executive management amounted to JOD (370,136) and JOD (328,751) during 2017 and 2016 respectively.

**22. 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 2017**

**23. 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.

2017	Up to one year	More than one year	Total
<b>Assets</b>			
Cash and cash equivalents	451,741	-	451,741
Deposits at banks	27,581,297	-	27,581,297
Restricted bank deposits	-	25,605,714	25,605,714
Financial assets measured at fair value through other comprehensive income	-	1,180,139	1,180,139
Restricted financial assets measured at amortized cost	-	114,104,720	114,104,720
Financial assets measured at amortized cost	300,000	4,290,771	4,590,771
Receivables and other current assets	733,502	-	733,502
Deferred tax assets	-	214,875	214,875
Property and equipment	-	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 deposit	-	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>
<b>2016</b>			
<b>Assets</b>			
Cash and cash equivalents	16,861	-	16,861
Deposits at bank	26,539,559	-	26,539,559
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
<b>Total assets</b>	<b>29,263,814</b>	<b>43,200,973</b>	<b>72,464,787</b>
<b>Liabilities</b>			
Provisions against loans guarantee	-	4,792,966	4,792,966
Central Bank of Jordan loan - industrial loans guarantee program	-	5,160,695	5,160,695
Ministry of planning deposit	-	1,248,500	1,248,500
Startup micro projects loans	-	26,498,958	26,498,958
Payables and other current liabilities	1,077,591	-	1,077,591
Income tax provision	100,676	-	100,676
<b>Total liabilities</b>	<b>1,178,267</b>	<b>37,701,119</b>	<b>38,879,386</b>

**Jordan Loan Guarantee Corp.**  
**Notes to the Financial Statements (continued)**  
**31 December 2017**

**24. 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.

2017	Up to one year	More than one year	Non-interest bearing	Total
<b>Assets</b>				
Cash and cash equivalents	409,061	-	42,680	451,741
Deposits at banks	27,581,297	-	-	27,581,297
Restricted bank deposits	-	-	25,605,714	25,605,714
Financial assets measured at fair value through other comprehensive income	-	-	1,180,139	1,180,139
Restricted financial assets measured at amortized cost	-	-	114,104,720	114,104,720
Financial assets measured at amortized cost	300,000	4,290,771	-	4,590,771
Receivables and other current assets	-	-	733,502	733,502
Deferred tax assets	-	-	214,875	214,875
Property and equipment	-	-	3,225,008	3,225,008
<b>Total assets</b>	<b>28,290,358</b>	<b>4,290,771</b>	<b>145,106,638</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 deposit	-	-	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>-</b>	<b>-</b>	<b>142,987,843</b>	<b>142,987,843</b>
<b>Net</b>	<b>28,290,358</b>	<b>4,290,771</b>	<b>2,118,795</b>	<b>34,699,924</b>
<hr/>				
2016	Up to one year	More than one year	Non-interest bearing	Total
<b>Assets</b>				
Cash and cash equivalents	16,337	-	524	16,861
Deposits at bank	26,539,559	-	-	26,539,559
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
<b>Total assets</b>	<b>28,555,896</b>	<b>2,590,356</b>	<b>41,318,535</b>	<b>72,464,787</b>
<b>Liabilities</b>				
Provisions against loans guarantee	-	-	4,792,966	4,792,966
Central Bank of Jordan loan - industrial loans guarantee program	-	-	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
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>38,879,386</b>	<b>38,879,386</b>
<b>Net</b>	<b>28,555,896</b>	<b>2,590,356</b>	<b>2,439,149</b>	<b>33,585,401</b>

**25. 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	
	2017	2016
Revenue from loans guarantee	1,328,283	1,043,117
Revenue from guarantee of exports and domestic buyers	97,418	108,861
Revenue from investing in financial securities	1,508,085	706,314
Assets related to guarantee of loans and export sector	14,099,109	36,240,224
Assets related to investment in financial securities	34,176,696	32,147,706

**26. Financial Instruments**

Financial instruments comprise of 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.

2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	930,949	145,000	104,190	<u>1,180,139</u>
2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	422,220	-	354,190	<u>776,410</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 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:

<b>2017</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</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 deposit	-	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>2,284,415</b>	<b>140,703,428</b>	<b>142,987,843</b>

<b>2016</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total</b>
Provisions against loans guarantee	-	4,792,966	4,792,966
Central Bank of Jordan loan - industrial loans guarantee program	-	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
	<b>1,178,267</b>	<b>37,701,119</b>	<b>38,879,386</b>

### **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 (139,952) during 2017 (2016: JOD 132,800).

### **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.

**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 (88,440) during 2017 (2016: JOD 40,111).

**27. 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 by pricing products and services commensurately with the level of risk.