

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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(PUBLIC SHAREHOLDING COMPANY)**

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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 2018 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 2018;
- 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 Matter	1. Employees' benefit obligations
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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 matter	How our audit addressed the key audit matter
<p>1. Employees' benefit obligations</p> <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 21.</p> <p>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</p>	<p>To evaluate the accounting treatments applied by the Group and to test the accuracy of management's estimates, we undertook the following procedures:</p> <ul style="list-style-type: none"> • 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 Group. • We have reviewed supporting documents for amounts paid by the Group to the Death and Compensation Fund as contributions and the other amounts paid to cover the deficit in the Fund.

used, and the sensitivities to their changes, are disclosed in Note 21. The Group appointed an independent actuary to develop an estimate of the Death and Compensation Fund obligations.

The balance of this obligation amounted to JD 53,028 thousands as at 31 December 2018 and JD 49,106 thousands as at 31 December 2017.

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 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 have tested the accuracy of the information used in the actuarial calculation and which was provided by management by tracing to employees, contracts, payroll sheets, employees information including date of hire, age, current salary and grade.
- We reviewed the disclosures included in the consolidated financial statements to assess adequacy of disclosures based on IAS 19 "Employees Benefits" requirements.

**Other information:**

Management is responsible for the other information. The other information comprises the Group's Annual Report for the year 2018 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, 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.

PricewaterhouseCoopers "Jordan" L.L.C.



ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<u>Notes</u>	<u>31 December 2018 JD "000"</u>	<u>31 December 2017 JD "000"</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	243,267	219,481
Right of use	6	20,981	14,631
Projects in progress	7	25,166	78,410
Investment in associates	8	4,770	5,095
Investment in joint ventures	9	190,160	153,466
Finance assets at amortized cost	11	21,007	21,106
Employees' housing loans	12	16,656	18,526
Other non-current assets	18	31,964	-
Financial assets at fair value through other comprehensive income	10	568	606
Deferred tax assets	25	21,378	15,897
		<u>575,917</u>	<u>527,218</u>
Current assets			
Inventories	14	21,949	11,482
Spare parts and supplies	15	43,723	37,157
Employees' housing loans	12	2,822	2,736
Accounts receivable	13	66,778	50,689
Other current assets	16	53,458	36,704
Cash on hand and bank balances	17	245,958	271,321
		<u>434,688</u>	<u>410,089</u>
Total assets		<u>1,010,605</u>	<u>937,307</u>
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Paid in share capital	1	83,318	83,318
Statutory reserve	19	50,464	50,464
Voluntary reserve	19	80,699	80,699
Fair value reserve	10	(89)	(51)
Re-measurement of post-employment benefit obligations		(8,190)	(5,712)
Retained earnings		638,892	599,167
Net Shareholders Equity		<u>845,094</u>	<u>807,885</u>

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

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 JD "000"	31 December 2017 JD "000"
Liabilities			
Non-current liabilities			
Long-term loan	20	15,861	11,614
Obligations against capital projects	6	8,900	11,390
Death and compensation fund obligations	21	49,922	46,548
Other non-current liabilities	24	7,609	8,096
		<u>82,292</u>	<u>77,648</u>
Current liabilities			
Bank overdraft	20	3,688	-
Current portion of long term loan	20	3,798	17
Obligations against capital projects	6	3,236	3,983
Death and compensation fund obligations	21	3,106	2,558
Potash mining fees due to the government of the Hashemite Kingdom of Jordan	1,29	-	339
Trade payables		21,961	15,537
Income tax provision	25	12,061	2,314
Other current liabilities	22	35,369	27,026
		<u>83,219</u>	<u>51,774</u>
Total liabilities		<u>165,511</u>	<u>129,422</u>
Total shareholders' equity and liabilities		<u>1,010,605</u>	<u>937,307</u>

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

**ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 JD "000"	2017 JD "000"
Sales	23	482,727	423,277
Cost of sales	26	(316,030)	(318,522)
Gross profit	23	<u>166,697</u>	<u>104,755</u>
Administrative expenses	27	(14,959)	(13,989)
Selling and distribution expenses	30	(20,501)	(19,351)
Corporate social responsibility expenses		(9,815)	(7,850)
Net foreign currency exchange differences		(276)	2,111
Potash mining fees	1, 29	(15,114)	(7,339)
Operating profit		<u>106,032</u>	<u>58,337</u>
Interest income		13,210	10,854
Finance costs and bank charges	31	(10,838)	(6,853)
Other income, net	28	36	11,489
Profit before income tax and gain from associate: and joint ventures		<u>108,440</u>	<u>73,827</u>
Group's share of profit of associates and joint ventures	8,9	34,852	32,371
Profit before income tax		<u>143,292</u>	<u>106,198</u>
Income tax expense	25	(18,418)	(16,355)
Profit for the year		<u>124,874</u>	<u>89,843</u>
		<u>JD / Fills</u>	<u>JD / Fills</u>
Earnings per share			
Basic and diluted earnings per share	32	<u>1.499</u>	<u>1.078</u>

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

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Profit for the year		124,874	89,843
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefit obligations		(3,217)	(4,851)
Changes in the fair value of equity investments at fair value through other comprehensive income	10	(38)	(54)
Income tax relating to these items		739	1,200
Total comprehensive income for the year		<u>122,358</u>	<u>86,138</u>

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

**ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Paid in Share capital JD "000"	Statutory reserve JD "000"	Voluntary reserve JD "000"	Fair value reserve JD "000"	Re-measurement of post-employment benefit obligations JD "000"	Retained Earnings JD "000"	Total equity JD "000"
2018							
Balance at 1 January 2018 (as originally presented)	83,318	50,464	80,699	(51)	(5,712)	599,167	807,885
Effect of changes in accounting policy (adoption of IFRS 9)	-	-	-	-	-	(1,831)	(1,831)
Balance at 1 January 2018 (Restated)	83,318	50,464	80,699	(51)	(5,712)	597,336	806,054
Profit for the year	-	-	-	-	-	124,874	124,874
Other comprehensive income for the year	-	-	-	(38)	(2,478)	-	(2,516)
Total comprehensive income for the year	-	-	-	(38)	(2,478)	124,874	122,358
Transactions with owners in their capacity as owners:							
Dividends distribution (Note 19)	-	-	-	-	-	(83,318)	(83,318)
Balance at 31 December 2018	83,318	50,464	80,699	(89)	(8,190)	638,892	845,094
2017							
Balance at 1 January 2017	83,318	50,464	80,699	3	(2,061)	592,642	805,065
Profit for the year	-	-	-	-	-	89,843	89,843
Other comprehensive income for the year	-	-	-	(54)	(3,651)	-	(3,705)
Total comprehensive income for the year	-	-	-	(54)	(3,651)	89,843	86,138
Transactions with owners in their capacity as owners:							
Dividends distribution (Note 19)	-	-	-	-	-	(83,318)	(83,318)
Balance at 31 December 2017	83,318	50,464	80,699	(51)	(5,712)	599,167	807,885

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

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD "000"	<u>2017</u> JD "000"
OPERATING ACTIVITIES			
Profit for the year before income tax		143,292	106,198
Adjustments:			
Depreciation	5	65,232	69,324
Amortisation	6,11,18	2,705	1,045
Loss on disposal of Property, plant and equipment		32	2
Interest income		(13,210)	(10,845)
Finance costs	31	10,838	6,853
Share of profit of associates and joint ventures and its amendments	8,9	(34,852)	(32,371)
End of service indemnity provision		(417)	(1,444)
Potash mining fees		15,114	7,339
Employees' post-employment benefits provision		(3,355)	(461)
Provision for slow moving spare parts and inventory	14,15	(674)	(789)
Provision for unpaid employees' leaves		2,760	110
Employee's legal cases compensation provision		(1,838)	-
Death and compensation provision	21	7,345	3,364
Working capital changes:			
Inventories		(10,589)	9,327
Spare parts		(5,770)	4,256
Accounts receivable		(16,089)	2,452
Other assets		(23,787)	(6,372)
Trade payables and accruals		5,136	(1,930)
Other current liabilities		10,706	3,147
Net cash flows from operating activities before income tax paid and royalties paid		<u>152,579</u>	<u>159,196</u>
Income tax paid	25	(9,464)	(497)
Mining fees paid	29	(16,339)	(11,063)
Death and compensation fund paid	21	(5,901)	(18,225)
Net cash flows from operating activities		<u>120,875</u>	<u>129,411</u>

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

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> <u>JD "000"</u>	<u>2017</u> <u>JD "000"</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(7,460)	(5,722)
Acquisition of right of use	6	(7,420)	-
Projects in progress	7	(55,234)	(53,329)
Interest received		11,117	7,247
Dividends received from associates and joint ventures	8,9	10,983	26,166
Investment in associates and joint ventures	8,9	(12,500)	(12,500)
Granted employees' housing loans		(1,247)	(2,579)
Proceeds from Employees housing loans		2,774	3,033
Short term deposits with maturity above three months and less than a year		(20,390)	(75,657)
Net cash flows used in investing activities		<u>(79,377)</u>	<u>(113,341)</u>
FINANCING ACTIVITIES			
Repayment of loans	20	-	(51)
Loans borrowed	20	8,028	11,631
Payments for obligations against capital projects		(3,237)	-
Interest paid		(10,838)	(3,016)
Dividends paid to shareholders	19	(83,318)	(83,318)
Net cash flows used in financing activities		<u>(89,365)</u>	<u>(74,754)</u>
Net decrease in cash and cash equivalents		(47,867)	(58,684)
Cash and cash equivalents at 1 January		84,455	143,139
Cash and cash equivalents at 31 December	17	<u>36,588</u>	<u>84,455</u>
<u>NON-CASH TRANSACTIONS:</u>			
Commitment against capital expenditures	6	-	15,583
Right of use	6	-	(15,583)
Transfers from projects in progress to property, plant and equipment	7	81,590	51,007
Transfers from projects in progress to other non-current assets		26,888	-
Offset income tax payable against sales tax receivable	25	(3,399)	(10,200)

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

(1) GENERAL INFORMATION

Arab Potash Company "APC", the "Company", is a public shareholding company that was founded and registered on 7 July 1956 in Amman – Jordan. During 1958, the Company was granted a concession from the Government of the Hashemite Kingdom of Jordan to exploit the minerals and salts of the Dead Sea brine. The concession expires after 100 years from the grant date, after which, the Company's factories and installations become the property of the Government of the Hashemite Kingdom of Jordan. Based on the agreement, the Company will not be responsible for any decommissioning costs. The concession agreement was amended during 2003 in accordance with the Temporary Law Number (55) of 2003, whereby amendments included the annual rent fees for lands within the concession area, the concession area borders and the exclusive rights given to the Company. On 11 May 2010 the Government of Jordan and APC agreed to amend the lease fee of the concession land in Ghour Al Safi site to JD 1.5 million per annum; and the lease fee shall be increased annually in accordance with the Consumer Price Index to become JD 1,790 thousands as at 31 December 2018.

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

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

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

The registered address of the Company is P. O. Box 1470 Amman 11118, the Hashemite Kingdom of Jordan.

The consolidated financial statements were authorized for issue by the board of directors on 19 March 2019, 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"), and the related interpretations.

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.

2.2 Basis of Consolidation (continued)

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 consolidated statement 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 %
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

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Shareholders that have significant influence over the Group

Shareholder	No. of shares	Percentage of ownership %
Man Jia Industrial Development Limited *	21,494,614	25.8%
The Jordanian Ministry of Finance	21,782,437	26.1%
Arab Mining Company	16,655,651	20%

- * PCS Jordan LLC announced in October 2017 its intent to sell its stake in Arab Potash Company through a public offering. During July 2018, Nutrien Company, which is the ultimate parent company of PCS Jordan LLC has announced that they have signed an agreement to sell their shares in Arab Potash Company to SDIC Mining Investment Company in China (The ultimate parent of Man Jia Industrial Development Ltd.).

2.3 Changes in Accounting Policies

2.3.1 Changes in accounting policy and disclosures

(a) New standards and amendments adopted by the Group
A number of new or amended standards became applicable for the current reporting period and as follows:
• IFRS 9 - Financial instruments
• IFRS 15 - Revenue from contracts with customers.
• Annual improvements 2014-2016 cycle.
• IFRIC 22 Foreign Currency Transactions and Advance Consideration
The impact of the adoption of these standards and the new accounting policies relating to standards number 9 and 15 are disclosed in note 34. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 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 16 'Leases contracts'
Nature of change	<p>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, and leases under exploration, concession and extraction.</p> <p>The accounting for lessors will not significantly change.</p>
Impact	<p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable annual operating lease commitments of JD 2,290 thousand (Note 35), in addition to other operating leases related to the Group's representative offices outside Jordan and other small contracts inside Jordan. The Group estimates the lease payments of representative offices and the other small contracts as a short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.</p> <p>However, the Group has not yet completed its assessments of 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.</p>
Mandatory application date/ Date of adoption by the Group	<p>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.</p>

Title of standard	IFRS 10 'Consolidated Financial Statements'
Impact	<p>The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.</p>
Mandatory application date/ Date of adoption by the Group	IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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 income statement.

Foreign exchange gains and losses are presented in the consolidated income statement.

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 income statement 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	14-15
Vehicles	20
Furniture and fixtures	13-14
Computers	17-20

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 income statement 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 income statement and other comprehensive income in the year the asset is derecognized.

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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 in which each entity of the Group's operates. Management has determined the values assigned to each of the key assumptions as follows:

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:

	<u>%</u>
Potash sales annual average growth rate	5
Long term growth rate	3
Discount rate	13.5

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

2018	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 2018	3,011	111,372	183,351	747,015	42,384	8,480	11,286	1,106,899
Additions	-	433	-	3,325	3,539	45	118	7,460
Transfers from projects in Progress	-	1,338	9,046	71,038	-	-	168	81,590
Disposals	-	-	-	(61)	(371)	-	(39)	(471)
Balance at 31 December 2018	3,011	113,143	192,397	821,317	45,552	8,525	11,533	1,195,478
Accumulated Depreciation								
Balance at 1 January 2018	-	78,464	163,770	591,772	35,725	7,283	10,404	887,418
Depreciation for the year *	-	5,026	4,271	53,314	2,000	258	363	65,232
Disposals	-	-	-	(29)	(371)	-	(39)	(439)
Balance at 31 December 2018	-	83,490	168,041	645,057	37,354	7,541	10,728	952,211
Net Book Value	-	-	-	-	-	-	-	-
At 31 December 2018	3,011	29,653	24,356	176,260	8,198	984	805	243,267
2017								
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

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Total fully depreciated assets as at 31 December 2018 amounted to JD 621,874 thousands (2017: JD 571,843 thousands).

* Depreciation included in the consolidated income statement is distributed as follows:

	2018 JD "000"	2017 JD "000"
Cost of sales (Note 26)	62,653	66,705
Administrative expenses (Note 27)	503	614
Selling and distribution expenses (Note 30)	2,076	2,104
	<u>65,232</u>	<u>69,423</u>

(6) RIGHT OF USE

	2018 JD "000"	2017 JD "000"
Right of use of the Gas Pipeline	13,592	14,631
Right of use of NEPCO electricity	7,389	-
	<u>20,981</u>	<u>14,631</u>

A- *Right of use of the Gas Pipeline*

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.

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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"
2018	
Cost	
Balance as at 1 January and 31 December 2018	<u>15,583</u>
Accumulated amortization	
Balance as at 1 January 2018	952
Charges	<u>1,039</u>
Balance as at 31 December 2018	<u>1,991</u>
Net book amount	<u>13,592</u>
	<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	<u>14,631</u>

- Obligations against capital projects

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

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Non- current portion	8,900	11,390
Current portion	<u>3,236</u>	<u>3,983</u>
	<u>12,136</u>	<u>15,373</u>

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

B- Right of use of NEPCO electricity

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

	Right of use JD "000"
2018	
Cost	
Balance as at 1 January 2018	-
Additions	7,420
Balance as at 31 December 2018	7,420
Accumulated amortization	
Balance as at 1 January 2018	-
Charges	31
Balance as at 31 December 2018	31
Net book amount	7,389

(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:

	2018 JD "000"	2017 JD "000"
Balance as at 1 January	78,410	76,088
Additions during the year	55,234	53,329
Transfers to property, plant and equipment (Note 5)*	(81,590)	(51,007)
Transfer to other non-current assets (Note 18)**	(26,888)	-
	25,166	78,410

* Included in the transfers during 2017, the project related to the Gas pipeline with 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 a right of use (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.

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** The Group entered into an agreement with the Jordan Valley Authority to assist financially in the building of the (Wadi Ibn Hammad dam) in return for water supplies. The amount paid was limited to JD 26 million. When the Group settled the amount, they transferred the project from the projects in progress to other non-current assets as they will begin to benefit from the project. However, during 2018, the contract was changed where the amount to be paid was increased by JD 7.5 million, for which the Authority will provide the Company with annual water quantities of 2.5 million cubic meters for 16 and a half years amounting to a total of 41.25 million cubic meters at preferred price. The agreement's duration may be extended in the case that the total water quantity agreed upon is not received by the end of the contract period. Management started amortising these amounts based on the amounts of water actually received. (Note 18).

(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	
					2018 JD "000"	2017 JD "000"
Nippon Jordan Fertilizer Company (NJFC)*	Jordan	3,345,600	Fertiliser production	20	4,548	4,842
Jordan Investment and South Development Company (JISDC)	Jordan	393,096	Investment and development	45.45	211	242
Jordan International Chartering Company (JICC)	Jordan	12,000	Sea transportation and chartering	20	11	11
					<u>4,770</u>	<u>5,095</u>

The movement on investments in associates is as follows:

	2018 JD "000"	2017 JD "000"
Balance as at 1 January	5,095	4,579
Group's share of profit of associates	243	621
Amendments on the group's share of profit**	(48)	-
Dividends received from associates*	(520)	(105)
Balance as at 31 December	<u>4,770</u>	<u>5,095</u>

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- * The Group's portion of Nippon Jordan Fertilizer Company's dividends amounted to JD 520 thousands during 2018 (2017: JD 105 thousands).
- ** The results of the Group's share of profits and dividends received depends on unaudited financial statements of the associates as of the date of approving these consolidated financial statements. Management believes there will be no material differences between the current available financial information and the financial information that will be presented upon issuing the audited financial statements for the year ended 31 December 2018.

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

	2018 JD "000"	2017 JD "000"
Nippon Jordan Fertilizer Company (NJFC)	174	586
Jordan Investment and South Development Company (JISDC)	69	35
	<u>243</u>	<u>621</u>

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

	NJFC		JISDC		JICC	
	2018 JD "000"	2017 JD "000"	2018 JD "000"	2017 JD "000"	2018 JD "000"	2017 JD "000"
Current assets	23,427	24,019	321	455	84	84
Non-current assets	6,821	7,178	301	286	1	1
Current liabilities	(7,508)	(6,987)	(88)	(148)	(30)	(30)
Non-current liabilities	-	-	(70)	(61)	-	-
Net assets	<u>22,740</u>	<u>24,210</u>	<u>464</u>	<u>532</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>4,548</u>	<u>4,842</u>	<u>211</u>	<u>242</u>	<u>11</u>	<u>11</u>

	NJFC		JISDC		JICC	
	2018 JD "000"	2017 JD "000"	2018 JD "000"	2017 JD "000"	2018 JD "000"	2017 JD "000"
Revenue	65,991	73,342	426	420	2	12
Cost of sales	(61,945)	(67,788)	(219)	(269)	(4)	(13)
Other revenues and expenses, net	(3,178)	(2,624)	(55)	(74)	2	2
Income before tax	<u>868</u>	<u>2,930</u>	<u>152</u>	<u>77</u>	<u>-</u>	<u>1</u>
Income tax expense	-	-	-	-	-	-
Profit for the year	<u>868</u>	<u>2,930</u>	<u>152</u>	<u>77</u>	<u>-</u>	<u>1</u>
Group's share of income for the year	<u>174</u>	<u>586</u>	<u>69</u>	<u>35</u>	<u>-</u>	<u>-</u>

(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:

	Country of incorporation	Number of shares	Nature of business	Percentage of ownership %	Investment in joint ventures balance	
					2018 JD "000"	2017 JD "000"
Jordan Bromine Company (JBC)*	Jordan	15,000,000	Extraction of Bromine	50	121,861	99,197
Jordan Industrial Port (JIPC)**	Jordan	65,000,000	Port logistics	50	68,299	54,269
					<u>190,160</u>	<u>153,466</u>

The movement on investments in joint ventures is as follows:

	2018 JD "000"	2017 JD "000"
Balance as at 1 January	153,466	135,240
Increase in the group's share of investment in joint venture**	12,500	12,500
Group's share of profit of joint venture	34,657	31,750
Dividends received from joint ventures*	(10,463)	(26,024)
Balance as at 31 December	<u>190,160</u>	<u>153,466</u>

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

	2018 JD "000"	2017 JD "000"
Jordan Bromine Company (JBC)	33,127	30,093
Jordan Industrial Port (JIPC)	<u>1,530</u>	<u>1,657</u>
	<u>34,657</u>	<u>31,750</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 10,463 thousand during 2018 (2017: JD 26,024 thousand).

- ** During 2018, the Group increased its investment by JD 12,500 thousands to reach 65,000,000 shares (2017: 52,500,000 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.

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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	
	2018	2017	2018	2017
	JD "000"	JD "000"	JD "000"	JD "000"
Current assets	89,239	89,304	28,169	18,301
Non-current assets	175,970	175,970	116,080	101,709
Current liabilities	(20,354)	(20,419)	(7,651)	(12,121)
Non-current liabilities	(6,565)	(6,565)	-	-
Net assets	238,290	238,290	136,598	107,889
Carrying amounts of investment in joint ventures	121,861	99,197	68,299	54,269

	Jordan Bromine Company		Jordanian Industrial Port Company	
	2018	2017	2018	2017
	JD "000"	JD "000"	JD "000"	JD "000"
Revenue	202,144	182,310	16,125	14,772
Cost of sales	(98,944)	(91,811)	(13,703)	(12,672)
Other revenues and expenses, net	(14,198)	(10,408)	638	1,214
Profit before tax	89,002	80,091	3,060	3,314
Income tax expense	-	-	-	-
Profit for the year	89,002	80,091	3,060	3,314
The Group's share of profit for the year	33,127	30,093	1,530	1,657

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

	2018	2017
	JD "000"	JD "000"
Quoted shares*	492	530
Unquoted shares**	76	76
	568	606

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

	2018	2017
	JD "000"	JD "000"
At 1 January	(51)	3
Net unrealized losses	(38)	(54)
At 31 December	(89)	(51)

** Unquoted financial assets are recorded at cost due to the fact that market values of these financial assets are not obtainable and these are not material to the group to exercise any valuation techniques.

(11) FINANCIAL ASSETS AT AMORTIZED COST

	2018 JD "000"	2017 JD "000"
Unquoted financial assets- government bonds*	21,007	21,106

* 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 investments held at amortised cost are either past due or impaired.

All investments held at amortised cost 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 their book value as disclosed in note 3.3.

These investments were considered for expected credit loss and no ECL was recorded due to immaterial loss.

(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 that approximate the interest rates for similar commercial loans on granting the loan, the average interest rate used for discounting was 5.5%. These loans are subsequently measured at amortized cost using the effective interest rate method.

The balance of the Housing loan is as follows:

	2018 JD "000"	2017 JD "000"
Employees housing loans undiscounted value	28,699	29,737
Minus: Loss allowance for doubtful receivables*	(746)	-
	27,953	29,737
Minus: Effect of the discount	(8,475)	(8,475)
	19,478	21,262

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- * The closing loss allowances for Employees' housing loans as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 JD "000"
Employees' housing loan allowance calculated under IAS 39 as at 1 January 2018	-
Amounts restated through opening retained earnings (Note 34)	257
Opening loss allowance as at 1 January 2018 – Calculated under IFRS 9	257
Increase in loan loss allowance recognised in income statement during the year	489
Balance at 31 December	746

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

	2018 JD "000"	2017 JD "000"
Non-current	16,656	18,526
Current	2,822	2,736
	19,478	21,262

(13) ACCOUNTS RECEIVABLE

	2018 JD "000"	2017 JD "000"
Trade receivables	65,836	48,729
Due from associates (note 33)	922	634
Others	39	1,345
	66,797	50,708
Less: expected credit loss and allowance for doubtful debts*	(19)	(19)
	66,778	50,689

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

	2018 JD "000"	2017 JD "000"
At 1 January	19	109
Reversal of provisions	-	(90)
At 31 December	19	19

The Group grants its customers credit policy arranging from 30-180 days. As at 31 December 2018 and 2017, there were no trade receivables that exceeded its credit terms.

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

	Neither past due nor impaired			Total JD"000"
	1- 30 days JD"000"	30 – 90 days JD"000"	91 – 180 day JD"000"	
2018	56,458	10,320	-	66,778
2017	39,641	11,048	-	50,689

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.

(14) INVENTORIES

	2018 JD "000"	2017 JD "000"
Finished goods	20,596	9,261
Raw materials	1,281	2,294
Others	307	40
	22,184	11,595
Allowance for slow moving inventory*	(235)	(113)
	21,949	11,482

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

	2018 JD "000"	2017 JD "000"
At 1 January	113	126
Charges to (Released from) the provision	122	(13)
At 31 December	235	113

(15) SPARE PARTS AND SUPPLIES

	2018 JD "000"	2017 JD "000"
Spare parts	42,433	37,979
Fuel store	2,537	1,667
Others	1,810	1,364
	46,780	41,010
Allowance for slow-moving spare parts*	(3,057)	(3,853)
	43,723	37,157

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

	2018 JD "000"	2017 JD "000"
At 1 January	3,853	4,755
Provision for the year	-	645
Amounts written-off during the year	(796)	(1,547)
At 31 December	<u>3,057</u>	<u>3,853</u>

(16) OTHER CURRENT ASSETS

	2018 JD "000"	2017 JD "000"
Prepaid expenses	3,239	2,765
Advance payments to contractors	28,155	12,445
Due from Sales Tax Department (note 25)	15,708	15,422
Advance payment for Potash mining fees due to the government of the Hashemite Kingdom of Jordan	886	-
Others	5,470	6,072
	<u>53,458</u>	<u>36,704</u>

(17) CASH ON HAND AND BANK BALANCES

	2018 JD "000"	2017 JD "000"
Cash on hand	133	74
Cash at banks	14,433	30,324
Short term deposits*	25,710	54,057
Cash and cash equivalents	40,276	84,455
Short term deposits mature after more than 3 months**	207,726	186,866
The effect of IFRS 9 implementation – Expected credit loss	(2,044)	-
	<u>245,958</u>	<u>271,321</u>

Reconciliation to cash flow statement

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

Cash on hand	133	74
Cash at banks	14,433	30,324
Short term deposits*	25,710	54,057
	<u>40,276</u>	<u>84,455</u>
Bank overdraft (Note 20)	(3,688)	-
Balances per statement of cash flows	<u>36,588</u>	<u>84,455</u>

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- * This item represents deposits in Jordanian Dinar at local banks with an interest rate of 5.1% (2017: 4.6%) and have a maturity of three months or less.
- ** This items represents deposits in Jordanian Dinar at local banks with an annual interest rate ranges between 5.5% to 6.15% (2017: 4.6%) and have a maturity of more than three months.

(18) OTHER NON-CURRENT ASSETS

The Group entered into an agreement with the Jordan Valley Authority to assist financially in the building of Wadi Ibn Hammad dam in return for water purchased at a preferred price. The amount paid was limited to JD 26 million. When the Group settled the amount, they transferred the project from the projects in progress to other non-current assets as they will begin to benefit from the project. However, during 2018, the contract was changed where the amount to be paid was increased by JD 7.5 million, for which the Authority will provide the Company with annual water quantities of 2.5 million cubic meters for 16 and a half years amounting to a total of 41.25 million cubic meters with the preferred price of (JD 0.35/cubic meter). The agreement's duration may be extended in the case that the total water quantity agreed upon is not received. Management started amortising these amounts based on the amounts of water actually received.

The movement on other current assets is as follows:

	Other non-current assets JD "000"
2018	
Cost	
Balance as at 1 January 2018	-
Additions	6,612
Transfer from projects in progress (Note 7)	26,888
Balance as at 31 December 2018	<u>33,500</u>
Accumulated amortization	
Balance as at 1 January 2018	-
Charges	1,536
Balance as at 31 December 2018	<u>1,536</u>
Net book amount	
As at 31 December 2018	<u>31,964</u>

(19) 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.

Dividends

The General Assembly resolved in its ordinary meeting held on 24 April 2018 to distribute an amount of JD 83,318 thousands (equivalent to 100% of the Company's capital) as cash dividends to the shareholders. (2017: JD 83,318 thousand).

(20) BORROWINGS

Numeira Mixed Salts and Mud Company

The company was granted a long-term loan 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 was paid through 60 monthly payments, the first payment fell due on 31 July 2013 and the last payment was due on 30 June 2018. The loan is secured against the building it was purchased.

Arab Potash Company

A- Due to banks

The Company renewed a credit facility during 2018 from a local bank with ceiling of JD 5 million, with annual interest rate of 3%. The total utilised balance as at 31 December 2018 was JD 3,688 thousands.

The book value of current borrowings approximates their fair value as the discount effect is insignificant.

B- Bank loan

The Company obtained a credit facility on 7 November 2017 from local bank with a ceiling of USD 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.

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Principal instalments payable during 2018 and after are as follows:

	2018 JD "000"	2017 JD "000"
Non- current		
Long-term loan	15,861	11,614
Current		
Current portion of long-term loan	3,798	17
Total loans	19,659	11,631

The book value of current borrowings approximates their fair value as the discount effect is insignificant.

(21) PROVISION AGAINST EMPLOYEES' DEATH AND COMPENSATION FUND

The provision against employees' compensation and death is calculated based on the projected cost units which is determined by discounting estimated future cash outflows 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 and paid upon death, retirement or resignation 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 Group 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.

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

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

	2018 JD "000"	2017 JD "000"
Balance as at 1 January	49,106	55,350
Current and past service cost	3,360	3,293
Discount value	3,246	3,837
Actuarial losses resulting from the remeasurement of the defined benefit plans	3,217	4,851
Paid during the year	(5,901)	(18,225)
Balance as at 31 December	53,028	49,106

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

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Non- current		
Death and compensation fund obligations	<u>49,922</u>	<u>46,548</u>
Current		
Death and compensation fund obligations	<u>3,106</u>	<u>2,558</u>
Total	<u>53,028</u>	<u>49,106</u>

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

	<u>Less than 1 year</u> JD '000	<u>Between 1 and 2 years</u> JD '000	<u>Between 2 and 5 years</u> JD '000	<u>Above 5 years</u> JD '000	<u>Total</u> JD '000
At 31 December 2018					
Death and compensation obligation	<u>3,106</u>	<u>4,847</u>	<u>12,389</u>	<u>200,472</u>	<u>220,814</u>
At 31 December 2017					
Death and compensation obligation	<u>2,558</u>	<u>3,091</u>	<u>16,632</u>	<u>192,157</u>	<u>214,438</u>

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

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Current and past service cost	3,360	3,293
Discount value	<u>3,246</u>	<u>3,837</u>
	<u>6,606</u>	<u>7,130</u>

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

	<u>2018</u>	<u>2017</u>
	%	%
Discount rate	7.9	6.9
Salary growth rate	3.5	2
Staff turnover	1.26	1.26

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:

2018

	<u>Increase in the assumptions by 1%</u>	<u>Decrease in the assumptions by 1%</u>
Discount rate	4,011	(4,533)
Salary growth rate	(4,441)	3,985
Staff turnover	(1,250)	1,348

2017

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

(22) OTHER CURRENT LIABILITIES

	<u>2018</u>	<u>2017</u>
	JD "000"	JD "000"
Employees' legal cases compensation provision (note 35)	6,290	8,127
Dividends payable	1,310	1,266
Contractors retentions	1,629	2,823
Accrued expenses	19,151	9,590
Others	6,989	5,220
	<u>35,369</u>	<u>27,026</u>

ARAB POTASH COMPANY
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(23) 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:

	2018					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations and Adjustments JD "000"	Total JD "000"
Sales to external customers	407,246	74,942	539	482,727	-	482,727
Inter-company Sales	19,910	-	1,897	21,807	(21,807)	-
Total Sales	427,156	74,942	2,436	504,534	(21,807)	482,727
Less: Cost of goods sold	(294,948)	(46,782)	(2,216)	(343,946)	27,916	(316,030)
Segment profit	132,208	28,160	220	160,588	6,109	166,697
Results						
Share of profit of associates and joint ventures	34,852	-	-	34,852	-	34,852
Depreciation	64,144	1,786	109	66,039	(807)	65,232
Capital Expenditure						
PP&E and projects in progress	57,586	4,910	198	62,694	-	62,694
Total Assets	924,914	95,009	1,878	1,021,801	(11,196)	1,010,605
Total Liabilities	156,230	13,188	1,512	170,930	(5,419)	165,511
Investments in associates and joint ventures	194,930	-	-	194,930	-	194,930

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	2017					
	Arab Potash Co. JD "000"	KEMAPCO JD "000"	Numeira Co. JD "000"	Total JD "000"	Eliminations and 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
Cost of sales	(290,154)	(47,197)	(2,033)	(339,384)	20,862	(318,522)
Segment profit Results	74,178	27,169	624	101,971	2,784	104,755
Share of profit of associates and joint ventures	32,371	-	-	32,371	-	32,371
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

ARAB POTASH COMPANY
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Following is a summary of sales by geographical location for the year ended 31 December 2018 and 2017:

	31 December 2018				31 December 2017			
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Arab Potash Co.	KEMAPCO	Numeira Co.	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
China & India	165,657	6,147	1	171,805	165,047	2,972	19	168,038
Far East	110,180	4,912	10	115,102	95,453	1,362	-	96,815
Middle East	34,356	10,843	418	45,617	26,825	8,794	340	35,959
Africa	69,763	9,587	-	79,350	43,788	7,281	-	51,069
Europe	26,964	32,057	110	59,131	16,685	36,205	24	52,914
America & Australia	326	10,346	-	10,672	709	17,085	21	17,815
Canada	-	1,050	-	1,050	-	667	-	667
	<u>407,246</u>	<u>74,942</u>	<u>539</u>	<u>482,727</u>	<u>348,507</u>	<u>74,366</u>	<u>404</u>	<u>423,277</u>

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

(24) OTHER NON-CURRENT LIABILITIES

	2018 JD "000"	2017 JD "000"
End of service indemnity*	4,749	4,641
Employees' post-employment benefits **	-	3,355
Unveiled leaves ***	2,860	100
	<u>7,609</u>	<u>8,096</u>

- * The Group pays end of service to its employees based on its internal bylaws. This provision represents a defined benefit plan whereby the Group pays 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 2.15. 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 as at 31 December 2017. The Group reached to a settlement with the related employees and paid the related provision in full during 2018.

- *** As per the Groups' policy and labour laws, employees have the right to roll forward any unutilised vacations for two years, which resulted in classifying these unveiled vacations as long-term benefit thus should be treated as defined benefit plan and should be presented on the present value.

The main assumption used by the management is salaries increments for the coming two years.

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(25) INCOME AND DEFERRED TAX

A- Income tax

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

	2018 JD "000"	2017 JD "000"
Balance at 1 January	2,314	1,350
Income tax expense for the year	22,610	11,661
Offset against prepaid sales tax	(3,399)	(10,200)
Income tax paid	(9,464)	(497)
Balance at 31 December	<u>12,061</u>	<u>2,314</u>

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

	2018 JD "000"	2017 JD "000"
Current year income tax	22,610	11,661
Deferred tax assets	(4,192)	4,694
	<u>18,418</u>	<u>16,355</u>

Income tax expense

	2018 JD "000"	2017 JD "000"
Computed tax at statutory rates	36,726	24,226
Subsidiaries' profits not subject to income tax	(4,498)	(3,600)
Gain on investments in associates not subject to income tax	(7,706)	(6,199)
Tax effect of expenses not acceptable for tax purposes	(6,104)	1,928
Income tax expense for the year	<u>18,418</u>	<u>16,355</u>
Effective income tax rate	<u>12.1%</u>	<u>15.4%</u>

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

The provision for the year ended 31 December 2018 and 2017 has been calculated in accordance with the income tax law No, (34) of the year 2014 and its amendments.

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B- Deferred tax assets

The movement on Deferred tax assets is as follows:

	2018 JD "000"	2017 JD "000"
At 1 January (as previously stated)	15,897	19,391
Additions during the year- IFRS 9 effect	550	-
At 1 January (Restated)	<u>16,447</u>	<u>19,391</u>
Additions during the year	7,775	2,784
Additions during the year- resulting from re-measurement of Post-employment benefit obligations	739	1,200
Retirements during the year	<u>(3,583)</u>	<u>(7,478)</u>
At 31 December	<u>21,378</u>	<u>15,897</u>

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

Deferred tax assets items	2018 JD "000"	2017 JD "000"
Death and compensation fund obligation	16,261	11,689
End of service indemnity	536	515
Medical disability provision	1,935	1,940
Inventory provision	948	924
Employees post-employment benefits	-	805
Unveiled employees vacation	887	24
IFRS 9 Impact on financial assets	811	-
	<u>21,378</u>	<u>15,897</u>

The deferred tax assets as at 31 December 2018 was calculated using the income tax rate per the new enacted tax law no.18 for the year of 2018 of 31% (2017: 24%).

- Arab Potash Company

The Income and Sales Tax Department has reviewed the Company's records for the years 2015 and 2016 and has issued the final tax clearance for those years. As for the year of 2017, the tax return has been submitted and not been audited by the Income and Sales Tax Department up to the date of these consolidated financial statements.

Due from Sales Tax Department

Other receivables include JD 15.5 million representing the general sales tax authorities paid by the Company over the past years and mainly on the expansion project which was completed in 2010. These amounts are refundable under the provisions of the General Sales Tax Law.

Up to the year of 2018, the Income and Sales Tax Department approved a refund of JD 4.9 million from the above balance after the audit. The remaining amount of JD 10.5 million remains under verification until the date of preparation of these consolidated financial statements.

- **Numeira Mixed Salts and Mud Company**

tax returns for the years of 2015, 2016 and 2017 has been submitted and has not been audited by the Income and Sales Tax Department up to the date of these consolidated financial statements.

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

According to the management, Arab Fertilizers and Chemicals Industries (KEMAPCO - Subsidiary) is a company exempted from income and social services taxes for a period of 12 years starting from the assessment year following the beginning of production (April 2003). Excluded from this exemption is the profit of commercial storage projects for goods that are put into local consumption. The Income and Sales Tax Department ("the Department") has inspected the Company's records for the years 2010, 2011, 2012 and 2013 and issued its initial decision to claim the Company to pay income tax resulting from differences in interpreting the decision of exemptions of the Free Zones Law No. (32) for the year 1984 and its amendments regarding the coverage of the profits of domestic sales in the tax exemption. The Company recorded an income tax provision for this claim. In the opinion of the Management and the legal counsel, additional tax provisions are sufficient to meet the impact of obligations in this regard.

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(26) COST OF SALES

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Raw materials		
Raw materials as at 1 January	2,294	2,148
Purchases	18,300	15,629
Minus: Raw materials as at 31 December (Note 14)	<u>(1,281)</u>	<u>(2,294)</u>
Raw materials used in production	<u>19,313</u>	<u>15,483</u>
Salaries and wages	67,214	63,383
Freight costs	31,490	29,445
Depreciation and amortisation (Note 5,6)	63,723	67,657
Fuel and electricity	87,291	78,666
Maintenance	30,031	27,925
Water	8,375	7,674
Rentals	4,248	4,201
Professional fees	3,296	2,741
Insurance	3,415	3,586
Others	<u>8,969</u>	<u>8,122</u>
	327,365	308,883
Add: beginning finished goods	9,261	18,900
Less: ending finished goods (Note 14)	<u>(20,596)</u>	<u>(9,261)</u>
	<u>316,030</u>	<u>318,522</u>

(27) ADMINISTRATIVE EXPENSES

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Salaries and other benefits	8,632	7,745
Professional and consulting fees	1,405	1,271
Insurance	962	701
Depreciation (Note 5)	503	614
Travel and hospitality	534	598
Maintenance and repairs	242	293
Electricity	168	154
Post and telephone	145	205
Fuel	63	45
Others	<u>2,305</u>	<u>2,363</u>
	<u>14,959</u>	<u>13,989</u>

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(28) OTHER INCOME, NET

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Gain on sale of disposal of Magnesia	-	7,894
Reversal of provisions	-	917
Scrap sales of spare parts	497	1,817
Others, net	(461)	861
	<u>36</u>	<u>11,489</u>

(29) ROYALTY TO THE GOVERNMENT OF JORDAN

The movement on accrued royalty provision is as follows:

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Balance as at 1 January	339	4,063
Additions during the year	15,114	7,339
Payments during the year	(16,339)	(11,063)
Balance (Due from) to the government as at 31 December	<u>(886)</u>	<u>339</u>

(30) SELLING AND DISTRIBUTION EXPENSES

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Marketing		
Salaries and other benefits	704	776
Sales commission	3,863	2,969
Travel and transportation	348	338
Depreciation (Note 5)	11	11
Sample testing	265	346
Advertising	61	13
Post and telephone	18	20
Others	851	905
	<u>6,121</u>	<u>5,378</u>
Aqaba – Selling Office		
Handling fees	8,414	8,394
Salaries, wages and other benefits	2,128	2,105
Depreciation (Note 5)	2,065	2,093
Electricity	448	438
Maintenance and repair	409	340
Fuel	18	12
Insurance	132	135
Rent	74	60
Others	692	396
	<u>14,380</u>	<u>13,973</u>
	<u>20,501</u>	<u>19,351</u>

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(31) FINANCE COSTS AND BANK CHARGES

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Interest expense	8,184	5,464
Bank commissions	2,654	1,389
	<u>10,838</u>	<u>6,853</u>

(32) EARNINGS PER SHARE

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Profit for the year	124,874	89,843
Weighted average number of shares ("000")	<u>83,318</u>	<u>83,318</u>
	Fills/ JD	Fills/ JD
Basic and diluted, earnings per share (JD / Fills)	<u>1.499</u>	<u>1.078</u>

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

(33) RELATED PARTY TRANSACTIONS

Related party transactions include transactions with shareholders' 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 as at 31 December 2018.

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

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Amounts due from related parties		
Accounts receivable – Jordan Bromine Company	<u>922</u>	<u>634</u>

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

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Sales – Nippon Jordan Fertilizer Company (Associate)	1,905	1,216
Sales – Jordan Bromine Company (Joint venture)	8,828	8,963
Company's share of profit of associates and joint ventures	<u>34,852</u>	<u>32,371</u>

Compensation of the key management personnel was as follows:

	<u>2018</u> JD "000"	<u>2017</u> JD "000"
Key management benefits (Salaries, wages, and bonus) for the Group	<u>2,303</u>	<u>1,981</u>

(34) CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

1- Adoption of IFRS 9 "Financial Instrument"

(a) Impact on the consolidated financial statements

As a result of the changes in the Group's accounting policies, some items' opening balances in the prior year financial statements had to be restated. As explained in note (b) below, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in a restated balance sheet as at 31 December 2017, but were recognised within the retained earnings in the opening consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided with the consolidated statement of financial position as at 1 January 2018. The adjustments are explained in more detail by the requirements of the standard below in notes (b, c and d).

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Consolidated Statement of financial position (extract)

	1 January 2018 As originally presented JD "000"	IFRS 9 JD "000"	1 January 2018 Restated JD "000"
ASSETS			
Non-current assets			
Financial assets at amortized cost	21,106	-	21,106
Employees' housing loans	18,526	(224)	18,302
Deferred tax assets	15,897	550	16,447
	<u>527,218</u>	<u>326</u>	<u>527,544</u>
Current assets			
Employees' housing loans	2,736	(33)	2,703
Accounts receivable	50,689	-	50,689
Cash on hand and bank balances	271,321	(2,124)	269,197
	<u>410,089</u>	<u>(2,157)</u>	<u>407,932</u>
TOTAL ASSETS	<u>937,307</u>	<u>(1,831)</u>	<u>935,476</u>
SHAREHOLDERS' EQUITY			
Retained earnings	599,167	(1,831)	597,336
NET SHAREHOLDERS' EQUITY	<u>807,885</u>	<u>(1,831)</u>	<u>806,054</u>

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018 JD '000
Closing retained earnings as at 31 December 2017	599,167
Adjustments:	
Increase in provision on cash deposits at banks	(2,124)
Increase in provision over Employees' housing loans	(257)
Increase in deferred tax assets related to impairment provisions	550
Total adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	<u>(1,831)</u>
Opening retained earnings 1 January 2018 – adoption of IFRS 9	<u>597,336</u>

(c) Classification and measurement

The Group has early adopted IFRS phase 1, reclassification and measurement, during 2011 as per the Jordanian Securities Commission instruction.

No impact was recorded from this adoption, whereas, the financial assets of the Group were kept in the same earlier classification under IAS 39 based on the business model of the Company, thus Available for sale Investments (all equity) were classified as Financial assets held at fair value through other comprehensive income, and all other financial assets (Cash and Banks, Receivables, Employees loans and investments held to maturity) under IAS 39 were classified as financial assets at amortised cost as per IFRS 9.

(d) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

- 1- Trade receivables from sales of inventory
- 2- Debt investments carried at amortised cost
- 3- Employees housing loans, and
- 4- Balances and deposits at banks

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note (b) above.

1- Trade receivables:

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, and based on the last five years data and current year aging, it was noted that there were no receivables with balances that were overdue in addition to having collaterals against these balances represented by letter of credit from reputable risk rated banks. Thus, management considered all the receivables as current balances and accordingly deemed that the expected credit loss amount is immaterial to the trade receivables and was not recorded.

2- Debt investments

All of the Group's debt investments at amortised cost are considered to have "low credit risk "as these investments are investments in the the Jordanian Government which has no previous history of default or delays in both paying back the interest or the principle, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers the Jordanian Governmental Bonds as 'low credit risk' as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Based on the above, the Group has exposure in sovereign bonds issued by The Hashemite Kingdom of Jordan rated B+ by S&P. Since this is an exposure of sovereign nature, a base case PD of 0.03% is considered as per BASEL guidelines, and as accordingly, the management believe that no additional loss is required over this type of financial assets, as the resulted expected credit loss is immaterial.

3- Employees housing loans

The Group has applied a combination of the simplified and general approach permitted by IFRS 9. Simplified approach is applied to a portfolio of housing loans that are homogeneous in nature and carry similar credit risk. Therefore, management has classified all its loans to employees as current (low acceptable risk), due to the fact that all employees has full collateral against these loans in addition to other end of service benefits which the Group can utilize to settle all these loans. The management believe that a provision amounting to 1% can be considered as the expected credit loss for such category to cover these low acceptable risk items. Thus, an additional provision of JD 257 thousands was recorded.

Under general approach, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Therefore, a provision of JD 489 thousands was recorded during the current year.

4- Balances and deposits at banks

For the Deposits with Banks Portfolio, the Group does not track rating migration since inception. All the Deposits were for periods less than 365 days and the Fitch Ratings as on 31-12-2017 for them were mapped with the S&P Equivalent Ratings and one year average Multi-Year Global Corporate Transition Matrices. Then these were mapped with the Financial Institutions ratings as per 2016 Annual Global Corporate Default Study And Rating Transitions by S&P to arrive at the Probability of Default (PD).

For Unrated exposures, the least rating for the remaining exposures in the Portfolio was taken, and since, there was no actual instance of default, the Loss Given Default (LGD) could not be modelled based on historical data. Instead, the statutory JOD 50,000 Deposit Insurance Cover for JOD-denominated deposits were factored into the LGD%.

The additional provision related to the expected credit loss as per IFRS 9 requirements against cash and cash equivalent was JD 2,124 thousand as at 1 January 2018.

2- Adoption of IFRS 15 "revenue from contracts with customers"

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. Accordingly, 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 materially 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.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five step model as follows:

- 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.

Based on the above 5 steps process, management concluded that all its contracts have one obligation related to selling the products and the related discounts and quantity rebates (where applicable). Prices are fixed annually based on the agreed on international prices. Accordingly, management did not identify additional performance obligations in the related contracts other than selling the products and the related discounts and quantity rebates and based on specific agreed on shipping terms that will be satisfied on a point in time rather over time.

For more about the accounting policy, please refer to note (2-19).

(35) CONTINGENCIES AND COMMITMENTS

As of 31 December 2018, the Group had the following contingencies and commitments:

	2018 JD "000"	2017 JD "000"
Letters of Guarantees	27,609	27,404
Letters of Credit	28,212	32,623
Bills of collection	112	-

Capital Commitments:

- The Group has committed and contracted for capital expenditure amounting to JD 164,000 thousands as at 31 December 2018 (2017: JD 141,238 thousands).
- The Group has committed but not contracted for capital expenditure amounting to JD 375,000 thousands as at 31 December 2018 (2017: JD 424,467 thousands).
- According to the agreement signed on 9 September 2003, and its amendment on 27 October 2016 with the ministry of water and irrigation, Arab Potash Company is obligated to withdraw and consume not less than 3 million cubic meter of water per annum at JD 1.25 per cubic meter. The duration of the agreement is five years from the date of the amendment.

Operating lease commitments

The Company leases the land under mining through a non-cancellable operating leases expiring in 2057. 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>2018</u> JD "000"	<u>2017</u> JD "000"
Within one year	2,290	2,231
After one year but not more than five years	9,160	8,924
More than five years	<u>63,360</u>	<u>66,085</u>
	<u>74,810</u>	<u>77,240</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 insurance indemnities resulting from 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 6,466 thousands as at 31 December 2018 (2017: JD 8,552 thousands), see note 22, which were provided for by management based on the opinion of the legal advisor.