

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY**

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arab Potash Company (a Public Shareholding Company) - (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY**

OUR AUDIT APPROACH

OVERVIEW

Key Audit Matters	<p>The areas of focus for our audit, which involved the greatest allocation of our resources and effort, were:</p> <ol style="list-style-type: none"> 1. Employees' benefit obligations 2. Impairment of property, plant and equipment
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the Group's structure, the accounting processes, controls and the industry in which the Group operates.

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 period. 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.

Key audit matters	How our audit addressed the Key audit matters
<p>1. Employees' benefit obligations</p> <p>As disclosed in Note 34, the Group has restated its consolidated financial statements to recognise the obligations related to the employees' Death and Compensation Fund which previously had been recognized incorrectly. The obligation amount resulting from this restatement to the opening balances as at 1 December 2016 amounted to JD 56,426 thousands as an increase in the benefit liability, JD 47,216 thousands as a reduction in the retained earnings and JD 13,408 thousands as an increase in deferred tax assets.</p>	<p>To evaluate the accounting treatments applied by the Group and to test the accuracy of management's restatement of the prior year's comparative information, we undertook the following procedures:</p> <p>We have obtained the signed agreements between the Group and the Labor of Mining Union, in addition to the internal bylaws for the Death and Compensation Fund and the Company.</p>

The Group has different employee benefit programs, some of which are contribution benefit plans where the Group's obligations are limited to the contribution made to the benefit of the employees. Other plans constitute defined benefit plans including the Death and Compensation fund relating to contributions in respect of retired or resigned employees. Further details of employee benefit plans are illustrated in Note 20.

Under IAS 19 'Employee Benefits', the measurement of employees' benefits obligations requires estimates relating to expected future payments and the application of actuarial assumptions in connection with salary growth rates, staff turnover and use of an appropriate discount rate. The assumptions used, and the sensitivities to their changes, are disclosed in Note 20. The Group appointed an independent actuary to develop an estimate of the Death and Compensation Fund obligations.

We focused on this area given the materiality of the employees benefits to the consolidated financial statements and the significant estimates and judgments included in the calculation of the obligation as mentioned above.

- We have reviewed supporting documents for amounts paid by the Company to the Death and Compensation Fund as contributions and the other amounts paid to cover the deficit in the Fund.
- We obtained an understanding of the different benefit schemes available to employees of the Group and assessed whether the Group's accounting policies had been applied consistently over each of the presented years, and whether the applied techniques to calculate obligations at the year-end complied with the requirements of the International Accounting Standard (IAS) 19 "Employees Benefits".
- Management had provided us with the independent actuarial report used by management to calculate the obligations of defined employees' benefits. We assessed the independence and professional qualifications of the appointed actuary, together with the scope of work that the actuary was asked to perform.
- We used our internal actuarial specialists to assess the reasonableness of the key assumptions (discount rate, inflation rates, attrition and mortality assumptions) adopted by the independent actuary for the estimation of the Death and Compensation Fund obligations based on their experience in equivalent industries.
- We reviewed the disclosures included in the consolidated financial statements to assess adequacy of disclosures based on IAS 19 "Employees Benefits" requirements.
- We have also assessed whether the accounting treatment of the restatement and its related disclosures were in accordance with the requirements of IAS 8 'Accounting policies, accounting estimates and errors'.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY**

2. Impairment of property, plant and equipment

- The Group's net book value of its property, plant and equipment ("PP&E") amounted to JD 219,481 thousands as at 31 December 2017, representing 23% of total Group assets at that date.
- The PP&E are accounted for as per Note (2-5).
- The Group assesses at each reporting date whether there is any objective evidence that the carrying value of the PP&E might not be recoverable. The Company considers the significant decrease in market prices or technological upgrade to the currently used machinery and equipment in a way that reduces the future benefits are considered to be possible indicators that an impairment may exist in the PP&E.

As per the requirements of the International Financial Reporting standards (IFRS) and the Group's accounting policies, an impairment review of the PP&E was performed by management using the "Value in Use" model (the present value of the expected future cash inflows from the sale of the PP&E), to estimate the recoverable value of these assets.

The used "Value in Use" models depends on many assumptions and estimates made by the management such as the analysts' forecasts for the Potash international selling prices and other personal estimates.

No impairment of PP&E was recorded in 2017 as per the results of the test.

We focused on this area due to the materiality of PP&E, as impairment, if any, could have a material impact on the consolidated financial statements. We also focused on this area due to the significant judgments involved in performing the impairment test as mentioned above.

- We have obtained management's impairment testing model and questioned the critical assumptions used by them.
- We focussed on the cash flow forecast, business plan, the growth rates used to estimate future cash flows and the discount rates used.
- We have tested the inputs used in the determination of the assumptions for the calculation of the value in use to third-party sources, where available, including external data from analysts' reports.
- The mathematical accuracy of the model was tested.
- Disclosures in the consolidated financial statements made in relation to impairment testing were reviewed.



Other information:

Management is responsible for the other information. The other information comprises the Group's Annual Report for the year 2017 but does not include the consolidated financial statements and our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and with other identified applicable laws in the Hashemite Kingdom of Jordan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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 consolidated 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 Group maintains proper accounting records that are in agreement with the accompanying consolidated financial statements. We recommend that the General Assembly of the Shareholders approve these consolidated financial statements.

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

A circular blue ink stamp from the Jordanian Public Accountants Association. The outer ring contains the text "Jordanian Public Accountants Association" at the top and "Amman - Jordan" at the bottom. In the center, there is a signature in blue ink that appears to read "Hassan Sababa". Below the signature, the text "License No. 1802" is printed. The PwC logo is also visible in the center of the stamp.
Hassan Sababa
License No. 1802
Amman - Jordan
26 March 2018

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017	31 December 2016	1 January 2016
		JD "000"	JD "000" (Restated) Note 34	JD "000" (Restated) Note 34
ASSETS				
Non-current assets				
Property, plant and equipment	5	219,481	232,078	241,582
Intangible assets	6	14,631	-	-
Projects in progress	7	78,410	76,088	68,932
Investment in associates	8	5,095	4,579	7,370
Investment in joint ventures	9	153,466	135,277	126,238
Financial assets at fair value through other comprehensive income	10	606	660	771
Finance assets at amortized cost	11	21,106	21,199	-
Deferred tax assets	24	15,897	19,391	16,508
Employees' housing loans	12	18,526	18,820	18,918
		<u>527,218</u>	<u>508,092</u>	<u>480,319</u>
Current assets				
Employees' housing loans	12	2,736	2,896	2,960
Accounts receivable	13	50,689	53,141	68,453
Inventories	14	11,482	20,922	31,457
Spare parts and supplies	15	37,157	40,511	42,533
Other current assets	16	36,704	36,926	60,495
Cash on hand and bank balances	17	271,321	254,348	338,463
		<u>410,089</u>	<u>408,744</u>	<u>544,361</u>
Total assets		<u>937,307</u>	<u>916,836</u>	<u>1,024,680</u>
Shareholders' Equity and Liabilities				
Shareholders' Equity				
Paid in capital	1	83,318	83,318	83,318
Statutory reserve	18	50,464	50,464	50,464
Voluntary reserve	18	80,699	80,699	80,699
Fair value reserve	10	(51)	3	114
Re-measurement of post-employment benefit obligations		(5,712)	(2,061)	-
Retained earnings		<u>599,167</u>	<u>592,642</u>	<u>630,379</u>
Total Equity		<u>807,885</u>	<u>805,065</u>	<u>844,974</u>

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	<u>Notes</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>1 January 2016</u>
		<u>JD "000"</u>	<u>JD "000"</u> <u>(Restated)</u>	<u>JD "000"</u> <u>(Restated)</u>
Liabilities			<u>Note 34</u>	<u>Note 34</u>
Non-current liabilities				
Long-term loan	19	11,614	17	51
Death and compensation fund obligations	20	46,548	52,941	54,316
Obligations against capital projects	6	11,390	-	-
Other non-current liabilities	23	8,096	8,545	8,992
		<u>77,648</u>	<u>61,503</u>	<u>63,359</u>
Current liabilities				
Current portion of long term loan	19	17	34	34
Obligations against capital projects	6	3,983	-	-
Death and compensation fund obligations	20	2,558	2,409	2,110
Potash mining fees due to the government of the Hashemite Kingdom of Jordan	1,28	339	4,063	23,698
Trade payables		15,537	17,468	25,535
Income tax provision	24	2,314	1,350	28,713
Other current liabilities	21	27,026	24,944	36,257
		<u>51,774</u>	<u>50,268</u>	<u>116,347</u>
Total Liabilities		<u>129,422</u>	<u>111,771</u>	<u>179,706</u>
Total shareholders' equity and liabilities		<u>937,307</u>	<u>916,836</u>	<u>1,024,680</u>

The accompanying notes 1 to 35 form part of these consolidated financial statements

ARAB POTASH COMPANY
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> <u>JD "000"</u>	<u>2016</u> <u>JD "000"</u> (Restated)
Sales		423,277	369,651
Cost of sales	25	(318,522)	(304,016)
Gross profit	22	<u>104,755</u>	<u>65,635</u>
Administrative expenses	26	(13,989)	(18,011)
Selling and distribution expenses	29	(19,351)	(17,979)
Social corporation expenses		(7,850)	(8,118)
Foreign currency exchange differences		2,111	(255)
Royalty to the Government of Jordan	1, 28	(7,339)	(4,063)
Operating profit		<u>58,337</u>	<u>17,209</u>
Finance revenue		10,854	8,413
Finance costs and bank charges	30	(6,853)	(5,754)
Other income, net	27	11,489	16,269
Profit before tax and gain from associates and joint ventures		<u>73,827</u>	<u>36,137</u>
Group's share of profit of associates and joint ventures	8,9	32,371	28,606
Profit before tax		<u>106,198</u>	<u>64,743</u>
Income tax expense	24	(16,355)	(2,499)
Profit for the year		<u>89,843</u>	<u>62,244</u>
		<u>JD / Fills</u>	<u>JD / Fills</u>
Earnings per share			
Basic and diluted earnings per share	31	<u>1.078</u>	<u>0.747</u>

The accompanying notes 1 to 35 form part of these consolidated financial statements

ARAB POTASH COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> In thousands	<u>2016</u> In thousands (Restated)
Profit for the year		89,843	62,244
Add: other comprehensive income			
Items that will be reclassified to profit or loss			
Net change in fair value of financial assets at fair value through other comprehensive income	10	(54)	(111)
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations		(4,851)	(2,721)
Income tax relating to these items		1,200	660
Total comprehensive income for the year		<u>86,138</u>	<u>60,072</u>

The accompanying notes 1 to 35 form part of these consolidated financial statements

ARAB POTASH COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Remeasurement of Post- employment benefit obligations	Retained earnings*	Total
	JD	JD	JD	JD	JD	JD	JD
2017							
Balance at 1 January	83,318	50,464	80,699	3	(2,061)	592,642	805,065
Profit for the year	-	-	-	-	-	89,843	89,843
Other comprehensive income	-	-	-	(54)	(3,651)	-	(3,705)
Dividends (Note 18)	-	-	-	-	-	(83,318)	(83,318)
Balance at 31 December 2017	<u>83,318</u>	<u>50,464</u>	<u>80,699</u>	<u>(51)</u>	<u>(5,712)</u>	<u>599,167</u>	<u>807,885</u>
2016							
Balance at 1 January 2016							
(Before restatement)	83,318	50,464	80,699	114	-	677,595	892,190
Prior years adjustment (Note 34)	-	-	-	-	-	(47,216)	(47,216)
Balance at 1 January (Adjusted)	83,318	50,464	80,699	114	-	630,379	844,974
Profit for the year (Restated) (Note 34)	-	-	-	-	-	62,244	62,244
Other comprehensive income (Restated) (Note 34)	-	-	-	(111)	(2,061)	-	(2,172)
Dividends (Note 18)	-	-	-	-	-	(99,981)	(99,981)
Balance at 31 December 2016 (Restated)	<u>83,318</u>	<u>50,464</u>	<u>80,699</u>	<u>3</u>	<u>(2,061)</u>	<u>592,642</u>	<u>805,065</u>

* Retained earnings include an amount of JD 15,897 Thousands (2016: JD 19,391 Thousands) that is restricted against deferred tax assets. This amount is restricted and are not attributable to the shareholders according to Jordan securities commission. In addition, it is restricted to distribute an equivalent amount of the negative fair value reserve from retained earnings as per the same regulation.

The accompanying notes 1 to 35 form part of these consolidated financial statements

ARAB POTASH COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		In thousands	In thousands (Restated)
OPERATING ACTIVITIES			
Profit for the year before tax		106,198	64,743
Adjustments:			
Depreciation	5	69,324	64,706
Amortisation		1,045	-
Loss on sale of Property, plant and equipment		2	120
Finance revenue		(10,845)	(8,413)
Finance costs	30	6,853	214
Share of profit of associates and joint ventures	8,9	(32,371)	(28,606)
End of service indemnity provision		(1,444)	(331)
Royalty fees		7,339	-
Employees' post-employment benefits provision		(461)	(80)
Provision for slow moving spare parts and inventory	14,15	(789)	2,137
Unpaid leaves provision		110	(135)
Employee's legal cases compensation provision		-	(1278)
Death and compensation provision		3,364	3,387
Provision for doubtful accounts	13	-	86
Working capital changes:			
Inventories		9,327	10,449
Spare parts		4,256	(29)
Accounts receivable		2,452	15,226
Other current assets		(6,372)	6,031
Trade payables and accruals		(1,930)	(8,067)
Other current liabilities		3,147	(6,257)
Net cash flows from operating activities before income tax paid and royalties paid		<u>159,196</u>	<u>121,795</u>
Income tax paid	24	(497)	(12,485)
Royalties paid	28	(11,063)	(23,698)
Death and compensation fund paid	20	(18,225)	(11,013)
Net cash flows from operating activities		<u>129,411</u>	<u>74,559</u>

ARAB POTASH COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		In thousands	In thousands (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(5,722)	(5,838)
Proceeds from sale of property, plant and equipment		-	214
Projects in progress	7	(53,329)	(57,077)
Interest received		7,247	8,413
Financial assets at amortized cost		-	(21,199)
Dividends received from associates and joint ventures	8,9	26,166	27,358
Investment in associates and joint ventures	8,9	(12,500)	(5,000)
Granted employees' housing loans		(2,579)	(3,325)
Proceeds from Employees housing loans		3,033	3,487
Short term deposits		(75,657)	50,981
Net cash flows used in investing activities		(113,341)	(1,986)
FINANCING ACTIVITIES			
Repayment of loan		(51)	(34)
Interest paid		(3,016)	(209)
Loans	19	11,631	-
Dividends paid to shareholders	18	(83,318)	(105,504)
Net cash flows used in financing activities		(74,754)	(105,747)
Net decrease in cash and cash equivalents		(58,684)	(33,134)
Cash and cash equivalents at 1 January		143,139	176,273
Cash and cash equivalents at 31 December	17	84,455	143,139
<u>Non-cash Transactions:</u>			
Commitment against capital expenditures	6	15,583	-
Intangible assets	6	(15,583)	-
Transfers from projects in progress to property, plant and equipment	7	51,007	49,921

The accompanying notes 1 to 35 form part of these consolidated financial statements

ARAB POTASH COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

(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. As 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 1.731 million as at 31 December 2017.

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.

The Company's shares are listed in Amman Stock Exchange except for, 23,573 shares issued as Global Depository Receipts (GDRs) as at 31 December 2017; which are listed in the London Stock Exchange. Each GDR represents one ordinary share with a par value of JD 1 per share. The Company had subsequently sold these GDR's in February 2018.

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 board of directors on 6 March 2018; these consolidated financial statements require the approval of the shareholders of the Company.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements of the Group are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements of the Group are prepared in accordance with the going concern basis.

The consolidated financial statements have been presented in Jordanian Dinar, which is the functional currency of the Group. Values are rounded to the nearest thousand (JD "000"), except otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in (Note 4).

2.2 Basis of Consolidation

The consolidated financial statements of the Group includes the financial statements of the Company and its controlled subsidiaries. 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

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.

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Profit or loss and each component of other comprehensive income (OCI) 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.

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

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.

The consolidated financial statements comprise the following subsidiaries:

Subsidiary	Type	Nature of business	Paid in capital '000	Percentage of ownership %
Jordan Magnesia Company*	Public Shareholding	Extraction of Magnesia	10,000	-
Arab Fertilizers and Chemicals Industries (KEMAPCO)	Limited Liability	Fertilizer production	29,000	100
Numeira Mixed Salts and Mud Company	Limited Liability	Dead sea Mud products and packaging services	800	100
Jordan Dead Sea Industries (JDICO)	Limited Liability	Investment Holding Company	100	100

- * The Group's Board of Directors resolved in its ordinary meeting held on 9 December 2015 to dispose of its share of Jordan Magnesia through a public tender. On 22 December 2016, an agreement for the sale of Magnesia was signed with a value of USD 12,500 thousands (equivalent to JD 8,862 thousands). The sale procedures were completed during the first quarter of 2017, resulting in other income of JD 7,884 thousands, of which JD 7,246 thousands are related to receivables that were previously provided for as doubtful debts from Magnesia.

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Shareholders that have significant influence over the Group

Shareholder	No. of shares	Percentage of ownership %
PCS Jordan LLC *	23,294,614	28%
The Jordanian Ministry of Finance	21,782,437	26,1%
Arab Mining	16,655,651	20%
Jordan Dead Sea Industries (JDICO)	61,732,702	74,1%

- * PCS Jordan LLC announced in October 2017 its intent to sell its stake in Arab Potash Company through a public offering. As at the date of these consolidated financial statements, the sale or the determination of the new investor have not been finalised.

2.3 Changes in Accounting Policies

2.2.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Group
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:
<ul style="list-style-type: none"> • Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12. • Disclosure initiative – amendments to IAS 7. • Transfers of Investment Property – Amendments to IAS 40. • Annual Improvements to IFRSs – 2012-2014 Cycle
The adoption of these amendments did not have any impact on the amounts recognized in prior periods. Most of the amendments will also not affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 ' <i>Financial Instruments</i> '
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and introduced a new impairment model.
Impact	<p>The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:</p> <p>The Group's financial assets is comprised of the following:</p> <ul style="list-style-type: none"> • Cash and cash equivalents including short-term bank deposits • Trade receivables and some other current assets • Due from related parties • Financial assets at fair value through other comprehensive income • Finance assets at amortized cost • Employees' housing loans <p>Trade and other receivables and amounts due from related parties are considered debt instruments currently classified as financial assets held at amortised cost under IFRS 9 "Financial Instrument", whereas, the Group has early adopted phase one of IFRS 9 during 2011 and related to classification and measurement as per the instruction of Amman Security Exchange Commission and there was no impact on the shareholders' equity as a result of this early adoption.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The new expected credit loss (ECL) model involves a three-stage approach, whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.</p>

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	<p>Based on this approach, management has performed the following analysis over each of the above classes of assets held at amortised cost:</p> <ul style="list-style-type: none"> - Cash and Bank balances: The group has calculated the related ECL amount based on the credit risk rating of each bank, and used a specific ECL percentage against each of the rating as per the international historical loss rates for such Bank's ratings. Total ECL calculated was about JD 814 thousands. - Trade receivables: The Group has obtained the previous 2 years sales transactions and built an aging matrix to calculate the number of days past due against each invoice, and then, based on the historical defaults; a rate of default was calculated against each aging category. As in the last two years, there were no history of default and no past dues, and as all receivables are guaranteed against letters of credit and insurance policies, management has applied a default rate against these balances of 1.5%, thus the additional ECL amount required was JD 518 thousands. - Assets held at amortised cost: These are all investment at the Jordanian governmental bonds that are held till maturity, management believes based on historical experience that there were no past due noted concerning the interest or principle repayments. Management accordingly believes that a rate of 1.5% will be sufficient to cover any expected losses. This resulted in JD 317 thousands. - Employees housing loans: As these represents loans granted to employees without interest for a period of 20 years, management is currently developing the ECL model using the ECL General approach. Based on the preliminary developed model, management believes that an amount of JD 558 thousands will be recorded as a provision. Management believes that upon completing the model, and due to the fact that all loans are secured against higher collateral, employees' salaries, no previous history of default, the amount of ECL required shall not materially differ than the estimate above. - Based on the assessments undertaken to date mentioned above, management believes that any additional provision that will be required at the actual implementation of the model will not materially differ than the above estimates.
Mandatory application date/ Date of adoption by the Group	Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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Title of standard	IFRS 15 'Revenue from Contracts with Customers'
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has determined that the recognition and measurement of revenue for all the current on-going contracts under the IFRS 15's five-step model, will not change as being currently recognised under IAS 18, since the Group's revenues are generated from sources that are not subject to the new changes required by IFRS 15. Analysis performed by management were as below:</p> <p>The new five-step process must be applied before revenue can be recognised:</p> <ul style="list-style-type: none"> - identify contracts with customers - identify the separate performance obligation - determine the transaction price of the contract - allocate the transaction price to each of the separate performance obligations, and - recognise the revenue as each performance obligation is satisfied <p>Based on the above 5 steps process, management realized that all its contracts have one obligation related to selling the products and prices are fixed annually based on the agreed on international prices. Accordingly, management didn't identify additional performance obligations in the related contracts other than selling the requested orders and based on specific agreed on shipping terms that will be satisfied on appoint time rather over time</p>
Mandatory application date/ Date of adoption by the Group	<p>Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.</p>

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Title of standard	IFRS 16 'Leases contracts'
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of JD 1,731,432 (Note 1), in addition to other operating leases related to the company's representative offices outside Jordan. The group estimates the lease payments of representative offices as a short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss. However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.
Mandatory application date/ Date of adoption by the Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Jordanian Dinar', which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Foreign exchange gains and losses are presented in the consolidated statement of income as other income (loss) from fair value.

2.5 Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of income during the reporting period in which they are incurred.

Depreciation is calculated to allocate the cost of assets over their estimated useful lives on a straight-line basis commencing when the assets become ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. Land is not depreciated.

The Group's estimated useful lives percentages on each asset classification are as follows:

	%
Buildings	4-8
Dikes	7-8
Machinery and equipment and strategic spare parts	14-15
Vehicles	20
Furniture and fixtures	13-14
Computers	17-20
Tools	20

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognized.

2.6 Projects in Progress

Items in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

2.7 Intangible assets (Access rights to natural gas pipelines)

This asset represents the amounts that were paid to the Gas provider against the cost of constructing the gas pipelines from the supplier's field of operation to the borders of the Hashemite Kingdom of Jordan. The Company will be amortising these assets over the period of the signed contract that is 15 years starting February 2017 and using the straight-line method.

Any signs of impairment the value of intangible assets are reviewed at the date of the consolidated financial statement, the estimated useful lives of these assets are also reviewed and any changes to be made on the coming periods.

2.8 Inventories and Spare Parts

Finished goods are valued at the lower of weighted average cost and net realisable value. Cost includes all direct production costs plus a share of indirect overheads.

Spare parts and materials are valued at the lower of the moving average cost or market value.

The Group performs a comprehensive review over all spare parts to identify whether there is a need to record a provision against spare parts that are not appropriate anymore for use, or due to passage of time, being damaged or obsoleted.

2.9 Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture and associate are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit (loss) of joint ventures and an associate in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

2.10 Financial Assets at Amortized Cost

These financial assets are initially measured at fair value plus transaction costs. Subsequently, premiums or discounts are amortized using the effective interest rate method, less allowance for impairment and included in finance income / expenses in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

In case of sale of any of these assets before maturity, results will be separately disclosed in the statement of profit or loss as specifically required by IFRS.

2.11 Financial Assets at Fair Value through Other Comprehensive Income

Represent equity investments being held for sale in the long term.

These financial instruments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value through other comprehensive income reserve directly to retained earnings and not through the consolidated income statement.

These equity investments are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of profit or loss.

2.12 Impairment of Non-Financial Assets

Non-financial assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Accounts Receivable

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash on hand and at banks

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

2.15 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For financial assets held at amortised cost category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or investments held at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.16 Provisions

Provisions are recognised when: the group 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision are measured at the fair value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Employees Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in other payables.

Defined contribution pension plan

For defined contribution plans, the Group pays contributions to pension insurance plans administered by the Social Security Corporation on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as a social security expense when they are due.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group makes payments to the employees when their service end, usually dependent on one or more factors such as age, years of service and compensation as per the Group's internal bylaws.

The Group has the following defined benefit plans:

- End of service indemnity
- Death and compensation fund obligations

The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by management using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions (Remeasurements) are charged or credited to equity in other comprehensive income in the period in which they arise .

Past-service costs are recognised immediately in the consolidated statement of income.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the separate statement of comprehensive income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless if the company has unconditional right to delay the settlement for a period not less than 12 months after the date of the financial position.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of rebates, trade allowances, returns and amounts collected on behalf of third parties including value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of Potash and fertilizer products

The Group extracts, produces, manufactures, and sells a range of Potash types in addition to fertilizer products. Sales of goods are recognised when the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales is measured based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days.

(b) Interest income

Interest income is recognised using the effective interest method. When a financial asset classified under the loan and receivable category is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Dividend distribution

Liabilities for dividend distributions are recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividend distribution liabilities are recognised as a direct charge to retained earnings in the statement of changes in equity, with any unpaid amount is presented under trade and other payables in the consolidated statement of financial position.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease. The Group leases some property and equipment's.

Finance lease are capitalized at the lower of the fair value of the leased vehicles or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the capital lease obligations and are classified as current or non-current based on the maturity dates of lease payments. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.24 Earnings per share

Basic earnings per share is calculated by dividing:

- the consolidated comprehensive income attributable to ordinary owners of the Group .
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the effect of any dilutive potential ordinary shares.

2.25 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the (group's) the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 3-3.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.27 Segment reporting

For the purpose of reporting to management and the decision makers in the Group, a business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.28 Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

2.29 Financial assets

2.29.1 Classification

The group classifies its financial assets in the following categories: loans and receivables, and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The group's financial assets at amortised cost comprise 'trade and other receivables', employees housing loans and cash and cash equivalents in the consolidated statement of financial position

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are Investments held for the purpose of other than trading for the purpose to hold the investment to collect dividends on a long term basis based on the business model followed by the group. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.29.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the consolidated statement of income.

(3) FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

(a) Market risk

- Foreign exchange risk

The Group's transactions are mostly in Jordanian Dinars or US Dollar and EURO. The Group central treasury department mitigates the risk of foreign exchange currencies by concentrating the most of transaction in USD. The exchange rate of the US dollar is fixed against the Jordanian dinar (1/41 dollars per Jordanian Dinar). Regarding other currencies exchange differences, the Group records these differences directly in the consolidated statement of income upon its occurrence.

The below table shows the different currencies (other than JD and USD) sensitivity analysis for future changes:

	Increase in exchange rate %	Balance	Effect on profit for the year JD '000
2017			
Assets			
Euro	5	9,370	469
Liabilities			
Euro	5	(204)	(10)
		<u>9,166</u>	<u>459</u>
2016			
Assets			
Euro	5	4,677	233
Liabilities			
Euro	5	(346)	(17)
		<u>4,331</u>	<u>216</u>

The impact of a decrease in exchange rate will be the same as above with opposite value.

- Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term loans, Long term loans issued at fixed rates; the Group is not exposed to fair value interest rate risk.

The Group's liabilities for the Gas pipeline project are issued at a fixed margin of 5% plus the three-month LIBOR lending rate.

Other liabilities against the company for the construction of the Natural Gas Turbine are issued at a fixed margin of 2% plus the three-month LIBOR lending rate.

The Group's central treasury department and management periodically analyses interest rate risk taking into account any rescheduling of liabilities, and calculates the financial impact on profit or loss by raising or reducing the interest rate by a certain percentage. This analysis is performed on interest bearing assets and liabilities.

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Based on the analysis performed, the impact on the post-tax profit for the year is as follows:

	<u>Increase in interest rate</u>	<u>Effect on profit for the year</u>
	<u>%</u>	<u>JD '000</u>
2017		
Assets		
Term deposits (JD)	1	2,409
Liabilities		
Borrowings and Obligations against capital projects (USD)	1	(270)
		<u>2,139</u>
2016 (restated)		
Assets		
Term deposits (JD)	1	<u>2,107</u>

The impact of a decrease in interest rate will be the same as above with opposite value.

- Price risk

The Group is exposed to risks arising from fluctuations in the prices of potash since these materials are listed in active markets. The marketing department limits these risks by regularly monitoring the prices of these materials and signs a fixed price contracts that is being reviewed every year based on the newly international prices set by the 2 largest producers and consumers.

Based on the above, the effect of net income resulting from the change in global Potash prices is calculated as follows:

	<u>Increase in Potash price</u>	<u>Effect on profit for the year</u>
	<u>%</u>	<u>JD '000</u>
2017		
JD	1	<u>4,233</u>
2016		
JD	1	<u>3,697</u>

(b) Liquidity risk

The Group follows prudent liquidity risk management, which consists of maintaining sufficient cash and funding through an adequate amount of credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve comprises borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

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The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year JD '000	Between 1 and 2 years JD '000	Between 2 and 5 years JD '000	Total JD '000	Book value JD '000
At 31 December 2017					
Loans	18	3,096	9,273	12,387	11,631
Commitments against capital expenditures	4,241	3,446	9,480	17,167	15,373
Accrued royalties to the government of Jordan	339	-	-	339	339
Trade payables	15,537	-	-	15,537	15,537
Other current liabilities	27,026	-	-	27,026	27,026
At 31 December 2016					
Loans	35	19	-	54	51
Accrued royalties to the government of Jordan	4,063	-	-	4,063	4,063
Trade payables	17,468	-	-	17,468	17,468
Other current liabilities	24,944	-	-	24,944	24,944

(c) Credit risk

Financial assets that are subject to credit risk are limited to accounts receivable, employees housing loans and cash with banks.

The Group considers that it is not significantly exposed to credit risk as it establishes a credit ceiling for its customers while monitoring outstanding receivables.

The Group's customers are granted 30-120 days as a grace period after the assessment of their financial solvency, in addition the creditworthiness of the customers is continually assessed.

The Group does not expect any losses as a result of its customers' non-payment obligations. All customer balances are secured against letters of credit or insurance policies.

There is a concentration of credit risk in the Group, with the largest receivable balance comprises 21.2% of net receivables as at 31 December 2017 (23.3% as at 31 December 2016).

Regarding employees housing loans are being granted to employees based on the internal bylaws of the Group. These loans are later on collected through the monthly deduction from salaries in accordance to the agreed on repayment schedule. Management don't expect any impairment losses against these loans, whereas, salaries are deducted against the loans in addition to mortgaging the real-estate in the benefit of the Group.

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The Group deals with banks with good credit ratings reputable in the country its operating in, as follows:

Bank name	Credit Rating
Arab Bank	BB-
Safwa Islamic Bank	Unrated
Islamic International Arab Bank	A+
Rajhi Bank	A+
Housing Bank for Trade and Finance	bbb+
BLOM Bank	B-
Jordan Commercial Bank	BB-
Invest Bank	BB+
Bank al Etihad	Unrated
Societe Generale Bank	A+
Jordan Ahli Bank	BB-
Jordan Kuwait Bank	bbb+
Capital Bank	bbb-
ABC Bank	bbb-
Citi Bank	A+
Arab Jordanian Investment Bank	BB-
Audi Bank	BB-/B
Central Bank of Jordan	BB-/B
Cairo Amman Bank	BB-/B

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3.3 Fair value of Financial Instrument

A- Financial instruments

The Group holds the following financial instruments:

Financial assets	Assets at FVOCI JD '000	Financial assets at amortised cost JD '000	Total JD '000
At 31 December 2017			
Financial assets at fair value through other comprehensive income	606		606
Finance assets at amortized cost	-	21,106	21,106
Employees' housing loans	-	21,262	21,262
Trade receivables	-	50,689	50,689
Other receivables (excluding prepayments and statutory requirements)	-	6,072	6,072
Cash and cash equivalents	-	271,321	271,321
	<u>606</u>	<u>370,450</u>	<u>371,056</u>
At 31 December 2016 (Restated)			
Financial assets at fair value through other comprehensive income	660	-	660
Finance assets at amortized cost	-	21,199	21,199
Employees' housing loans	-	21,716	21,716
Trade receivables	-	53,141	53,141
Other receivables (excluding prepayments and statutory requirements)	-	3,273	3,273
Cash and cash equivalents	-	254,348	254,348
	<u>660</u>	<u>353,677</u>	<u>354,337</u>

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Financial liabilities	Assets at FVOCI JD '000	Financial assets at amortised cost JD '000	Total JD '000
At 31 December 2017			
Borrowings	-	11,631	11,631
Obligations against capital projects	-	15,373	15,373
Potash mining fees due to the government of the Hashemite Kingdom of Jordan	-	339	339
Trade payables	-	15,537	15,537
Other current liabilities (excluding statutory liabilities)	-	18,899	18,899
	<u>-</u>	<u>61,779</u>	<u>61,779</u>
At 31 December 2016 (Restated)			
Borrowings	-	51	51
Obligations against capital projects	-	-	-
Potash mining fees due to the government of the Hashemite Kingdom of Jordan	-	4,063	4,063
Trade payables	-	17,468	17,468
Other current liabilities (excluding statutory liabilities)	-	16,031	16,031
	<u>-</u>	<u>37,613</u>	<u>37,613</u>

B- Fair value hierarchy

The Group's financial instrument measured at fair value are classified into one of the three levels mentioned in note 2.26.

The fair value hierarchy of financial assets and financial liabilities measured at fair value were as follows:

	Total JD "000"	Level 1 JD "000"	Level 2 JD "000"	Level 3 JD "000"
2017				
Financial assets at fair value through other comprehensive income	<u>606</u>	<u>530</u>	<u>-</u>	<u>76</u>
Investments held at amortised cost	<u>21,106</u>	<u>-</u>	<u>21,106</u>	<u>-</u>
2016				
Financial assets at fair value through other comprehensive income	<u>660</u>	<u>584</u>	<u>-</u>	<u>76</u>
Investments held at amortised cost	<u>21,199</u>	<u>-</u>	<u>21,199</u>	<u>-</u>

Management believes that other financial assets and liabilities -held at amortised cost- carrying values approximates its fair value.

(4) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group recognises liabilities for anticipated tax audit based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses in the period in which such determination is made. At the reporting date, the Group reviews the deferred tax assets balance to assess its recoverable amount and accordingly the balance is adjusted to reflect the total benefit that the Group will obtain when generating profits.

As at the consolidated financial statement date, there was no any uncertain tax position, and management in addition to its Tax advisor, believes that the Income tax provision and expense are sufficient to meet all due liabilities.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values of its property, plant and equipment for calculating depreciation as outlined in note 2-5. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and these are mainly performed for the category related to Machinery and Equipment.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. At year-end, management assessed that no changes occurred to these estimates.

At the end of the year, if the useful lives increased/decreased by 5% in comparison with the current useful lives with having all other variables fixed, the net profit of the year will decrease/ increase by JD 3,012 thousands (2016: decrease/ increase by JD 2,699 thousands).

(d) Provisions for end of service and death and compensation funds

The group calculates the provision for employees' end of service and death and compensation fund according to its internal policies. These calculations require the use of significant estimates.

The assumptions used in determining the cost for the death and compensation fund obligations include the discount rate, staff turnover, and expected future salary increments. Any changes in these assumptions will impact the amount of these obligations. The Group determines the appropriate discount rate at the end of each year. This discount rate should be used to determine the present value of estimated future cash outflows expected to be required to settle the employees' death and compensation fund obligations, please see note (20).

(e) Impairment of property, plant and equipment

Whenever indicators of impairment are present in accordance with the accounting policy, note 2.12, the Group tests whether its property, plant and equipment (PP&E) has suffered impairment at each reporting period. The recoverable amount of PP&E is determined based on the "Value in Use" (VIU) calculations, which require the use of assumptions.

Some of these indicators that management takes into considerations are decrease in the Potash international prices, existing of new technology that would make the production more efficient, significant decrease in produced quantities or demand, instability of the political situation of the country and others.

The calculations use cash flow projections based on financial budgets approved by the respective entity's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the country in which each entity of the Group's operates. Management has determined the values assigned to each of the key assumptions as follows:

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Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.
Annual capital expenditure	This is based on the historical experience of management, and the planned refurbishment expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Discount rates	Reflect specific risks relating to the relevant industry and the country in which the Group operates.

The table below sets out the key assumptions used to assess VIU for PP&E at year-end:

	%
Potash sales annual average growth rate	5
Long term growth rate	3
Discount rate	13.5

No impairment was recognised in 2017 for property, plant and equipment based on the "Value in Use" analysis. In the opinion of the management, there are no indications of impairment in the value of property, plant and equipment.

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(5) PROPERTY, PLANT AND EQUIPMENT

2017	Land JD"000"	Buildings * JD"000"	Dikes JD"000"	Machinery and Equipment JD"000"	Vehicles JD"000"	Furniture and Fixtures JD"000"	Computers JD"000"	Total JD"000"
Cost:								
Balance at 1 January 2017	3,011	110,844	183,351	692,936	41,386	8,447	10,952	1,050,927
Additions	-	307	-	3,447	1,617	33	318	5,722
Transfers from projects in Progress	-	221	-	50,745	25	-	16	51,007
Disposals	-	-	-	(113)	(644)	-	-	(757)
Balance at 31 December 2017	3,011	111,372	183,351	747,015	42,384	8,480	11,286	1,106,899
Accumulated Depreciation								
Balance at 1 January 2017	-	73,283	159,952	533,998	34,611	6,972	10,033	818,849
Depreciation for the year	-	5,181	3,818	57,887	1,756	311	371	69,324
Disposals	-	-	-	(113)	(642)	-	-	(755)
Balance at 31 December 2017	-	78,464	163,770	591,772	35,725	7,283	10,404	887,418
Net Book Value								
At 31 December 2017	3,011	32,908	19,581	155,243	6,659	1,197	882	219,481
2016								
Cost:								
Balance at 1 January 2016	3,011	107,041	175,290	653,839	42,662	7,614	10,802	1,000,259
Additions	-	3,803	8,061	39,981	2,717	833	150	55,545
Disposals	-	-	-	(884)	(3,993)	-	-	(4,877)
Balance at 31 December 2016	3,011	110,844	183,351	692,936	41,386	8,447	10,952	1,050,927
Accumulated Depreciation								
Balance at 1 January 2016	-	68,068	156,254	481,844	36,569	6,555	9,396	758,686
Depreciation for the year	-	5,215	3,698	52,704	2,035	417	637	64,706
Disposals	-	-	-	(550)	(3,993)	-	-	(4,543)
Balance at 31 December 2016	-	73,283	159,952	533,998	34,611	6,972	10,033	818,849
Net Book Value								
At 31 December 2016	3,011	37,561	23,399	158,938	6,775	1,475	919	232,078

Total fully depreciated property and equipment, which still in use JD 571,843 thousands as at 31 December 2017 (2016: JD 492,299 thousands).

* The building related Numaira Mixed Salt Company is mortgaged for the Bank against the loan granted to the company to purchase its offices.

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(6) INTANGIBLE ASSETS AND OBLIGATIONS AGAINST CAPITAL PROJECTS

On 19 February 2014, Arab Potash 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 thousands 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.

A- Right of use of the Gas Pipeline

The amortisation of this right will be by using the straight-line method over the contract period of 15 years.

	<u>Right of use</u> JD "000"
2017	
Cost	
Balance as at 1 January 2017	-
Additions	<u>15,583</u>
Balance as at 31 December 2017	<u>15,583</u>
Accumulated amortization	
Balance as at 1 January 2017	-
Charges	<u>952</u>
Balance as at 31 December 2017	<u>952</u>
Net book amount	
As at 31 December 2017	<u>14,631</u>

B- Obligations against capital projects

The obligation against the capital project that is due in 2018 and after are as below:

	<u>2017</u> JD "000"
Non- current portion	11,390
Current portion	<u>3,983</u>
	<u>15,373</u>

These obligations are secured against letters of guarantees issued by the Company in the benefit of the supplier.

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(7) PROJECTS IN PROGRESS

Projects in progress are stated at cost, and include the cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and ready to be put into operational use.

The movement on projects in progress is as follows:

	2017 JD "000"	2016 JD "000" (Restated)
Balance as at 1 January	76,088	68,932
Additions during the year	53,329	57,077
Transfers to property, plant and equipment (Note 5)	(51,007)	(49,921)
	<u>78,410</u>	<u>76,088</u>

Included in the transfers, an amount of JD 18,249 thousands representing the natural gas pipeline project that was completed and capitalised during the first quarter of 2017.

The project related to the Gas pipeline has a total cost of JD 33.8 million, out of which JD18,249 thousands were capitalized under property, plant and equipment (note 5), representing the cost of extending the natural gas pipelines from the Hashemite Kingdom of Jordan borders to the Company's site in the Jordan Valley, and JD 15,583 thousands that was recorded as intangible assets (note 6), against the Company's right in using the natural gas pipeline to supply the Company's facilities with natural gas as a source of fuel.

(8) INVESTMENT IN ASSOCIATES

This item represents the Group's investments in the share capital of the following companies, using the equity method of accounting:

	Country of incorporation	Number of shares	Nature of business	Percentage of ownership %	Investment in associates balance	
					2017 JD "000"	2016 JD "000"
Nippon Jordan Fertilizer Company (NJFC)*	Jordan	3,345,600	Fertiliser production	20	4,842	4,361
Jordan Investment and South Development Company (JISDC)	Jordan	833,000	Investment and development	45.45	242	207
Jordan International Chartering Company (JICC)	Jordan	12,000	Sea transportation and chartering	20	11	11
					<u>5,095</u>	<u>4,579</u>

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* The Group's portion of Nippon Jordan Fertilizer Company's dividends amounted to JD 105 thousands during 2017 (2016: JD 2,000 thousands).

The share of (loss) profit from investments in associates is as follows:

	2017 JD "000"	2016 JD "000"
Nippon Jordan Fertilizer Company (NJFC)	586	(764)
Jordan Investment and South Development Company (JISDC)	35	(12)
Jordan International Chartering Company (JICC)	-	(15)
	<u>621</u>	<u>(791)</u>

The following table illustrates the summarised financial information of the Group's associates:

	NJFC		JISDC		JICC	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
	"000"	"000"	"000"	"000"	"000"	"000"
Current assets	24,019	21,122	455	180	84	83
Non-current assets	7,178	7,950	286	482	1	1
Current liabilities	(6,987)	(6,952)	(148)	(207)	(30)	(29)
Non-current liabilities	-	(315)	(61)	-	-	-
Net assets	<u>24,210</u>	<u>21,805</u>	<u>532</u>	<u>455</u>	<u>55</u>	<u>55</u>
Percentage of ownership	20%	20%	45,45%	45,45%	20%	20%
Carrying amount of investment in associates	<u>4,842</u>	<u>4,361</u>	<u>242</u>	<u>207</u>	<u>11</u>	<u>11</u>
	NJFC		JISDC		JICC	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
	"000"	"000"	"000"	"000"	"000"	"000"
Revenue	73,342	35,870	420	296	12	34
Cost of sales	(67,788)	(36,945)	(269)	(259)	(13)	(134)
Other revenues and expenses, net	(2,624)	(2,744)	(74)	(63)	2	23
Income (Loss) before tax	<u>2,930</u>	<u>(3,819)</u>	<u>77</u>	<u>(26)</u>	<u>1</u>	<u>(77)</u>
Income tax expense	-	-	-	-	-	-
Profit (loss) for the year	<u>2,930</u>	<u>(3,819)</u>	<u>77</u>	<u>(26)</u>	<u>1</u>	<u>(77)</u>
Group's share of (Income) loss for the year	<u>586</u>	<u>(764)</u>	<u>35</u>	<u>(12)</u>	<u>-</u>	<u>(15)</u>

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(9) INVESTMENT IN JOINT VENTURES

This item represents the Group's investments in the share capital of the following companies, using the equity method of accounting:

	<u>Country of incorporation</u>	<u>Number of shares</u>	<u>Nature of business</u>	<u>Percentage of ownership %</u>	<u>Investment in joint ventures balance</u>	
					<u>2017 JD "000"</u>	<u>2016 JD "000"</u>
Jordan Bromine Company (JBC)*	Jordan	15,000,000	Extraction of Bromine	50	99,197	95,165
Jordan Industrial Port (JIPC)**	Jordan	52,500,000	Port logistics	50	54,269	40,112
					<u>153,466</u>	<u>135,277</u>

- * The Group's share in Jordan Bromine profit is 30% up to 2012 and 40% starting from 2013 and its share from the losses, liabilities and interest expense is 50% as stated in the share agreement signed with Albemarle Holding Company.

The Group's portion of Jordan Bromine Company's dividends amounted to JD 26,024 during 2017 (2016: JD 25,358 thousand).

- ** During 2017, the Group increased its investment by JD 12,500 thousands to reach 52,500,000 shares (2016: 40,000,000 shares) and the percentage of ownership did not change. The procedures of the capital increase were completed as at the date of the consolidated financial statements.

The share of profit (loss) from investments in joint ventures is as follows:

	<u>2017 JD "000"</u>	<u>2016 JD "000"</u>
Jordan Bromine Company (JBC)	30,093	28,792
Jordan Industrial Port (JIPC)	1,657	605
	<u>31,750</u>	<u>29,397</u>

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The following table illustrates the summarised financial information of the Group's investment in joint ventures:

	Jordan Bromine Company		Jordanian Industrial Port Company	
	2017	2016	2017	2016
	JD "000"	JD "000"	JD "000"	JD "000"
Current assets	89,304	83,221	18,301	31,509
Non-current assets	175,970	162,133	101,709	56,545
Current liabilities	(20,419)	(11,194)	(12,121)	(18,152)
Non-current liabilities	(6,565)	(3,392)	-	-
Net assets	238,290	230,768	107,889	69,902
Carrying amounts of investment in joint ventures	99,197	95,165	54,269	40,112
	Jordan Bromine Company		Jordanian Industrial Port Company	
	2017	2016	2017	2016
	JD "000"	JD "000"	JD "000"	JD "000"
Revenue	182,310	175,495	14,772	4,208
Cost of sales	(91,811)	(88,369)	(12,672)	(3,336)
Other revenues and expenses, net	(10,408)	(11,473)	1,214	339
Profit before tax	80,091	75,653	3,314	1,211
Income tax expense	-	-	-	-
Profit for the year	80,091	75,653	3,314	1,211
The Group's share of profit for the year	30,093	28,792	1,607	605

(10) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017	2016
	JD "000"	JD "000"
Quoted shares*	530	584
Unquoted shares**	76	76
	606	660

* The movement on the fair value reserve is as follows:

	2017	2016
	JD "000"	JD "000"
At 1 January	3	114
Net unrealized losses	(54)	(111)
At 31 December	(51)	3

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** Unquoted financial assets are recorded at cost due to the fact that market values of these financial assets are not obtainable and there is no other way for valuating these assets. The Group's management is not aware of any indications of impairment on these assets as at the date of consolidated financial statements.

(11) FINANCIAL ASSETS AT AMORTIZED COST

	2017 JD "000"	2016 JD "000"
Unquoted financial assets- government bonds*	21,106	21,199

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

None of the held at amortised cost investments are either past due or impaired.

All held at amortised cost investments are denominated in USD currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

The fair value of these bonds approximate there book value as disclosed in note 3.3.

(12) EMPLOYEES' HOUSING LOANS

During 1992, the Company established the employees' housing loans' fund, the fund's objective is to grant the employees loans with a maximum limit of JD 40,000 for each employee. These loans are repayable on monthly installments deducted from the employee's monthly salaries over a period not to exceed 20 years. These loans are not impaired and are guaranteed by a first class property mortgage.

The employee's housing loans are initially recorded at fair value representing the amounts actually paid to the employees. As these loans are granted to the employee free of interest, management records these amounts at their present value, which is calculated by discounting the monthly payments to their present value using an interest rate of 5.5%. Which approximate the interest rates for similar commercial loans. These loans are subsequently measured at amortized cost using the effective interest rate method.

The balance of the Housing loan is as follows:

	2017 JD "000"	2016 JD "000"
Employees housing loans undiscounted value	29,737	30,071
Effect of the discount	(8,475)	(8,355)
	21,262	21,716

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The employees' housing loans classification in the consolidated statement of financial position is as follows:

	2017 JD "000"	2016 JD "000"
Non-current	18,526	18,820
Current	2,736	2,896
	<u>21,262</u>	<u>21,716</u>

(13) ACCOUNTS RECEIVABLE

	2017 JD "000"	2016 JD "000"
Trade receivables	48,729	51,626
Due from associates (note 32)	634	816
Others	1,345	808
	<u>50,708</u>	<u>53,250</u>
Less: allowance for doubtful debts*	(19)	(109)
	<u>50,689</u>	<u>53,141</u>

* The movement on the allowance for doubtful debts during the year is as follows:

	2017 JD "000"	2016 JD "000"
At 1 January	109	740
Provision for the year	-	86
Reverse provision	(90)	(717)
At 31 December	<u>19</u>	<u>109</u>

The group grants its customers credit policy arranging from 30-120 days. As at 31 December 2017 and 2016 there were no trade receivables that exceeded its credit terms.

As at 31 December, the aging of current unimpaired trade receivables is as follows:

	Neither due or impaired			
	1- 30 days	30 – 90 days	91 – 120 day	Total
	JD"000"	JD"000"	JD"000"	JD"000"
2017	39,641	11,048	-	50,689
2016	45,214	7,836	91	53,141

Management believes that all the above receivables are expected, on the basis of past experience, to be fully recoverable. The majority of Group's sales are made through letters of credit or through insurance policies on credit sales.

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(14) INVENTORIES

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Finished goods	9,261	18,900
Raw materials	2,294	2,101
Others	40	47
	<u>11,595</u>	<u>21,048</u>
Allowance for slow moving inventory**	(113)	(126)
	<u>11,482</u>	<u>20,922</u>

* The movement of the allowance for slow moving inventory during the year is as follows:

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
At 1 January	126	126
Released from the provision	(13)	-
At 31 December	<u>113</u>	<u>126</u>

(15) SPARE PARTS AND SUPPLIES

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Spare parts	37,979	40,347
Fuel store	1,667	1,926
Others	1,364	2,993
	<u>41,010</u>	<u>45,266</u>
Allowance for slow-moving spare parts*	(3,853)	(4,755)
	<u>37,157</u>	<u>40,511</u>

* The movement on the allowance for slow-moving spare parts was as follows:

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
At 1 January	4,755	4,114
Provision for the year	645	2,051
Amounts written-off during the year	(1,547)	(1,410)
At 31 December	<u>3,853</u>	<u>4,755</u>

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(16) OTHER CURRENT ASSETS

	<u>2017</u> JD "000"	<u>2016</u> JD "000" (Restated)
Prepaid expenses	2,765	2,744
Advance payments to contractors	12,445	6,116
Due from Sales Tax Department (note 24)	15,422	24,793
Others	6,072	3,273
	<u>36,704</u>	<u>36,926</u>

(17) CASH ON HAND AND BANK BALANCES

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Cash on hand	74	177
Cash at banks	30,324	43,475
Short term deposits*	54,057	99,487
Cash and cash equivalents	84,455	143,139
Short term deposits mature after more than 3 months**	186,866	111,209
	<u>271,321</u>	<u>254,348</u>

* This item represents deposits in Jordanian Dinar at local banks with an interest rate of 4.6% (2016: 3.1%) and are due within one to three months from the date of the consolidated financial statements.

** This items represents deposits in Jordanian Dinar at local banks with an annual interest rate of 4.6% (2016: 3.1%) and are due within three to six months from the date of the consolidated financial statements.

(18) RESERVES

Statutory reserve

The accumulated amounts in this account of JD 50,464 thousands represent 10% of the Group's net income before tax according to the Companies Law. The Group has the option to cease such appropriations when the balance of this reserve reaches 25% of the Company's authorised capital. The Group's management resolved in 2005 to cease appropriations to the statutory reserve as it exceeded the required percentage. The statutory reserve is not available for distribution to equity holders.

Voluntary reserve

The accumulated amounts in this account of JD 80,699 thousands represent cumulative appropriations not exceeding 20% of net income before income tax. This reserve is available for distribution to equity holders.

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Dividends

The Group's general assembly approved in its ordinary meeting held on 19 April 2017 to distribute JD 83,318 as dividends which represent 100% of Company's capital. (2016: JD 99,981 thousand as dividends which represents 120% of Company's capital).

(19) BANK LOAN

This item represents a loan that was granted to Numeira Mixed Salts and Mud Company amounting to JD 170 thousand on 24 June 2013 to finance the purchase of offices. The annual interest on the loan is 8.75%. The loan will be paid through 60 monthly payments, the first payment fell due on 31 July 2013 and the last payment will fall due on 30 June 2018. The loan is secured against the building it was purchased.

Arab Potash Company obtained credit facility on 7 November 2017 from local bank with a ceiling of JD 34,000 Thousand, with annual interest rate of LIBOR for three months plus 2%, to finance the installation of natural gas turbine.

This loan shall be settled on sixteen equal consecutive quarterly instalments with interest payment. The first instalment becomes due after one year of grace period commencing from the date of first withdrawal.

Principle installments payable during 2017 and after are as follows:

	2017 JD "000"	2016 JD "000"
Non- current		
Long-term loan	11,614	17
Current		
Current portion of long-term loan	17	34
Total loans	11,631	51

(20) PROVISION AGAINST EMPLOYEES' DEATH AND COMPENSATION FUND

The provision against employees' compensation and death is calculated based on length of service period and the present value of the defined benefit plans' obligation is determined by discounting estimated future cash flows using the interest rate on high quality governmental bonds that are denominated in the currency in which the defined benefit is paid, and with maturity dates that are approximately close to those obligations.

This provision shall be calculated for each employee by 1/6 of the last year total salaries for each year of service if the employee has been employed by the company for a period of more than five years.

The employee shall not benefit from this fund if he/she spent less than five years of service. In That case, the employee's total contribution to the fund is returned to the employee.

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This plan is an unfunded benefit and there are no plan assets held to fund it.

Due to the change in the accounting treatment of the Death and compensation fund contribution, from a defined contribution to a defined benefit, the Group restated its financial statements and record the obligation (see Note 34).

The following table shows movement in the provision recognized in the consolidated statement of financial position.

	2017 JD "000"	2016 JD "000" (Restated)
Balance as at 1 January	55,350	56,426
Current service cost	3,293	3,320
Discount value	3,838	3,897
Actuarial losses resulting from the remeasurement of the defined benefit plans	4,850	2,720
Paid during the year	(18,225)	(11,013)
Balance as at 31 December	<u>49,106</u>	<u>55,350</u>

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

The weighted average duration of the defined benefit obligation is 14 years. The expected maturity analysis of undiscounted pension is as follows:

	Less than 1 year JD '000	Between 1 and 2 years JD '000	Between 2 and 5 years JD '000	Above 5 years JD '000	Total JD '000
At 31 December 2017					
Death and compensation obligation	<u>2,543</u>	<u>3,091</u>	<u>16,632</u>	<u>192,157</u>	<u>214,423</u>
At 31 December 2016 (Restated)					
Death and compensation obligation	<u>2,413</u>	<u>2,543</u>	<u>13,680</u>	<u>198,200</u>	<u>216,836</u>

The following table shows the amounts recognized in the consolidated statement of income:

	2017 JD "000"	2016 JD "000" (Restated)
Current service cost	3,293	3,320
Discount value	<u>3,838</u>	<u>3,897</u>
	<u>7,131</u>	<u>7,217</u>

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The following table shows the significant actuarial assumptions that have been used:

	2017	2016 (Restated)
	%	%
Discount rate	6.9	6.9
Salary growth rate	2	2
Staff turnover	1.26	1.23

At the end of the year, if the assumptions differ by 1% from management estimates, and all other variables are held constant, the profit for the year will be affected as follows:

	Increase in the assumptions by 1%	Decrease in the assumptions by 1%
Discount rate	(5,285)	2,771
Salary growth rate	2,663	(5,242)
Staff turnover	129	(3,001)

(21) OTHER CURRENT LIABILITIES

	2017 JD "000"	2016 JD "000"
Employees' legal cases compensation provision (note 33)	8,127	8,913
Dividends payable	1,266	1,261
Contractors retentions	2,823	2,227
Accrued expenses	9,590	8,377
Others	5,220	4,166
	<u>27,026</u>	<u>24,944</u>

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(22) SEGMENT INFORMATION

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 Chemical Industries (KEMAPCO)
- Producing mixed salts and mud through Numeira Mixed Salts and Mud Company.

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

	2017					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations & Adjustments JD "000"	Total JD "000"
Sales to external customers	348,507	74,366	404	423,277	-	423,277
Inter-company Sales	15,825	-	2,253	18,078	(18,078)	-
Total Sales	364,332	74,366	2,657	441,355	(18,078)	423,277
Less: Cost of goods sold	(290,154)	(47,197)	(2,033)	(339,384)	20,862	(318,522)
Segment profit	74,178	27,169	624	101,971	2,784	104,755
Results						
Share of profit of associates and joint ventures	28,606	-	-	28,606	-	28,606
Depreciation	68,705	3,906	108	72,719	(3,395)	69,324
Capital Expenditure						
PP&E and projects in progress	58,449	331	271	59,051	-	59,051
Total Assets	855,446	93,471	2,261	951,178	(13,871)	937,307
Total Liabilities	121,977	8,558	1,533	132,068	(2,646)	129,422
Investments in associates and joint ventures	158,561	-	-	-	-	158,561

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	2016 (Restated)					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations & Adjustments JD "000"	Total JD "000"
Sales to external customers	304,465	64,594	592	369,651	-	369,651
Inter-company Sales	17,800	-	1,798	19,598	(19,598)	-
Total Sales	322,265	64,594	2,390	389,249	(19,598)	369,651
Cost of sales	(281,840)	(44,758)	(1,984)	(328,582)	24,566	(304,016)
Segment profit	40,425	19,836	406	60,667	4,968	65,635
Results						
Share of profit of associates and joint ventures	28,606	-	-	28,606	-	28,606
Depreciation	64,137	5,764	122	70,023	(5,317)	64,706
Capital Expenditure						
PP&E and projects in progress	58,905	3,963	47	62,915	-	62,915
Total Assets	907,076	90,199	1,994	999,269	(82,433)	916,836
Total Liabilities	168,979	8,987	1,408	179,374	(67,603)	111,771
Investments in associates and joint ventures	139,856	-	-	139,856	-	139,856

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Following is a summary of sales by geographical location for the year ended 31 December 2017 and 2016:

	31 December 2017				31 December 2016			
	Arab Potash Co. JD "000"	KEMAP CO JD "000"	Numeira Co. JD "000"	Total JD "000"	Arab Potash Co. JD "000"	KEMAP CO JD "000"	Numeira Co. JD "000"	Total JD "000"
China & India	165,047	2,972	19	168,038	157,946	5,138	33	163,117
Far East	95,453	1,362	-	96,815	71,387	3,088	-	74,475
Middle East	26,825	8,794	340	35,959	26,050	8,765	330	35,145
Africa	43,788	7,281	-	51,069	38,173	9,745	-	47,918
Europe	16,685	36,205	24	52,914	10,841	27,918	229	38,988
America & Australia	709	17,085	21	17,815	68	9,778	-	9,846
Canada	-	667	-	667	-	162	-	162
	<u>348,507</u>	<u>74,366</u>	<u>404</u>	<u>423,277</u>	<u>304,465</u>	<u>64,594</u>	<u>592</u>	<u>369,651</u>

All assets and liabilities of the Group are located inside the Hashemite Kingdom of Jordan.

(23) OTHER NON-CURRENT LIABILITIES

	2017 JD "000"	2016 JD "000"
End of service indemnity*	4,641	5,581
Employees' post-employment benefits **	3,355	2,964
Unpaid leaves	100	-
	<u>8,096</u>	<u>8,545</u>

* The Company pays end of service to its employees based on its internal bylaws. This provision represents a defined benefit plan whereby the Company pays a specific amounts to the employees registered in this program once they retire.

The Group accounts for this type of benefit using the "Projected Cost Unit" method and as disclosed in the accounting policy note 2.17. Management believe that no material impact will incur had any of the assumption used in this method changed, whereas, the average remaining lives of the benefit is 5 years, accordingly, any early retirements or change in discount rate will have immaterial impact on the consolidated financial statement.

** This provision represents a fixed amount of allowance that will be paid to the employees upon their resignation or retirement, this provision was computed based on the signed agreement with some of the employees who claimed for their insurance claims against work injuries, this balance was booked on the present value using a discount rate of 6.125% which is the discount rate for the government bonds with same maturities.

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(24) INCOME TAX

The movement on the provision for income tax during the year was as follows:

	2017 JD "000"	2016 JD "000" (Restated)
Balance at 1 January	1,350	28,713
Income tax expense for the year	11,661	4,722
Income tax paid	(10,200)	(19,600)
	(497)	(12,485)
Balance at 31 December	<u>2,314</u>	<u>1,350</u>

Income tax expense in the consolidated income statement represents the following:

	2017 JD "000"	2016 JD "000" (Restated)
Current year income tax	11,661	4,722
Deferred tax assets	<u>4,694</u>	<u>(2,223)</u>
	<u>16,355</u>	<u>2,499</u>

Income tax expense

	2017 JD "000"	2016 JD "000" (Restated)
Computed tax at statutory rates	24,226	15,538
Subsidiaries' profits not subject to income tax	(3,600)	(3,240)
Gain on investments in associates not subject to income tax	(6,199)	(5,159)
Tax effect of expenses not acceptable for tax purposes	<u>1,928</u>	<u>(4,640)</u>
Income tax expense for the year	<u>16,355</u>	<u>2,499</u>
Effective income tax rate	<u>15.4%</u>	<u>3.9%</u>

The statutory income tax rate for the company and its subsidiaries is 24% and 14% respectively.

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Deferred tax assets

The movement on Deferred tax assets is as follows:

	2017 JD "000"	2016 JD "000" (Restated)
At 1 January	19,391	16,508
Additions during the year	2,784	6,009
Additions during the year- resulting from remeasurement of Post-employment benefit Obligations	1,200	660
Retirements during the year	(7,478)	(3,786)
At 31 December	<u>15,897</u>	<u>19,391</u>

The below table shows the deferred tax assets amount related to each applicable line items:

Deferred tax assets item	2017 JD "000"	2016 JD "000" (Restated)
Death and compensation fund obligation	11,976	14,534
End of service indemnity	736	862
Medical disability provision	1,936	2,127
Inventory provision	924	1,141
Insurance policy fund	325	727
	<u>15,897</u>	<u>19,391</u>

The provision for the year ended 31 December 2017 and 2016 has been calculated in accordance with the income tax law No, (34) of the year 2014.

The Income and Sales Tax Department re-inspected the Company's records for 2007 regarding the acquisition of Arab Fertilizers and Chemicals Industries (KEMAPCO) and issued a claim of an amount equal to JD 2,215 thousands. Arab Potash Company has filed a lawsuit at the Tax First Instance court to prevent the claim issued by the Income and Sales Tax Department for the aforementioned amount. On 7 September 2014 the Court of First Instance issued its decision in favour of the Income and Sales Tax Department, the Company has appealed the lawsuit to the Tax Court of Appeal, on 23 March 2015, the Tax Court of Appeal issued its decision in favour of Income and Sales Tax Department, The Company has appealed the lawsuit to Tax Court of Cassation, on 6 December 2015, the Tax Court of Cassation issued its decision in favour of Income and Sales Tax Department. During March 2016, the amount was fully paid by the Company.

The Income and Sales Tax Department has reviewed the Company's records for the years 2011, 2012, 2013 and has issued the final tax clearance for those years, As for the year 2014, the Income and Sales Tax Department has accepted the Company's income tax return as presented based on the samples system, The income and sales tax department has the right to reconsider the decision with four years starting from the date of submitting the income tax return. The company filed its tax return for the years 2015 and 2016, and were not reviewed by the sales and income tax department as of the date of these consolidated financial statements,

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The Income and Sales Tax Department has reviewed the records of Numeira Mixed Salts and Mud Company (subsidiary) for 2010 and 2011, As for the years 2012 up to 2014, the Income and Sales Tax department has accepted the income tax retunes as presented based on the sample system, The Income and Sales Tax Department has the right to reconsider the decision for four years starting from the date of submitting the income tax return.

Arab Fertilizers and Chemicals Industries Company (KEMAPCO), (subsidiary) is an exempted company from the Income and Social Services Taxes for 12 years commencing from the year that follow the first production for the company (April 2003) and it is excluded from this exemption the profits from trade warehousing projects for goods that are ready to be sold for local consumption, Arab Fertilizers and Chemicals Industries Company started calculating the income tax provision starting form 1 April 2016.

Due from Sales Tax Department

Other receivables include JD 15.4 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.

Up to the year 2016, the Income and Sales Tax Department approved a refund of JD 6.8 million from the above balance to be offset from the income tax, and JD 1.5 million in the first quarter of 2017. The remaining amount of JD 7.1 million remains under verification until the date of preparation of the interim condensed consolidated financial statements.

(25) COST OF SALES

	<u>2017</u> JD "000"	<u>2016</u> JD "000" (Restated)
Raw materials		
Raw materials as at 1 January	2,148	4,104
Purchases	15,669	13,062
Minus: Raw materials as at 31 December (note 14)	<u>(2,334)</u>	<u>(2,148)</u>
Raw materials used in production	15,483	15,018
Salaries and wages	63,383	60,797
Freight costs	29,445	18,853
Depreciation	67,541	61,640
Fuel and electricity	78,666	78,343
Maintenance	27,925	36,986
Water	7,674	2,345
Insurance	3,586	6,639
Others	<u>15,180</u>	<u>14,873</u>
	308,833	295,494
Add: beginning inventory	18,900	27,422
Less: ending inventory (note 14)	<u>(9,261)</u>	<u>(18,900)</u>
	<u>318,522</u>	<u>304,016</u>

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(26) ADMINISTRATIVE EXPENSES

	<u>2017</u> JD "000"	<u>2016</u> JD "000" (Restated)
Salaries and other benefits	7,745	7,174
Professional and consulting fees	1,271	3,353
Litigation compensations	-	1,792
Insurance	701	1,197
Depreciation	614	909
Travel and hospitality	598	563
Maintenance and repairs	293	290
Electricity	154	204
Post and telephone	205	131
Fuel	45	114
Others	2,363	2,284
	<u>13,989</u>	<u>18,011</u>

(27) OTHER INCOME

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Gain on sale of disposal of Magnesia (Note 2.2)	7,894	-
Settlement of legal cases	-	12,100
Reversal of provisions	917	3,193
Scrap sales	1,817	296
Others, net	861	680
	<u>11,489</u>	<u>16,269</u>

(28) ROYALTY TO THE GOVERNMENT OF JORDAN

The movement on accrued royalties provision is as follows:

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Balance as at 1 January	4,063	23,698
Additions during the year	7,339	4,063
Payments during the year	(11,063)	(23,698)
	<u>339</u>	<u>4,063</u>

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(29) SELLING AND DISTRIBUTION EXPENSES

	2017 JD "000"	2016 JD "000" (Restated)
Marketing		
Salaries and other benefits	776	698
Sales commission	2,969	2,250
Travel and transportation	338	325
Depreciation	11	54
Sample testing	346	321
Advertising	13	19
Post and telephone	20	23
Others	905	1,339
	<u>5,378</u>	<u>5,029</u>

	2017 JD "000"	2016 JD "000" (Restated)
Aqaba – Selling Office		
Handling fees	8,394	5,816
Salaries, wages and other benefits	2,105	2,229
Depreciation	2,093	2,066
Electricity	438	460
Maintenance and repair	340	319
Fuel	12	20
Insurance	135	145
Rent	60	1,232
Others	396	663
	<u>13,973</u>	<u>12,950</u>
	<u>19,351</u>	<u>17,979</u>

(30) FINANCE COSTS AND BANK CHARGES

	2017 JD "000"	2016 JD "000" (Restated)
Interest expense	5,464	4,471
Bank commissions	1,389	1,283
	<u>6,853</u>	<u>5,754</u>

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(31) EARNINGS PER SHARE

	2017 JD "000"	2016 JD "000" (Restated)
Profit for the year	89,843	62,244
Weighted average number of shares ("000")	83,318	83,318
	Fills/ JD	Fills/ JD
Basic and diluted, earnings per share (JD / Fils)	1.078	0.747

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 be affect the basic earning per share.

(32) RELATED PARTY TRANSACTIONS

Related party transactions include transactions with associated companies and the Government of the Hashemite Kingdom of Jordan. The following are the major transactions:

The concession to exploit the Dead Sea brine was granted by the Government of Jordan. In return, the Company pays to the government an annual royalty, which is computed as explained in Note 1. The concession agreement was amended during 2010 in accordance with the Temporary Law No. (55) of 2003 whereby, amendments include the annual rent fees for lands within the concession area to become JD 1,500 thousand annually, retrospectively effective June 2008.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2017 JD "000"	2016 JD "000"
Amounts due from related parties		
Accounts receivable – Jordan Bromine Company	634	816

Following is a summary for the transactions with related parties which are included in the consolidated income statement:

	2017 JD "000"	2016 JD "000"
Sales – Nippon Jordan Fertilizer Company (Associate)	1,216	1,452
Sales – Jordan Bromine Company (Joint venture)	8,963	11,542
Company's share of profit of associates and joint ventures	32,371	28,606

Compensation of the key management personnel was as follows:

	2017 JD "000"	2016 JD "000"
Key management benefits (Salaries, wages, and bonus) for the group	1,576	1,478

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(33) CONTINGENCIES AND COMMITMENTS

As of 31 December 2017, the Group had the following contingencies and commitments:

	<u>2017</u> JD "000"	<u>2016</u> JD "000"
Letters of Guarantees	27,404	3,294
Letters of Credit	<u>32,623</u>	<u>3,855</u>

Capital Commitments:

- The Group has committed and contracted for capital expenditure amounting to JD 141,238 thousands (2016: JD 56,181 Thousands).
- The Group has committed but not contracted for capital expenditure amounting to JD 424,467 thousands (2016: JD 541,267 Thousands).

Operating lease commitments

The Company leases the land under mining through a non-cancellable operating leases expiring within 40 years. The leases is applicable for annual increase based on the positive increase in the Consumer Price Index. Future minimum rentals payable under these leases at December 31 are as follows:

	<u>2017</u> JD "000"	<u>2016</u> JD "000" (Restated)
Within one year	1,731	1,500
After one year but not more than five years	6,924	6,924
More than five years	<u>60,585</u>	<u>60,585</u>
	<u>69,240</u>	<u>69,000</u>

Legal claims

There are a number of individual claims filed against the Group by a number of employees, most of which are related to health insurance indemnities resulting from the health disability. In addition to other lawsuits raised against the Company in the normal course of business. The Company estimates the total amount of these claims of JD 8,552 thousands as at 31 December 2017, which were fully provided for by management based on the opinion of the legal advisor.

(34) CORRECTION OF ACCOUNTING ERROR

In 2017, the Group corrected an accounting error relating to the accounting treatment of the Group's contributions to the Compensation and Death Fund, which is responsible for compensating the employees in a certain amount according to the internal bylaws upon retirement, resignation or death.

At the inception of the Fund, the Group has treated these contributions as defined contributions, i.e., no additional obligation to employees other than the value of their contributions. During the previous year's 2014-2016 and the current year 2017, as a result of the increase in the number of resigning employees, there was a cash deficit in the Compensation and Death Fund as the Company's and employees' contributions were insufficient to meet the obligations of resigning and retired employees.

The Group's practice of covering the Fund's deficit and the payment of employees' benefits led to the creation of the so-called "constructive obligation" in accordance with IAS 19 "Employee Benefits", which changed the nature of the obligation from defined contribution to defined benefits, which accordingly required a change in the accounting treatment of these benefits from a defined contributions plan to a defined benefit plan (note 20). The amendment of this accounting error necessitated the recording of the liability in accordance with accounting policy (2.17), which resulted in a decrease in shareholders' equity as at 31 December 2016 of JD 54,406 Thousands. The effect on the opening balance of retained earnings as at 1 January 2016 was JD 47,216 Thousands. This amendment also affected the calculation of deferred tax assets and income tax provisions.

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1 January 2016	Before adjustments JD "000"	Adjustment JD "000"	After adjustments JD "000"
Consolidated statement of financial position			
Retained earnings	677,595	(47,216)	630,379
Death and compensation fund obligations	-	56,426	56,426
Other non-current liabilities	9,326	(334)	8,992
Income tax provision	29,039	(326)	28,713
Other current assets	65,353	(4,858)	60,495
Deferred tax assets	3,100	13,408	16,508
 31 December 2016	 Before adjustments JD "000"	 Adjustment JD "000"	 After adjustments JD "000"
Consolidated statement of financial position			
Retained earnings	645,048	(52,406)	592,642
Re-measurement of post-employment benefit obligations	-	(2,061)	(2,061)
Death and compensation fund obligations	-	55,350	55,350
Other non-current liabilities	10,367	(2,271)	8,096
Income tax provision	4,187	(2,837)	1,350
Other current liabilities	25,435	(491)	24,944
Other current assets	53,926	(17,000)	36,926
Deferred tax assets	6,209	13,182	19,391
 31 December 2016	 Before adjustments JD "000"	 Adjustment JD "000"	 After adjustments JD "000"
Consolidated statement of income			
Cost of sales	301,651	2,365	304,016
Administrative expenses	17,752	259	18,011
Selling and distribution expenses	17,836	143	17,979
Finance costs and bank charges	1,857	3,897	5,754
Income tax expense	4,124	(1,625)	2,499
	JD / Fills	JD / Fills	JD / Fills
Basic and diluted earnings per share	0.809	(0.062)	0.747

(36) SUBSEQUENT EVENTS

Following to the consolidated financial position date, the group management has sold the remaining balance of its Global Depository Receipts in London Stock Exchange; where each GDR represents one ordinary share with a par value of JD 1.