

**ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)**

30 JUNE 2020

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(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

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**REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS OF ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arab Potash Company - Public Shareholding Company ("the company") and its subsidiaries (together the "Group") as at 30 June 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three and six months period ended 30 June 2020, and the interim condensed consolidated statements of changes in shareholders' equity and the interim condensed consolidated statement of cash flows and other explanatory notes for the six months then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.


Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 (Interim financial reporting).

For and on behalf of PricewaterhouseCoopers "Jordan" L.L.C.


Hazem sababa
License No (802)

Amman – Jordan
6 August 2020



ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (UNAUDITED)

	Notes	30 June 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	206,078	214,869
Projects in progress	6	133,100	105,467
Rights of use	5	18,866	19,571
Right of use of leased asset		5,502	5,858
Investment in associates		3,367	3,789
Investment in joint ventures		205,825	188,438
Financial assets at amortized cost	7	20,849	20,903
Employees' housing loans		14,888	15,560
Other non-current assets		35,351	33,293
Financial assets at fair value through other comprehensive income		585	585
Deferred tax assets		21,363	20,906
		<u>665,774</u>	<u>629,239</u>
Current assets			
Inventories		27,725	30,078
Spare parts and supplies		45,429	44,746
Employees' housing loans		2,765	2,796
Accounts receivable		135,423	102,747
Other current assets		49,528	38,832
Cash on hand and bank balances	10	177,524	240,135
		<u>438,394</u>	<u>459,334</u>
TOTAL ASSETS		<u>1,104,168</u>	<u>1,088,573</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Paid in capital		83,318	83,318
Statutory reserve	8	50,464	50,464
Voluntary reserve		80,699	80,699
Fair value reserve		(72)	(72)
Re-measurement of post-employment benefit obligations		(13,338)	(13,314)
Retained earnings		662,069	690,606
NET SHAREHOLDERS' EQUITY		<u>863,140</u>	<u>891,701</u>

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (UNAUDITED) (CONTINUED)

	Notes	30 June 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
Liabilities			
Non-current liabilities			
Long-term loan		8,768	11,690
Obligations against capital projects	5	4,046	5,664
Lease liabilities	14	4,539	4,349
Death and compensation fund obligations		51,065	48,812
Other non-current liabilities		7,349	7,454
		<u>75,767</u>	<u>77,969</u>
Current liabilities			
Bank overdraft		431	10,499
Current portion of long-term loan		5,845	5,845
Obligations against capital projects	5	3,236	3,236
Lease liabilities	14	808	760
Death and compensation fund obligations		6,993	6,993
Potash mining fees due to the government of the Hashemite Kingdom of Jordan		5,711	-
Trade payables		14,452	12,625
Income tax provision	12	13,736	33,756
Other current liabilities		114,049	45,189
		<u>165,261</u>	<u>118,903</u>
TOTAL LIABILITIES		<u>241,028</u>	<u>196,872</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1,104,168</u>	<u>1,088,573</u>

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2019		2020	
		JD "000" (Unaudited)	JD "000" (Unaudited)	JD "000" (Unaudited)	JD "000" (Unaudited)
Revenue from contracts with customers	11	124,623	137,576	230,415	265,940
Cost of sales		(73,215)	(75,191)	(138,179)	(149,832)
Gross profit		51,408	62,385	92,236	116,108
Administrative expenses		(4,684)	(5,354)	(8,095)	(8,899)
Selling and distribution expenses		(4,526)	(4,322)	(10,037)	(9,619)
Corporate social responsibility expenses		(19,281)	(6,828)	(29,425)	(10,486)
Net foreign currency exchange differences		(56)	43	(131)	(264)
Potash mining fees	1	(2,767)	(6,335)	(5,758)	(12,102)
Operating profit		20,094	39,589	38,790	74,738
Interest income		2,541	3,397	5,345	6,354
Finance costs		(1,225)	(1,939)	(2,732)	(4,697)
Other income (expense), net		182	33	354	(42)
Profit before the group's share of profit from associates and joint ventures and income taxes		21,592	41,080	41,757	76,353
Group's share of profit from associates and joint ventures	9	14,911	15,048	27,072	29,856
Profit before income tax		36,503	56,128	68,829	106,209
Income tax expense	12	(7,179)	(16,404)	(14,048)	(27,984)
Profit for the period		29,324	39,724	54,781	78,225
Earnings per share		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted earnings per share for the period	15	0.352	0.477	0.657	0.939

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
	JD "000"	JD "000"	JD "000"	JD "000"
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	29,324	39,724	54,781	78,225
Add: other comprehensive loss				
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial losses from re-measurement of post-employment benefit obligations after tax	(24)	(2,174)	(24)	(1,407)
Total comprehensive income for the period	29,300	37,550	54,757	76,818

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Paid in capital JD "000"	Statutory reserve JD "000"	Voluntary reserve JD "000"	Fair value reserve JD "000"	Re-measurement of post-employment benefit obligations JD "000"	Retained Earnings JD "000"	Net Shareholders' equity JD "000"
For the six months ended 30 June 2020 (unaudited)							
Balance at 1 January 2020	83,318	50,464	80,699	(72)	(13,314)	690,606	891,701
Profit for the period	-	-	-	-	-	54,781	54,781
Other comprehensive loss for the period	-	-	-	-	(24)	-	(24)
Total comprehensive income for the period	-	-	-	-	(24)	54,781	54,757
Dividends distribution (Note 16)	-	-	-	-	-	(83,318)	(83,318)
Balance at 30 June 2020	83,318	50,464	80,699	(72)	(13,338)	662,069	863,140
For the six months ended 30 June 2019 (unaudited)							
Balance at 1 January 2019	83,318	50,464	80,699	(89)	(8,190)	638,892	845,094
Profit for the period	-	-	-	-	-	78,225	78,225
Other comprehensive loss for the period	-	-	-	-	(1,407)	-	(1,407)
Total comprehensive income for the period	-	-	-	-	(1,407)	78,225	76,818
Dividends distribution (Note 16)	-	-	-	-	-	(99,981)	(99,981)
Balance at 30 June 2019	83,318	50,464	80,699	(89)	(9,597)	617,136	821,931

The attached notes from 1 to 17 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Notes	For the six months ended	
		30 June	
		2020 JD "000" (Unaudited)	2019 JD "000" (Unaudited)
OPERATING ACTIVITIES			
Profit for the period before income tax		68,829	106,209
Adjustments for			
Depreciation of property, plant and equipment		18,678	25,867
Depreciation on right of use of leased asset		356	208
Amortisation		3,013	756
Gain from disposal of property, plant and equipment		-	(52)
Interest income		(5,345)	(6,354)
Finance costs		2,732	4,697
Group's share of profit from associates and joint ventures	9	(27,072)	(29,856)
End of service indemnity provision		(101)	508
Potash mining fees		5,758	12,102
Provision for slow moving spare parts and inventory		500	140
Provision for employees' unpaid leaves		(81)	484
Employees' legal cases compensation provision		(368)	(881)
Death and compensation provision		3,467	8,568
Working capital adjustments:			
Inventories		2,353	(870)
Spare parts		(1,183)	(1,373)
Accounts receivable		(32,676)	(17,166)
Other current assets		(15,055)	(2,454)
Trade payables		1,827	(6,285)
Other current liabilities		7,254	7,562
Net cash flows generated from operating activities before income tax, mining fees and death and compensation fund obligations paid		32,886	101,810
Income tax paid		(34,525)	(14,839)
Mining fees paid		-	(9,886)
Death and compensation fund obligations paid		(1,239)	(12,853)
Net cash flows (used in) generated from operating activities		(2,878)	64,232
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	4	(5,311)	(1,936)
Proceeds from sale of property, plant and equipment		-	109
Projects in progress	6	(32,209)	(23,993)

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED)

	Notes	For the six months ended	
		30 June	
		2020	2019
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
Dividends received from associates and joint ventures		10,107	27,623
Investment in associates and joint ventures		-	(5,000)
Employees' housing loans granted		1,955	2,675
Proceeds from employees housing loans		(1,252)	(1,513)
Short term deposits with original maturities of more than 3 months		71,942	45,280
Interest received		5,345	6,354
Net cash flows generated from investing activities		50,577	49,599
FINANCING ACTIVITIES			
Repayment of loan		(2,922)	(2,457)
Payments for obligations against capital projects		(1,618)	(1,618)
Interest paid		(2,493)	(4,697)
Dividends paid to shareholders	16	(21,267)	(99,981)
Net cash flows used in financing activities		(28,300)	(108,753)
Net change in cash and cash equivalents		19,399	5,078
Cash and cash equivalents at 1 January		8,942	36,588
Cash and cash equivalents at 30 June	10	28,341	41,666
NON-CASH TRANSACTIONS			
Offset amount of income tax payable against sales tax receivable		-	4,932
Transfers from projects in progress to property, plant and equipment	6	4,576	5,303
Right of use of leased assets		-	3,742
Lease liabilities		-	3,742

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2020 (UNAUDITED)

(1) GENERAL

The Arab Potash Company "APC", the "Company", is a public shareholding company that was founded and registered on 7 July 1956 in Amman - Jordan, during 1958, the Company was granted a concession from the Government of the Hashemite Kingdom of Jordan to exploit the minerals and salts of the Dead Sea brine. The concession expires after 100 years from the grant date, after which, the Company's factories and installations become the property of the Government of the Hashemite Kingdom of Jordan. Based on the agreement, the Company will not be responsible for any decommissioning costs. The concession agreement was amended during 2003 in accordance with the Temporary Law Number (55) of 2003, whereby amendments included the annual rent fees for lands within the concession area, the concession area borders, and the exclusive rights given to the Company. On 11 May 2010 the Government of Jordan and APC agreed to amend the lease fee of the concession land in Ghour Al Safi site to JD 1.5 million per annum; and the lease fee shall be increased annually in accordance with the Consumer Price Index to become JD 1,836 thousand as at 30 June 2020.

Under the terms of the concession, the Government of the Hashemite Kingdom of Jordan is entitled to a royalty of JD 8 for each ton of potassium chloride, ("Potash") exported by the Company. On 12 February 2008 the Council of Ministers resolved to increase the royalty fees to JD 15 for each ton mined, effective 17 March 2008, On 5 August 2008 the Council of Ministers resolved to increase the royalty fees to JD 125 for each ton mined, effective 16 September 2008 with maximum royalty payable limited to 25% of the Company's net profit after tax for the year excluding the Company's share in the results of its subsidiaries and associates.

The authorized and paid in share capital is JD 83,317,500 distributed into 83,317,500 shares with a par value of JD 1 per share, that are all listed in Amman stock exchange market- Jordan.

The Company and its subsidiaries (the "Group") produce and market Potash, Salt, Potassium Nitrates, Di-Calcium Phosphate, mixed salts and mud in the international market.

The registered address of the Company is P. O. Box 1470 Amman 1118, the Hashemite Kingdom of Jordan.

The consolidated financial statements were authorized for issue by the audit committee on 5 August 2020.

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2020 (UNAUDITED)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements are presented in Jordanian Dinars, which is the functional currency of the Group.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual financial statements as at 31 December 2019. In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2-2 Basis of Consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, expenses and Income of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

The interim condensed consolidated financial statements comprise the financial statements of Arab Potash Company and its subsidiaries:

	<u>Paid in capital</u> (Thousands of shares)	<u>Percentage of Ownership</u> %
Arab Fertilizers and Chemicals Industries (KEMAPCO)	29,000	100
Numeira Mixed Salts and Mud Company	800	100
Jordan Dead Sea Industries (JODICO)	100	100

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2020 (UNAUDITED)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

Shareholders with significant influence over the Group

The authorized and paid-in capital of the company is JD 83,317,500 divided into 83,317,500 shares with a par value of JD 1 per share.

The following table shows the shareholders with significant impact on the Group:

	Number of shares	Ownership %
Man Jia Industrial Development Limited	23,294,614	28
Governmental Investments Management Company	21,782,437	26.1
Arab Mining Company	16,655,651	20

2.3 Changes in Accounting Policies

(a) New and amended standards and interpretations issued and adopted by the group in the financial year beginning on 1 January 2020:

- **Amendments to IFRS (3)** - This amendment revises the business definition. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, "Presentation of financial statements", and IAS 8, "Accounting policies and changes in accounting estimates and errors", and consequential amendments to other IFRSs:
 - i. use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii. clarify the explanation of the definition of material; and
 - iii. incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendment to IFRS (9), IAS (39) and IFRS (7), 'Interest rate benchmark reform'** – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.
- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

(b) New and amended standards and interpretations issued and not yet in effect:

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New standards, amendments and interpretations:

• **IFRS 17, 'Insurance contracts'** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

**Effective for
annual periods
beginning on or
after
1 January 2023**

The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

• **Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities** - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

1 January 2022

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(3) Key accounting estimates and judgments

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these interim condensed consolidated financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's audited consolidated financial statements as at and for the year ended 31 December 2019.

(4) PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group has acquired property, plant and equipment with a cost of JD 5,311 thousand (30 June 2019: JD 1,936 thousand).

In addition, the Group has transferred an amount of JD 4,576 thousand from projects in progress to property, plant and equipment during the six months ended 30 June 2020 (30 June 2019: JD 5,303 thousand).

(5) RIGHT OF USE AND OBLIGATIONS AGAINST CAPITAL PROJECTS

A- Right of use of natural gas pipeline

On 19 February 2014, Arab Potash Company signed an agreement stating the construction of Gas pipelines, to provide the Company with natural gas as a source of energy. This agreement resulted in an obligation against capital projects of JD 15,583 thousand with an annual interest rate of LIBOR 3 months plus 5% marginal fixed interest rate. This commitment will be settled over a period of 60 monthly payments starting 31 October 2017.

Amortization is calculated on a straight-line basis to allocate the cost over the entire term of the access right's contract of 15 years.

B- Right of use of electricity from NEPCO

Arab Potash Company has signed an agreement with National Electrical Power Company (NEPCO) during 2017 as a contingent option to be able to use the electricity as an alternative source of power in case of any malfunctions in the currently used gas turbine. The agreement requires NEPCO to keep its generators stand-by and ready for immediate use by Arab Potash Company for 20 years for one-time payment of JD 7,420 thousand that was paid during December 2018 and will be amortised over the contract period.

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2020 (UNAUDITED)

(6) PROJECTS IN PROGRESS

Projects in progress are shown at cost and include the cost of construction, equipment and direct expenses. Projects in progress that are to be used by the Group are not depreciated until they are ready for intended use and they are transferred to property, plant and equipment.

During the six months ended 30 June 2020, the Group has initiated additional projects in progress at a cost of JD 32,209 thousand (June 30, 2019: JD 23,993 thousand).

During the six months ended 30 June 2020, an amount of JD 4,576 thousand was transferred from projects in progress to property, plant and equipment (30 June 2019: JD 5,303 thousand).

(7) FINANCIAL ASSETS AT AMORTISED COST

	30 June 2020	31 December 2019
	JD "000" (Unaudited)	JD "000" (Audited)
Unquoted financial assets – governmental bonds*	<u>20,849</u>	<u>20,903</u>

* This item represents governmental bonds that mature on 29 January 2026 and bearing annual interest rate of 6.125% and payable every six months.

(8) STATUTORY RESERVE

The accumulated amounts in this account of JD 50,464 thousand represent 10% the Group's net income before income tax which were deducted during the previous years according to the Companies Law. The Group has the option to cease such appropriations when the balance of this reserve reaches 25% of the Group's authorized capital. The Group decided in 2005 to cease appropriations to the statutory reserve. The statutory reserve is not available for distribution to equity shareholders.

(9) THE GROUP'S SHARE OF PROFIT (LOSSES) FROM ASSOCIATES AND JOINT VENTURES

This item represents the Group's share from profit (losses) from investments in associates and any adjustment:

	For the six months ended 30 June	
	2020	2019
	JD "000" (Unaudited)	JD "000" (Unaudited)
Jordan Bromine Company*	26,472	29,591
Nippon Jordan Fertilizer Company	(411)	(90)
Jordan Industrial Ports Company	1,011	355
	<u>27,072</u>	<u>29,856</u>

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* The joint venture agreement signed between the Company and Albemarle Holding stipulates that the Company's share in Jordan Bromine profit and loss is 30% until 2012 and 40% of revenue starting from 2013, and the group's share in finance cost, interest revenue and other income and expenses is 50%.

(10) CASH ON HAND AND BANK BALANCES

	30 June 2020	31 December 2019
	JD'000 (Unaudited)	JD'000 (Audited)
Cash on hand	190	132
Cash at banks	23,525	19,309
Short term deposits*	5,057	-
Cash and cash equivalents	28,772	19,441
Short term deposits with original maturities of more than 3 months**	149,652	222,166
Expected credit loss as per IFRS 9	(900)	(1,472)
Net Cash on hand and at banks balances	177,524	240,135

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial period as follows:

	30 June 2020	30 June 2019
	JD "000" (Unaudited)	JD "000" (Unaudited)
Cash on hand	190	125
Cash at banks	23,525	41,549
Short term deposits	5,057	-
Bank overdraft	(431)	(8)
Balances per statement of cash flows	28,341	41,666

* This item represents deposits in Jordanian Dinars at local banks with an interest rate of 3.75% (2019: 5.21%) and mature within one to three months from the date of the deposit.

** This item represents deposits in Jordanian Dinars at local banks with an interest rate of 4.80% (2019: 5.21%) and mature within a period more than three to twelve months from the date of the deposit.

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(11) SEGMENT INFORMATION

A business segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other business segments and which are measured according to reports used by the Group's chief executive officer and chief decision maker.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of business segments in economic environments.

The Group is comprised of the following operating segments:

- Producing potash and salt through Arab Potash Company.
- Producing potassium nitrate and di-calcium phosphate through Arab Fertilizers and Chemicals Industries (KEMPACO).
- Producing mixed salts and mud through Numeira Mixed Salts and Mud Company.

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The following is a breakdown of the segment information for the above operating segments:

	For the three months ended 30 June 2020 (Unaudited)					
	APC JD "000"	KEMAPCO JD "000"	Numeira JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Sales to external customers	101,227	23,370	26	124,623	-	124,623
Inter-company sales	5,696	-	720	6,416	(6,416)	-
Net Sales	106,923	23,370	746	131,039	(6,416)	124,623
Segment Gross Profit	44,211	7,564	182	51,957	(549)	51,408
Results:						
Group's share of profit of associates and joint ventures	14,911	-	-	14,911	-	14,911
Depreciation and amortisation	10,362	733	42	11,137	(154)	10,983
Capital expenditures						
Property, plant and equipment and projects in progress	23,453	8	37	23,498	-	23,498

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(Unaudited)

	APC JD "000"	KEMAPCO JD "000"	Numeira JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Sales to external customers	190,293	39,703	419	230,415	-	230,415
Inter-company sales	10,967	-	892	11,859	(11,859)	-
Net Sales	201,260	39,703	1,311	242,274	(11,859)	230,415
Segment Gross Profit	79,952	11,963	447	92,362	(126)	92,236

Results:

Group's share of profits of associates and joint ventures	27,072	-	-	27,072	-	27,072
Depreciation and amortisation	20,823	1,466	67	22,356	(309)	22,047

Capital expenditures

Property, plant and equipment and projects in progress	37,222	260	38	37,520	-	37,520
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As at 30 June 2020 (Unaudited)

	APC JD "000"	KEMAPCO JD "000"	Numeira JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Total Assets	1,027,108	88,520	2,170	1,117,798	(13,630)	1,104,168
Total Liabilities	225,660	19,532	4,018	249,210	(8,182)	241,028
Investments in associates and joint ventures	209,192	-	-	209,192	-	209,192

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For the three months ended 30 June 2019

	(Unaudited)				Total
	APC JD "000"	KEMAPCO JD "000"	Numeira JD "000"	Eliminations JD "000"	
Sales to external customers	115,369	21,956	251	-	137,576
Inter-company sales	5,028	-	361	(5,389)	-
Net Sales	120,397	21,956	612	(5,389)	137,576
Segment Gross Profit	56,828	5,489	(645)	713	62,385

Results:

Group's share of profits of associates and joint ventures	15,048	-	-	-	15,048
Depreciation and amortisation	11,281	706	28	(161)	11,854

Capital expenditures

Property, plant and equipment and projects in progress	14,909	125	-	-	15,034
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For the six months ended 30 June 2019
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	APC JD "000"	KEMAPCO JD "000"	Numeira JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Sales to external customers	231,831	33,746	363	265,940	-	265,940
Inter-company sales	11,429	-	729	12,158	(12,158)	-
Net Sales	243,260	33,746	1,092	278,098	(12,158)	265,940
Segment Gross Profit	106,850	9,763	(521)	116,092	16	116,108

Results:

Group's share of profits of associates and joint ventures

	29,856	-	-	29,856	-	29,856
Depreciation and amortisation	25,642	1,325	227	27,194	(363)	26,831

Capital expenditures

Property, plant and equipment and projects in progress

	24,749	1,180	-	25,929	-	25,929
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As at 31 December 2019
(Audited)

	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Total Assets	1,005,502	95,819	2,017	1,103,338	(14,765)	1,088,573
Total Liabilities	182,611	19,753	3,822	206,186	(9,314)	196,872
Investments in associates and joint ventures	192,227	-	-	192,227	-	192,227

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INDUSTRY SEGMENT AND GEOGRAPHICAL ALLOCATION

Following is a summary of sales by the Group based on customers' geographical location for the six-months ended 30 June 2020 and 2019:

	For the six months ended 30 June 2020 (unaudited)		For the six months ended 30 June 2019 (unaudited)					
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Arab Potash Co.	KEMAPCO	Numeira Co.	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
China & India	85,893	2,601	-	88,494	133,495	919	6	134,420
Far East	51,660	1,320	-	52,980	41,090	1,802	5	42,897
Middle East	14,672	3,379	206	18,257	16,186	4,531	211	20,928
Africa	18,604	4,559	-	23,163	33,037	3,461	-	36,498
Europe	9,461	21,214	213	30,888	7,931	16,740	141	24,812
America & Australia	10,003	5,907	-	15,910	723	5,697	-	5,789
Canada	-	723	-	723	-	596	-	596
Total	190,293	39,703	419	230,415	231,831	33,746	363	265,940

DISTRIBUTION OF ASSETS BY GEOGRAPHICAL ALLOCATION

All of the Group's assets are concentrated inside the Hashemite Kingdom of Jordan.

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(12) INCOME TAX

The provision for the period ended 30 June 2020 and 2019, have been calculated in accordance with the income tax law No, (38) of the year 2018.

- **Arab Potash Company**

The Income and Sales Tax Department has reviewed the Company's records for the years 2015 and 2016 and has issued the final tax clearance for those years. As for the year of 2017, 2018, and 2019, the tax return has been submitted. For the years 2017 and 2018, the returns were audited, but the final report was not issued until the date of preparing these condensed interim consolidated financial statements.

Due from Sales Tax Department

Other receivables include a balance of JD 7 million as at 30 June 2020 (31 December 2019: JD 6 million) representing the general sales tax authorities paid by the Company over the past years. These amounts are refundable under the provisions of the General Sales Tax Law. A request for a refund of JD 5.3 million was submitted in May 2020, but it has not yet been audited. The company reached an agreement with the Income and Sales Tax Department to net off the sales tax from the income tax payable. During the six months ended 30 June 2019 the Company netted off an amount of JD 4,932 thousand.

- **Numeira Mixed Salts and Mud Company**

Tax returns have been submitted up to 2018 and 2019, and the valuation has not been completed as at the date of these interim condensed consolidated financial statements.

- **Arab Fertilizers and Chemicals Industries (KEMAPCO)**

According to the management, Arab Fertilizers and Chemicals Industries (KEMAPCO - Subsidiary) is a company that is exempted from income and social services taxes for a period of 12 years starting from the assessment year following the beginning of production (April 2003). Excluded from this exemption is the profit of commercial storage projects for goods that are put into local consumption. The Income and Sales Tax Department ("the Department") has inspected the Company's records for the years 2010, 2011, 2012 and 2013 and issued its initial decision to claim the Company to pay income tax resulting from differences in interpreting the decision of exemptions. The Company recorded an income tax provision for this claim. In the opinion of the Management and the legal counsel, additional tax provisions are sufficient to meet the impact of obligations in this regard.

(13) LITIGATION

There are a number of individual claims filed against Arab Potash Company by a number of employees, most of which are related to health insurance indemnities resulting from the health deficit. The Company estimates the total amount of these compensations at about JD 2,919 thousand as at the date of the interim condensed consolidated financial statements (31 December 2019: JD 4,255), which have been provided for.

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(14) LEASE LIABILITIES

The Group recognized the right to use assets against lease commitments under the long-term lease signed between Kemapco (a subsidiary of Arab Potash Company) and Aqaba Development Company (ADC).

The two parties signed long-term land lease contracts for the site where Kemapco performs all its operations in Aqaba. The contract effective start date was 1st of January 2008 and the contract's duration is 20 years. The Company has an option to extend the contract for an additional 29 years, however the option's validity is neither obligatory nor certain. The annual rent installments amount to JD 505 thousand paid at the beginning of each year; and a 9% interest rate implicit in the lease contract is used as the rate for discounting being the finance liability for delays in payment.

An additional area of land was agreed and signed between Kemapco and ADC during the year ended 31 December 2019. The contract was signed in August of 2019 and was added to the right of use of leased asset and the lease liability recorded as the beginning of August 2019. The agreement follows the same terms and conditions as the original contract; the duration of the contract and the interest rate used is the same as the original contract. The annual rent payment amount to JD 173 thousand paid at the beginning of each year for 9 years.

The below schedules show the recognition of the lease liabilities:

	30 June 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
Beginning balance	5,109	4,725
Add: interest expense for the period	238	384
Ending balance	<u>5,347</u>	<u>5,109</u>

The lease liabilities have been divided as follows:

	30 June 2020 JD "000" (Unaudited)	31 December 2019 JD "000" (Audited)
Current lease liabilities	808	760
Non-current lease liabilities	4,539	4,349
	<u>5,347</u>	<u>5,109</u>

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(15) EARNINGS PER SHARE

	For the three months period		For the six months period	
	30 June 2020 JD "000" (Unaudited)	30 June 2019 JD "000" (Unaudited)	30 June 2020 JD "000" (Unaudited)	30 June 2019 JD "000" (Unaudited)
Profit for the period	29,324	39,724	54,781	78,225
Weighted average number of shares ("000")	83,318	83,318	83,318	83,318
	Fills/ JD	Fills/ JD	Fills/ JD	Fills/ JD
Basic and diluted earnings per share (JD / Fills)	0.352	0.477	0.657	0.939

Basic earnings per share for the Group equals to the diluted earnings per share, whereas, the Group has not issued any diluting financial instruments that can affect the basic earnings per share.

(16) DIVIDENDS DISTRIBUTION

2020

The General Assembly resolved in its ordinary meeting held on 15 June 2020 to distribute an amount of JD 83,318 thousand (equivalent to 100% of the Company's capital) as cash dividends to the shareholders.

2019

The General Assembly resolved in its ordinary meeting held on 24 April 2019 to distribute an amount of JD 99,981 thousand (equivalent to 120% of the Company's capital) as cash dividends to the shareholders.

(17) COVID-19 IMPACT ON GROUP'S OPERATIONS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, which was classified as a pandemic by the World Health Organization in March 2020, due to its global outbreak, and this has led to a state of uncertainty of the negative effects on the overall economy that lead to disturbances in business and economic activity. Financial and monetary authorities, both domestic and international, have announced various financial and incentive measures around the world to counter potential negative impacts.

This situation has impacted the results of the group; where the closure of borders decreased the sales generated from foreign customers.

Business Continuity Planning

The Group closely monitors the situation and takes the right measures to ensure the safety and security of the group's employees and to ensure the continuity of production and sales. Work arrangements were tested in line with government directives during the curfew.

The Group's management collects and analyzes the best possible information to assess these potential risks in order to establish appropriate response measures and reduce as much as possible these risks and ensure the Group's ability to continue. Some of these measures have been the development of an emergency and risk management plan that includes controlling processes remotely, digitisation of operations, updating the supply and sales chain with minimal human resources and remote working to ensure the continuity of operations in the upcoming months.

Liquidity management

Management has set a set of necessary measures to ensure the liquidity for running the business without any interruption; by balancing suppliers payments against cash receipts, in addition to the availability of sufficient cash balances at banks as well as credit facility limits.

Impact on expected credit losses

The Group reviewed the potential impact of the COVID-19 outbreak on inputs and assumptions for measuring expected credit losses in light of available information. In general, the status of COVID-19 remains variable and rapidly evolving at this point, making it difficult to show the effects of this in the Group's estimate of expected credit losses reliably.

The Group has considered the potential effects of the current economic fluctuations when determining the reported amounts of the Group's financial and non-financial assets, and it represents the best management assessment based on observable information. However, the markets remain volatile and the amounts recorded remain sensitive to market volatility.

Impairment of non-financial assets

The management has undertaken a study to assess whether there are factors that may indicate a decline in the non-financial assets of the Group as a result of Covid-19. There was no indication that there may be any indication of impairment in non-financial assets to the Group's knowledge. Nevertheless, the Group's management conducted an impairment assessment for the period ending 30 June 2020 which did not result in an impairment in the value of the assets.