

ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

31 MARCH 2022

**ARAB POTASH COMPANY
(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 31 March 2022, and the related interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in shareholders’ equity and cash flows for the three-month period then ended and other explanatory notes. 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 statements 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”


Hazem sababa
License No (802)



Amman – Jordan
28 April 2022

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (UNAUDITED)

	Notes	31 March 2022 JD "000" (Unaudited)	31 December 2021 JD "000" (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	520,394	503,684
Rights of use	5	16,399	16,751
Right of use of leased asset	16	3,876	4,045
Investment in associates	8	5,202	4,477
Investment in joint ventures	8	229,022	206,081
Financial assets at amortized cost	6	20,647	20,677
Deferred tax assets		22,604	22,481
Employees' housing loans		14,153	14,389
Other non-current assets		39,665	40,237
Financial assets at fair value through other comprehensive income		790	790
		<u>872,752</u>	<u>833,612</u>
Current assets			
Inventories		19,508	21,427
Spare parts and supplies		51,838	49,755
Employees' housing loans		2,677	2,762
Accounts receivable		185,579	110,792
Other current assets	9	108,464	95,625
Cash on hand and bank balances	10	267,603	210,724
		<u>635,669</u>	<u>491,085</u>
TOTAL ASSETS		<u>1,508,421</u>	<u>1,324,697</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Paid in share capital		83,318	83,318
Statutory reserve	7	50,464	50,464
Voluntary reserve		80,699	80,699
Fair value reserve		133	133
Re-measurement of post-employment benefit Obligations		(14,781)	(14,781)
Retained earnings		<u>912,252</u>	<u>867,577</u>
NET SHAREHOLDERS' EQUITY		<u>1,112,085</u>	<u>1,067,410</u>

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (UNAUDITED) (CONTINUED)

	Notes	31 March 2022 JD "000" (Unaudited)	31 December 2021 JD "000" (Audited)
Liabilities			
Non-current liabilities			
Death and compensation fund obligations	11	55,424	55,736
Lease liabilities	16	3,121	2,998
Other non-current liabilities		6,732	6,758
		65,277	65,492
Current liabilities			
Current portion of long-term loans		4,877	6,501
Obligations against capital projects		1,618	2,427
Lease liabilities	16	740	788
Death and compensation fund obligations	11	3,540	3,412
Potash mining fees due to the government of the Hashemite Kingdom of Jordan		30,395	29,382
Trade payables		19,620	9,429
Other current liabilities	12	165,027	66,605
Income tax provision	14	105,242	73,251
		331,059	191,795
TOTAL LIABILITIES		396,336	257,287
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,508,421	1,324,697

General Manager

**Executive Vice President of financial
and support services**

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2022 (UNAUDITED)

	Notes	For the three months period ended	
		31 March	
		2022	2021
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	13	313,817	124,572
Cost of sales		(96,648)	(77,913)
Gross profit		217,169	46,659
Administrative expenses		(4,223)	(3,715)
Selling and distribution expenses		(4,664)	(3,993)
Corporate social responsibility expenses		(2,674)	(1,273)
Expected credit losses		(459)	(33)
Potash mining fees	1	(30,395)	(5,083)
Operating profit		174,754	32,562
Interest income		2,276	1,278
Finance costs		(1,313)	(1,388)
Other income, net		84	741
Profit before the group's share of profit from associates and joint ventures and income taxes		175,801	33,193
Group's share of profit from associates and joint ventures	8	23,666	18,711
Profit before income tax		199,467	51,904
Income tax expense	14	(54,811)	(11,684)
Profit for the period		144,656	40,220
Earnings per share		JD / Fils	JD / Fils
Basic and diluted earnings per share for the period	17	1.736	0.483

The attached notes from 1 to 19 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 MONTHS ENDED 31 MARCH 2022 (UNAUDITED)

	For the three-months period ended 31 March	
	2022 JD "000" (Unaudited)	2021 JD "000" (Unaudited)
Profit for the period	144,656	40,220
Add: other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains from re-measurement of post-employment benefit obligations	-	-
Effect of tax	-	-
Total comprehensive income for the period	<u>144,656</u>	<u>40,220</u>

The attached notes from 1 to 19 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 THREE-MONTHS PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Paid in share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Re-measurement of post-employment benefit obligations	Retained Earnings	Net Shareholders' equity
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
For the three months ended 31							
March 2022 (unaudited)							
Balance at 1 January 2022	83,318	50,464	80,699	133	(14,781)	867,577	1,067,410
Profit for the period	-	-	-	-	-	144,656	144,656
Dividends distribution (Note 18)	-	-	-	-	-	(99,981)	(99,981)
Balance at 31 March 2022	83,318	50,464	80,699	133	(14,781)	912,252	1,112,085
For the three months ended 31							
March 2021 (unaudited)							
Balance at 1 January 2021	83,318	50,464	80,699	(48)	(15,834)	734,178	932,777
Profit for the period	-	-	-	-	-	40,220	40,220
Balance at 31 March 2021	83,318	50,464	80,699	(48)	(15,834)	774,398	972,997

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE- MONTHS PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Notes	For the three months ended	
		31 March	
		2022	2021
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Profit for the period before income tax		199,467	51,904
Adjustments for			
Depreciation of property, plant and equipment		12,507	10,555
Depreciation on right of use of leased asset		169	178
Amortisation		954	1,357
Loss from disposal of property, plant and equipment		-	(669)
Interest income		(2,276)	(1,278)
Finance costs		1,313	1,388
Group's share of profit from associates and joint Ventures	8	(23,666)	(18,711)
End of service indemnity provision		26	233
Potash mining fees		30,395	5,083
Provision for slow moving spare parts and Inventory		250	(202)
Provision for employees' unpaid leaves		(77)	214
Death and compensation provision		1,846	1,802
Employee's legal cases compensation provision		(58)	-
Working capital changes:			
Inventories		1,919	6,287
Spare parts and supplies		(2,333)	(1,310)
Accounts receivable		(74,787)	9,469
Other current assets		(12,839)	(4,853)
Trade payables		10,191	1,942
Other current liabilities		(1,477)	(8,298)
Net cash flows generated from operating activities before income tax, mining fees and death and compensation fund obligations paid		<u>141,524</u>	<u>55,091</u>
Income tax paid		(22,943)	(8,219)
Potash mining fees paid		(29,382)	(4,986)
Death and compensation fund obligations paid		(2,029)	(4,571)
Net cash flows generated from operating activities		<u>87,170</u>	<u>37,315</u>

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022 (UNAUDITED) (CONTINUED)

	Notes	For the three months ended	
		31 March	
		2022	2021
		JD "000"	JD "000"
		(Unaudited)	(Unaudited)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment Projects in progress	4	(29,217)	(28,206)
Proceeds from sale of property, plant and equipment		-	757
Dividends received from associates and joint ventures		-	18,664
Employees' housing loans granted		(484)	(377)
Proceeds from employees housing loans		805	708
Short term deposits with original maturities of more than 3 months		(45,466)	(5,048)
Interest received		2,276	1,278
Net cash flows used in investing activities		(72,086)	(12,224)
FINANCING ACTIVITIES			
Repayment of loans		(1,624)	(1,321)
Payments for obligations against capital projects		(809)	(806)
Interest paid		(1,238)	(1,269)
Net cash flows used in financing activities		(3,671)	(3,396)
Net change in cash and cash equivalents		11,413	21,695
Cash and cash equivalents at 1 January		53,017	29,438
Cash and cash equivalents at 31 March	10	64,430	51,133

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 2022

(1) GENERAL INFORMATION

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 1,884 thousand as at 31 March 2022.

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 Company calculated the potash mining fees for the three months period ended on 31 March 2022 and 2021 at 25% of the net profits of the Arab Potash Company after tax and before the company's share of the results of the subsidiaries and affiliates' businesses, and it was presented in a separate item in the interim condensed consolidated statement of income.

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 11118, the Hashemite Kingdom of Jordan,

The consolidated financial statements were authorized for issue by the audit committee on 27 April 2022.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of Preparation

The interim condensed consolidated financial statements for the three months period ended 31 March 2022 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 consolidated financial statements as at 31 December 2021. In addition, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 as at 31 March 2022:

	<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
Dead sea for chemicals & fertilizers	50	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
AT 31 MARCH 2022

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.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of Arab Potash Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

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
Arab Mining Company	16,633,897	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 2021:

New standard	Description	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

The above amendment and interpretation did not have significant impact on the interim condensed 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:

Standard	Description	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	<p>The 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 entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	1 January 2023 (deferred from 1 January 2022)
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	<p>The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.</p> <p>To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	<p>The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.</p>	1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 **The amendments to IAS 12 Income Taxes** require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

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.

The management is still in the process of evaluating the impact of these new amendments on the condensed consolidated interim financial statements of the group, and in its belief that there will be no material impact on the condensed consolidated interim financial statements when applied.

(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 condensed interim 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 2021.

(4) PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2022, the Group has acquired property, plant and equipment with a cost of JD 2,268 thousand (31 March 2021: JD 3,634 thousand).

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 three months ended 31 March 2022, the Group has initiated new/ additional projects in progress at a cost of JD 26,949 thousand (31 March 2021: JD 24,572 thousand).

(5) RIGHTS 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 6 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. The amortisation expense during the three months ended on 31 March 2022 amounted to JD 260 thousand (2021: JD 260 thousand).

B- *Right of use of electricity from "NEPCO" Company*

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. The amortisation expense for the three months ended 31 March 2022 amounted to JD 93 thousand (2021: JD 93 thousand).

(6) FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Unquoted financial assets – governmental bonds*	20,647	20,677

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

(7) 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 year's 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.

ARAB POTASH COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 2022

(8) THE GROUP SHARE OF PROFIT FROM ASSOCIATES AND JOINT VENTURES

This item represents the Group's share of profit from investments in associates and joint ventures and any adjustment:

	For the three months ended 31 March	
	2022	2021
	JD "000" (Unaudited)	JD "000" (Unaudited)
Jordan Bromine Company*	22,715	18,358
Nippon Jordan Fertilizer Company	722	157
Jordan Industrial Ports Company	226	196
Jordan Investment and Southern Development Co.	3	-
	<u>23,666</u>	<u>18,711</u>

* 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%.

(9) OTHER CURRENT ASSETS

	31 March	31 December
	2022	2021
	JD'000 (Unaudited)	JD'000 (Audited)
Advance payments to contractors	86,263	74,783
Due from Sales Tax Department	16,322	14,538
Prepaid expenses	2,574	3,468
Others	3,305	2,836
	<u>108,464</u>	<u>95,625</u>

(10) CASH ON HAND AND BANK BALANCES

	31 March	31 December
	2022	2021
	JD'000 (Unaudited)	JD'000 (Audited)
Cash on hand	157	122
Cash at banks	37,549	35,113
Short term deposits*	26,724	17,782
Cash and cash equivalents	<u>64,430</u>	<u>53,017</u>
Short term deposits with original maturities of more than 3 months**	205,832	159,907
Expected credit loss as per IFRS 9	(2,659)	(2,200)
	<u>267,603</u>	<u>210,724</u>

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Reconciliation to cash flow statement

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

	31 March 2022	31 March 2021
	JD "000" (Unaudited)	JD "000" (Unaudited)
Cash on hand	157	138
Cash at banks	37,549	33,885
Short term deposits*	26,724	17,116
	<u>64,430</u>	<u>51,139</u>
Bank overdraft	-	(6)
Cash and cash equivalent	<u>64,430</u>	<u>51,133</u>

* This item represents deposits in Jordanian Dinars at local banks with an interest rate of 3.7% (2021: 1.7%-4%) and mature within one to three months.

** This item represents deposits in Jordanian Dinars at local banks with an interest rate of 4% (31 December 2021: 4%) and mature within a period more than three to twelve months.

(11) DEATH AND COMPENSATION FUND OBLIGATIONS

The following table shows movement on the provision recognized in the interim condensed consolidated statement of financial position:

	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Beginning balance	59,148	61,021
Current and past service cost	981	4,786
Discount value	864	3,296
Actuarial gains resulting from the remeasurement of the defined benefit plans	-	(1,682)
Paid during the period/year	(2,029)	(8,273)
Ending balance	<u>58,964</u>	<u>59,148</u>

The Group's obligations are limited to the provision booked by the Group which are expensed when due.

The classification of death and compensation fund obligations are as follows:

	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Non- current		
Death and compensation fund obligations	<u>55,424</u>	<u>55,736</u>
Current		
Death and compensation fund obligations	<u>3,540</u>	<u>3,412</u>
	<u>58,964</u>	<u>59,148</u>

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(12) OTHER CURRENT LIABILITIES

	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Accrued expenses	28,068	26,131
Contractors' retentions*	21,309	25,410
Employees' legal cases compensation provision	4,304	4,362
Dividends payable**	101,498	1,526
Others	9,848	9,176
	<u>165,027</u>	<u>66,605</u>

*On 08 December 2021, Arab Potash Company decided to terminate the contract signed with the Contractor (Hidroconstructia S.A) responsible for executing the Dike 19 project due to the Contractor's default and violation of the contract. Arab Potash Company liquidated the bank guarantees presented by the Contractor to Arab Potash Company and Arab Potash Company is in the process of claiming its legal and contractual rights against the Contractor. Arab Potash Company is in process of hiring new a contractor to complete the execution of the project.

** The General Assembly resolved in its ordinary meeting held on 30 March 2022 to distribute an amount of JD 99,981 (equivalent to 120% of the Company's capital) as cash dividends to the shareholders.

(13) 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:

Three months ended 31 March 2022							
(Unaudited)							
Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations	Total		
JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	
Sales to external customers	288,171	25,309	337	313,817	-	313,817	
Inter-company sales	15,296	-	371	15,667	(15,667)	-	
Total sales	303,467	25,309	708	329,484	(15,667)	313,817	
Segment gross profit	216,273	5,288	161	221,722	(4,553)	217,169	
Results							
Share of profits of associates and joint ventures	23,666	-	-	23,666	-	23,666	
Depreciation and amortization	12,826	695	19	13,540	(79)	13,461	
Capital expenditures:							
Property, plant and equipment	29,106	103	8	29,217	-	29,217	
As at 31 March 2022							
(Unaudited)							
Arab Potash Co.	KEMAPCO	Numeira Co.	Dead sea for chemicals & fertilizars	Total	Elimination s	Total	
JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	
Total Assets	1,423,035	109,405	4,014	50	1,536,504	(28,083)	1,508,421
Total Liabilities	379,714	30,947	4,918	591	416,170	(19,834)	396,336
Investments in associates and joint ventures	234,224	-	-	-	234,224	-	234,224

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	Three months ended 31 March 2021					
	(Unaudited)					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Sales to external customers	105,192	19,246	134	124,572	-	124,572
Inter-company sales	5,611	-	522	6,133	(6,133)	-
Total sales	110,803	19,246	656	130,705	(6,133)	124,572
Segment gross profit	41,133	5,674	214	47,021	(362)	46,659
Results						
Share of profits of associates and joint ventures	18,711	-	-	18,711	-	18,711
Depreciation and amortization	11,483	739	17	12,239	(149)	12,090
Capital expenditures:						
Property, plant and equipment	26,732	1,468	6	28,206	-	28,206
	As at 31 December 2021					
	(Audited)					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations JD "000"	Total JD "000"
Total Assets	1,239,703	98,936	3,902	1,342,541	(17,844)	1,324,697
Total Liabilities	241,682	24,341	4,874	270,897	(13,610)	257,287
Investments in associates and joint ventures	210,558	-	-	210,558	-	210,558

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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 three-months ended 31 March 2022 and 2021:

	For the three months ended 31 March 2022				For the three months ended 31 March 2021			
	(unaudited)				(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	108,203	1,036	4	109,243	48,685	1,025	-	49,710
Far East	42,606	1,807	-	44,413	17,045	852	-	17,897
Middle East	12,573	2,306	148	15,027	10,130	2,161	134	12,425
Africa	37,020	2,343	5	39,368	8,525	1,867	-	10,392
Europe	15,853	14,336	180	30,369	3,501	10,553	-	14,054
Southeast Asia	21,482	-	-	21,482	11,078	-	-	11,078
America & Australia	50,434	3,334	-	53,768	6,228	2,532	-	8,760
Canada	-	147	-	147	-	256	-	256
Total	288,171	25,309	337	313,817	105,192	19,246	134	124,572

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(14) INCOME TAX

The income tax provision for the period ended 31 March 2022 and 2021, 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 2017, 2018 and has issued the final tax clearance for those years. As for the years 2019 and 2020,2021 the tax return has been submitted 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 16.3million as at 31 March (31 December 2021: JD14.5 million) representing the general sales tax authorities paid by the Company over the past years and mainly on the expansion project which was completed in 2010. These amounts are refundable under the provisions of the General Sales Tax Law.

- Numeira Mixed Salts and Mud Company

Tax returns have been submitted up to the year 2021, and the valuation has not been completed for the years 2018, 2019, 2020 and 2021 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.

(15) CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

	31 March 2022	31 December 2021
	JD "000" (unaudited)	JD "000" (Audited)
Letters of Guarantees	20,201	14,921
Letters of Credit	30,252	35,755

Legal claims

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 4,304 thousand as at the date of the interim condensed consolidated financial statements (31 December 2021: JD 4,362 thousand), which have been provided for.

(16) RIGHT OF USE OF LEASED ASSETS / LEASE LIABILITIES

(i) The Group's leasing activities and how these are accounted for

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.

During 2019, an additional area of land was agreed and signed between Kemapco and ADC and was added to the right of use of leased asset and the lease liability recorded as of 1 January 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.

The Group recognized a right of use asset and a lease liability as of 1 January 2019, which is the present value of all the minimum lease payments for the remaining 8 years representing the maximum contract duration excluding the extension option (which is non-obligatory). Amortization is calculated on a straight-line basis to allocate the cost over the entire term of the right of use asset of 9 years. The interest of the lease obligation is calculated using a 9% interest rate implicit in the lease contract as the discount rate that represents the interest rate applicable to the delay in the lease payments.

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A- Amounts recognised in the interim condensed consolidated statement of financial position:

The interim condensed consolidated statement of financial position shows the following amounts relating to lease:

	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Right of use of leased assets	3,876	4,045
	31 March 2022	31 December 2021
	JD "000" (Unaudited)	JD "000" (Audited)
Lease liabilities		
Current portion	740	788
Non-current portion	3,121	2,998
	<u>3,861</u>	<u>3,786</u>

B- Amounts recognised in the interim condensed consolidated statement of income:

	31 March 2022	31 March 2021
	JD "000" (Unaudited)	JD "000" (Unaudited)
Depreciation charge of right-of-use assets	(169)	(178)
Interest expense	(75)	(119)
	<u>(244)</u>	<u>(297)</u>

(17) BASIC AND DILUTED EARNINGS PER SHARE

	For the three months period	
	31 March 2022	31 March 2021
	JD "000" (Unaudited)	JD "000" (Unaudited)
Profit for the period	144,656	40,220
Weighted average number of shares	<u>83,318</u>	<u>83,318</u>
	JD / Fils	JD / Fils
Basic and diluted earnings per share (JD / Fils)	<u>1.736</u>	<u>0.483</u>

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.

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(18) DIVIDENDS

The General Assembly resolved in its ordinary meeting held on 30 March 2022 to distribute an amount of JD 99,981 (equivalent to 120% of the Company's share capital) as cash dividends to the shareholders. (2020: JD 83,318 thousand).

(19) RECLASSIFICATION OF COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 March 2021 have been reclassified to match the classification of the financial statements for the period ended 31 March 2022. This amendment had no impact on the interim condensed consolidated statements of Income and changes in shareholders' equity.

	<u>As previously stated</u> JD "000"	<u>Adjustment amount</u> JD "000"	<u>Reclassified balance</u> JD "000"
Cost of sales	76,790	1,123	77,913
Selling and distribution expenses	5,116	(1,123)	3,993