Arab Potash Company
(Public Shareholding Company)

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2018

ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

pwc

INDEPENDENT AUDITORS REPORT
ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arab Potash Company - Public Shareholding Company ("the company") and its subsidiaries (together the "Group") as at 30 June 2018, and the related interim condensed consolidated statements of income and comprehensive income for the three and six months period ended 30 June 2018, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows and explanatory notes for the six months then ended. The management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 (Interim financial reporting).

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

Hazem Sababa
License (802)

Amman – Jordan
30 July 2018

PricewaterhouseCoopers "Jordan", Jabal Amman - 3rd Circle, 14 Hazza' Al Majali St., P.O. Box 5175, Amman 11183 - Jordan
T: +962 (6) 500 1300, F:+962 (6) 461 0880, www.pwc.com

	Notes	30 June 2018 JD "000" (Unaudited)	31 December 2017 JD "000" (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3	213,235	219,481
Intangible assets	4	14,111	14,631
Projects in progress	5	49,895	78,410
Investment in associates		5,141	5,095
Investment in joint ventures		173,373	153,466
Financial assets at fair value through other comprehensive income		606	606
Financial assets at amortized cost	6	21,057	21,106
Deferred tax assets		16,289	15,897
Employees' housing loans		17,581	18,526
Other non-current assets	5	31,594	
		542,882	527,218
Current assets			
Employees' housing loans		2,791	2,736
Accounts receivable		75,610	50,689
Inventories		18,499	11,482
Spare parts and supplies		40,650	37,157
Other current assets		51,630	36,704
Cash on hand and bank balances	9	208,010	271,321
		397,190	410,089
TOTAL ASSETS		940,072	937,307
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Paid in capital		83,318	83,318
Statutory reserve	7	50,464	50,464
Voluntary reserve		80,699	80,699
Fair value reserve		(51)	(51)
Re-measurement of post-employment benefit obligations		(6,214)	(5,712)
Retained earnings		566,742	599,167
NET SHAREHOLDERS' EQUITY		774,958	807,885

The attached notes from 1 to 16 are part of these interim condensed consolidated financial statements

	Notes	30 June 2018 JD "000" (Unaudited)	31 December 2017 JD "000" (Audited)
Liabilities			
Non-current liabilities			
Long-term loan		16,170	11,614
Death and compensation fund obligations		46,457	46,548
Obligations against capital projects	4	10,518	11,390
Other non-current liabilities		8,156	8,096
		81,301	77,648
Current liabilities			
Bank overdraft		4,025	-
Current portion of long term loan		1,543	17
Obligations against capital projects	4	3,236	3,983
Death and compensation fund obligations		2,510	2,558
Potash mining fees due to the government of the Hashemite Kingdom of Jordan		6,851	339
Trade payables		14,456	15,537
Other current liabilities		38,806	27,026
Income tax provision	11	12,386	2,314
		83,813	51,774
TOTAL LIABILITIES		165,114	129,422
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		940,072	937,307

President and CEO

VP Finance and Support Services

The attached notes from1 to 16 are part of these interim condensed consolidated financial statements

Arab Potash Company - Public Shareholding Company
Interim Consolidated Income Statement
For the Three Months and Six months Period Ended 30 June 2018

	Notes	For the three months period ended 30 June		For the six months period ended 30 June	
		2018 JD "000" (Unaudited)	2017 JD "000" (Restated and unaudited)	2018 JD "000" (Unaudited)	2017 JD "000" (Restated and unaudited)
Sales	10	117,274	102,595	227,168	202,122
Cost of sales		(74,551)	(81,079)	(148,034)	(160,643)
Gross profit		42,723	21,516	79,134	41,479
Administrative expenses		(3,260)	(3,201)	(6,908)	(7,176)
Selling and distribution expenses		(5,175)	(4,732)	(9,651)	(9,686)
Potash mining fees	1	(4,134)	72	(6,851)	(1,735)
Corporate social responsibility expenses		(1,649)	(4,883)	(7,408)	(6,402)
Foreign currency exchange differences		(924)	1,009	(475)	1,328
Profit from operations		27,581	9,781	47,841	17,808
Other (expense) income, net		(122)	530	(310)	9,149
Finance income		3,955	422	7,074	5,542
Finance costs		(2,628)	(1,634)	(3,523)	(3,479)
Profit before gain from associates, joint ventures and income tax		28,786	9,099	51,082	29,020
Group's share of profit from associates and joint ventures	8	5,098	9,726	12,685	17,515
Profit before income tax		33,884	18,825	63,767	46,535
Income tax expense for the current period	11	(6,899)	(3,381)	(11,043)	(5,822)
Profit for the period		26,985	15,444	52,724	40,713
Earnings per share		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted earnings per share for the period		0.324	0.185	0.633	0.489

The attached notes from 1 to 16 are part of these interim condensed consolidated financial statements

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2018	2017	2018	2017
		JD "000"	JD "000"	JD "000"	JD "000"
		(Unaudited)	(Restated and unaudited)	(Unaudited)	(Restated and unaudited)
Profit for the period		26,985	15,444	52,724	40,713
Add: other comprehensive income		-	-	-	-
Items that will not be reclassified to profit or loss:		-	-	-	-
Re-measurement of post-employment benefit obligations		(476)	(912)	(502)	(1,825)
Total comprehensive income for the period		26,509	14,532	52,222	38,888

The attached notes from 1 to 16 are part of these interim condensed consolidated financial statements

Arab Potash Company - Public Shareholding Company
Interim Consolidated Statement of Changes in Shareholders' Equity
For the Six Months Period Ended 30 June 2018

	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"
For the six months ended 30 June 2018 (Unaudited)							
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
Re-measurement of post-employment benefit obligations	-	-	-	-	(502)	-	(502)
Profit for the period	-	-	-	-	-	52,724	52,724
Dividends distribution (Note 16)	-	-	-	-	-	(83,318)	(83,318)
Balance at 30 June 2018	83,318	50,464	80,699	(51)	(6,214)	566,742	774,958
For the six months ended 30 June 2017 (Unaudited and restated)							
Balance at 1 January 2017 (Before accounting error adjustment)	83,318	50,464	80,699	3	-	645,048	859,532
Prior years adjustment (Note 13)	-	-	-	-	(2,061)	(52,406)	(54,467)
Balance at 1 January 2017 (restated)	83,318	50,464	80,699	3	(2,061)	592,642	805,065
Profit for the period	-	-	-	-	-	40,713	40,713
Dividends distribution (Note 16)	-	-	-	-	-	(83,318)	(83,318)
Other comprehensive income (restated - Note 13)	-	-	-	-	(1,825)	-	(1,825)
Balance at 30 June 2017	83,318	50,464	80,699	3	(3,886)	550,037	760,635

* Retained earnings include an amount of JD 16,289 thousands (2017: JD 15,897 thousands) that is restricted against deferred tax assets. This amount is restricted and are not attributable to the shareholders according to Jordan securities commission. In addition, it is restricted to distribute an equivalent amount of the negative fair value reserve from retained earnings as per the same regulation.

The attached notes from 1 to 16 are part of these interim condensed consolidated financial statements

ARAB POTASH COMPANY PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Notes	For the six months ended 30 June	
		2018 JD "000" (Unaudited)	2017 JD "000" (Restated and unaudited)
OPERATING ACTIVITIES			
Profit for the period before income tax		63,767	46,535
Adjustments for			
Depreciation		32,232	33,987
Amortization		569	557
Loss (Gain) from disposal of property, plant and equipment		-	2
Interest income		(7,074)	(5,542)
Finance costs		3,523	1,560
Share of profit from associates and joint ventures	8	(12,685)	(17,515)
Employees' postretirement benefits provision		(117)	(397)
Potash mining fees		6,851	899
Compensation and death provision		3,816	(700)
End of service indemnity provision		135	264
Provision for slow moving inventories		500	1,500
Provision for unpaid leaves		(78)	133
Provision for medical disability		(213)	-
Working capital adjustments:			
Accounts receivable		(7,017)	6,755
Inventories		(3,993)	6,388
Spare parts		(24,921)	2,647
Other current assets		(19,632)	(5,899)
Trade payables		(1,081)	(4,459)
Other current liabilities		12,111	9,667
Net cash flows from operating activities before income tax		46,693	76,382
Income tax paid		(1,865)	(294)
Mining fees paid		(339)	-
Death and compensation fund obligations paid		(3,955)	-
Net cash flows from operating activities		40,534	76,088
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	3	(3,303)	(981)
Projects in progress		(21,054)	(19,154)
Interest received		7,074	3,219
Dividends received from associates and joint ventures		5,232	12,711
Investment in associates and joint ventures		(12,500)	(7,500)
Employees' housing loans		633	767
Short-term bank deposits		39,216	(82,938)
Net cash flows from (used in) investing activities		15,298	(93,876)

The attached notes from 1 to 16 are part of these interim condensed consolidated financial statements

	Notes	For the six months ended 30 June	
		2018 JD "000" (Unaudited)	2017 JD "000" (Restated and unaudited)
FINANCING ACTIVITIES			
Repayment of loan		-	(17)
Obligations against capital projects paid		(1,619)	-
Interest paid		(3,523)	(1,560)
Loans		6,082	-
Dividends paid to shareholders	16	(83,318)	(83,318)
Net cash flows used in financing activities		(82,378)	(84,895)
Net change in cash and cash equivalents		(26,546)	(102,683)
Cash and cash equivalents at 1 January		84,455	143,931
Cash and cash equivalents at 30 June	9	57,909	41,248
NON-CASH TRANSACTIONS			
Commitments against capital projects		-	15,322
Intangible assets		-	(15,322)
Transfers from projects in progress to property, plant and equipment		22,683	21,665
Transfers from projects in progress to other non-current assets		26,888	-

(1) GENERAL

The Arab Potash Company "APC", the "Company", is a public shareholding company that was founded and registered on 7 July 1956 in Amman - Jordan, during 1958, the Company was granted a concession from the Government of the Hashemite Kingdom of Jordan to exploit the minerals and salts of the Dead Sea brine. The concession expires after 100 years from the grant date, after which, the Company's factories and installations become the property of the Government of the Hashemite Kingdom of Jordan. As based on the agreement, the Company will not be responsible for any decommissioning costs. The concession agreement was amended during 2003 in accordance with the Temporary Law Number (55) of 2003, whereby amendments included the annual rent fees for lands within the concession area, the concession area borders and the exclusive rights given to the Company. On 11 May 2010 the Government of Jordan and APC agreed to amend the lease fee of the concession land in Ghour Al Safi site to JD 1.5 million per annum; and the lease fee shall be increased annually in accordance with the Consumer Price Index to become JD 1,790 thousand as at 30 June 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.

The Company's shares are all listed in Amman Stock Exchange as at 30 June 2018.

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

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

The interim condensed consolidated financial statements have been approved by the audit committee with the authorization of the Board of Directors at their meeting held on 30 July 2018.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. In addition, results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2-2 Basis of Consolidation

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

The interim condensed consolidated financial statements comprise the financial statements of Arab Potash Company (the Company) and its subsidiaries (together the "Group") as at 30 June 2018:

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

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

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

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

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

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

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

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

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

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

Shareholders with significant influence over the Group

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

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

	Number of shares	Ownership
		%
PCS Jordan Limited Liability Company *	23,294,614	28
Management of Government Contributions Company	21,782,437	26.1
Arab Mining Company	16,655,651	20
	61,732,702	74.1

* PCS Jordan LLC announced in October 2017 its intent to sell its stake in Arab Potash Company through a public offering. 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. However the agreement is subject to customary closing conditions, including regulatory approvals of both countries to be executed in Amman Stock Exchange market.

2.3 Changes in Accounting Policies

2.3.1 Changes in accounting policy and disclosures

(a) New and amended standards 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 13. 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 reporting periods starting 1 January 2018 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	IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of JD 1,790 thousand (Note 1), 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.

	However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.
Mandatory application date/ Date of adoption by the Group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

(3) PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group has acquired property, plant and equipment with a cost of JD 3,303 thousand (30 June 2017: JD 981 thousand).

In addition, the Group has transferred an amount of JD 22,683 thousand from projects in progress to property, plant and equipment during the six months ended 30 June 2018 (30 June 2017: JD 21,665 thousands).

(4) INTANGIBLE ASSETS AND OBLIGATIONS AGAINST CAPITAL PROJECTS

On 19 February 2014, Arab Potash Company signed an agreement stating the construction of Gas pipelines, to provide the Company with natural gas as a source of energy. This agreement resulted in an obligation against capital projects of JD 15,583 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.

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

This project was completed and transferred from projects in progress to intangible assets (Right of use the Gas pipelines) during March 2017 and upon which the amortisation of this asset started.

(5) PROJECTS IN PROGRESS AND OTHER NON-CURRENT ASSETS

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

In the six months ended 30 June 2018, the Group has initiated projects in progress at a cost of JD 21,054 thousands (30 June 2017: JD 19,154 thousands). The amount of JD 22,683 thousands was transferred from projects in progress to property, plant and equipment during the six months ended 30 June 2018 (30 June 2017: JD 21,665 thousands).

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 purchased at a preferred price. The amount to be paid was limited to JD 26 million. When the Group reached 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 the six months ended 30 June 2018, the contract was changed where the amount to be paid was increased by JD 7.5 million. The balance of the advance payment as of 30 June 2018 is JD 31,594 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 will amortise these amounts based on the amounts of water actually received in the future.

(6) FINANCIAL ASSETS AT AMORTIZED COST

	30 June 2018	31 December 2017
	JD "000" (Unaudited)	JD "000" (Audited)
Unquoted financial assets – governmental bonds*	21,057	21,106

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

As per management calculations, the expected credit losses required by IFRS 9 are not material and were not recorded.

(7) STATUTORY RESERVE

The accumulated amounts in this account of JD 50,464 thousands represent 10% the Group's net income before income tax which were deducted during the previous years according to the Companies Law. This deduction shall continue for each year provided that the total amount deducted from such reserve does not exceed one quarter of the Company's capital. The statutory reserve is not available for distribution to equity shareholders.

The Group has the option to cease such appropriations when the balance of this reserve reaches 25% of the Group's authorized capital. The Group decided in 2005 to cease appropriations to the statutory reserve.

(8) SHARE OF PROFIT FROM ASSOCIATES AND JOINT VENTURES

This item represents the Group's share from gain of investments in associates:

	For the six months ended 30 June	
	2018	2017
	JD "000" (Unaudited)	JD "000" (Restated and unaudited)
Jordan Bromine Company*	12,476	16,544
Nippon Jordan Fertilizer Company	46	148
Jordan Industrial Ports Company	163	823
	12,685	17,515

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

(9) CASH ON HAND AND AT BANKS

	30 June 2018	31 December 2017
	JD'000 (Unaudited)	JD'000 (Audited)
Cash on hand	100	74
Cash at banks	17,567	30,324
Short term deposits*	44,267	54,057
Cash and cash equivalents	61,934	84,455
Short term deposits with original maturities of more than 3 months**	147,483	186,866
	209,417	271,321
Expected credit loss as per IFRS 9	(1,407)	-
Net Cash on hand and at banks balances	208,010	271,321

* This item represents deposits in Jordanian Dinars at local banks with an interest rate of 4.6% (2017: 4.6%) and mature within one to three months from the date of the deposit.

** This item represents deposits in Jordanian Dinars at local banks with an interest rate of 4.6% (31 December 2017: 4.6%) and mature within a period more than three to twelve months from the date of the deposit.

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of the following:

	30 June 2018	31 December 2017
	JD'000 (Unaudited)	JD'000 (Audited)
Cash on hand and at banks and short term deposits	61,934	84,455
Bank overdrafts	(4,025)	-
	57,909	84,455

(10) SEGMENT INFORMATION

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

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

The Group is comprised of the following operating segments:

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

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

	Three months ended 30 June 2018 (Unaudited)					
	APC	KEMAPCO	Numeira	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Sales to external customers	100,422	16,738	114	117,274	-	117,274
Inter-company sales	4,427	-	807	5,234	(5,234)	-
Total Sales	104,849	16,738	921	122,508	(5,234)	117,274
Segment Gross Profit	33,580	7,188	169	40,937	1,786	42,723
Results:						
Share of profits of associates and joint ventures	5,098	-	-	5,098	-	5,098
Depreciation and amortization	17,375	367	23	17,765	(988)	16,777
Capital expenditures						
Property, plant and equipment and projects in progress	13,717	1,565	6	15,288	-	15,288

	Six months ended 30 June 2018 (Unaudited)					
	APC	KEMAPCO	Numeira	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Sales to external customers	193,219	33,706	243	227,168	-	227,168
Inter-company sales	8,856	-	1,193	10,049	(10,049)	-
Total Sales	202,075	33,706	1,436	237,217	(10,049)	227,168
Segment Gross Profit	60,168	14,003	262	74,433	4,701	79,134
Results:						
Share of profits of associates and joint ventures	12,685	-	-	12,685	-	12,685
Depreciation and amortization	34,003	724	50	34,777	(1,976)	32,801
Capital expenditures						
Property, plant and equipment and projects in progress	21,183	3,164	10	24,357	-	24,357

	As at 30 June 2018 (Unaudited)					
	APC	KEMAPCO	Numeira	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Total Assets	866,815	81,543	2,611	950,969	(10,897)	940,072
Total Liabilities	155,951	11,583	1,859	169,393	(4,279)	165,114
Investments in associates and joint ventures	178,514	-	-	178,514	-	178,514

Three months ended 30 June 2017
(Unaudited)

	APC	KEMAPCO	Numeira	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Sales to external customers	79,719	22,786	90	102,595	-	102,595
Inter-company sales	3,105	-	705	3,810	(3,810)	-
Total Sales	82,824	22,786	795	106,405	(3,810)	102,595
Segment Gross Profit	11,678	7,645	246	19,569	1,947	21,516
Results:						
Share of profits of associates and joint ventures	9,726	-	-	9,726	-	9,726
Depreciation and amortization	16,846	1,448	26	18,320	(1,437)	16,883
Capital expenditures						
Property, plant and equipment and projects in progress	8,133	1,324	-	9,457	-	9,457

	Six months ended 30 June 2017 (Unaudited)					
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Sales to external customers	166,370	35,553	199	202,122	-	202,122
Inter-company sales	7,533	-	1,330	8,863	(8,863)	-
Total Sales	173,903	35,553	1,529	210,985	(8,863)	202,122
Segment Gross Profit	28,107	10,988	505	39,600	1,879	41,479
Results:						
Share of profits of associates and joint ventures	17,515	-	-	17,515	-	17,515
Depreciation and amortization	33,466	2,894	52	36,412	(2,425)	33,987
Capital expenditures						
Property, plant and equipment and projects in progress	19,986	143	6	20,135	-	20,135

	As at 30 June 2017 (Unaudited)					
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Total Assets	836,388	81,191	2,096	919,675	(16,334)	903,341
Total Liabilities	77,832	10,096	311	88,239	(3,897)	84,342
Investments in associates and joint ventures	152,160	-	-	152,160	-	152,160

INDUSTRY SEGMENT AND GEOGRAPHICAL ALLOCATION

Following is a summary of sales by the Group based on customers' geographical location for the six-months ended 30 June 2018 and 2017:

	For the six months ended 30 June 2018 (unaudited)				For the six months ended 30 June 2017 (unaudited)			
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Arab Potash Co.	KEMAPCO	Numeira Co.	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
China & India	70,705	2,735	-	73,440	77,109	937	6	78,052
Far East	59,599	2,340	-	61,939	48,384	1,627	1	50,012
Europe	16,902	3,651	203	20,756	12,857	3,720	182	16,759
America & Australia	33,121	4,668	-	37,789	17,763	2,596	-	20,359
Middle East	12,615	15,936	35	28,586	9,835	18,997	9	28,841
Africa	277	3,853	5	4,135	422	7,555	1	7,978
Canada	-	523	-	523	-	121	-	121
Total	193,219	33,706	243	227,168	166,370	35,553	199	202,122

(11) INCOME TAX

The provision for the period ended 30 June 2018 and 2017 has been calculated in accordance with the income tax law No. (34) of the year 2014.

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 2014, the Income and Sales Tax Department has accepted the Company's income tax return as presented based on the samples system.

The Income and Sales Tax Department has reviewed the records of Numeira Mixed Salts and Mud Company (subsidiary) for 2010 and 2011, As for the years 2012 up to 2014, the Income and Sales Tax department has accepted the income tax returns as presented based on the sample system. The Income and Sales Tax Department has the right to reconsider the decision for four years starting from the date of submitting the income tax return. For the years 2015 and 2016, a tax return has been submitted and has not been audited by the Income and Sales Tax Department up to the date of these interim condensed consolidated financial statements.

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). Excluding 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, however, the Company submitted its objection to the decision of the Department and did not issue the final decision and a hearing session has been scheduled on the 8th of August, 2018. The Company recorded an income tax provision for this claim. In the opinion of the Management and the legal counsel, income tax provisions are sufficient to meet the impact of obligations in this regard.

Due from Sales Tax Department

Other receivables include JD 16.9 million representing the general sales tax authorities paid by the Company over the past years and mainly on the expansion project which was completed in 2010. These amounts are refundable under the provisions of the General Sales Tax Law.

Up to the year 2016, the Income and Sales Tax Department approved a refund of JD 8.3 million from the above balance after the audit. The remaining amount of JD 8.6 million remains under verification until the date of preparation of the interim condensed consolidated financial statements.

(12) LITIGATION

There are a number of individual claims filed against Arab Potash Company by a number of employees, most of which are related to health insurance indemnities resulting from the health deficit. The Company estimates the total amount of these compensations at about JD 7,867 thousand as at the date of the interim condensed consolidated financial statements, which have been provided for.

(13) CHANGES IN ACCOUNTING POLICIES

A) Adjusting accounting error

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

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

The Group's practice of covering the Fund's deficit and the payment of employees' benefits led to the creation of the so-called "constructive obligation" in accordance with IAS 19 "Employee Benefits", which changed the nature of the obligation from defined contribution to defined benefits, which accordingly required a change in the accounting treatment of these benefits from a defined contributions plan to a defined benefit plan. The amendment of this accounting error necessitated the recording of the liability in accordance with accounting policy related to the defined benefits. The effect of this adjustment on the comparative figures for the period ended 30 June 2017 was as follows:

30 June 2017	Before adjustments	Adjustment	After adjustments
	JD "000"	JD "000"	JD "000"
Interim consolidated statement of shareholders' equity			
Retained earnings	645,048	(52,406)	592,642
Re-measurement of post-employment benefit obligations	-	(2,061)	(2,061)

30 June 2017	Before adjustments	Adjustment	After adjustments
	JD "000"	JD "000"	JD "000"
Interim consolidated income statement			
Cost of sales	159,518	1,125	160,643
Administrative expenses	7,031	145	7,176
Selling and distribution expenses	9,652	34	9,686
Finance costs and bank charges	1,560	1,919	3,479
Income tax expense	6,470	(648)	5,822
	JD / Fils	JD / Fils	JD / Fils
Basic and diluted earnings per share	0.514	(0.025)	0.489

30 June 2017	Before adjustments	Adjustment	After adjustments
	JD "000"	JD "000"	JD "000"
Interim consolidated statement of comprehensive income			
Re-measurement of post-employment benefit obligations	-	(1,825)	(1,825)

B) Changes in accounting policy

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 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 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 the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet 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 statement of financial position as at 31 December 2017 and the statement of interim consolidated statement of comprehensive income. The adjustments are explained in more detail by the requirements of the standard below in notes (b, c d).

Consolidated Statement of financial position (extract)

	31 Dec 2017 As originally presented	IFRS 9	1 January 2018 Restated
	JD "000"	JD "000"	JD "000"
ASSETS	Audited	Unaudited	Unaudited
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
	527,218	326	527,544
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
	410,089	(2,157)	407,932
TOTAL ASSETS	937,307	(1,831)	935,476
SHAREHOLDERS' EQUITY			
Retained earnings	599,167	(1,831)	597,336
NET SHAREHOLDERS' EQUITY	807,885	(1,831)	806,054

(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 financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in IFRS 9 and, 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 of 31 December 2017	599,167
Increase in provision on cash deposits at banks	(2,124)
Increase in provision over Employees' housing loans	(257)
Increase in deferred tax assets relating to impairment provisions	550
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(1,831)
Opening retained earnings 1 January - IFRS 9	597,336

(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) where 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 where 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 for sales of inventory
2- debt investments carried at amortised cost
3- employees housing loans, and
4- cash and cash equivalent

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 two years data and current year aging, it was noted that there are no receivables with balances that are overdue, 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 the no additional loss in required over this type of financial assets.

3- Employees housing loans

Management has classified all its loans to employees as current (law 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. This is in addition to the fact that there were no history of default in any of the employees loans during the past years. 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.

4- Cash and cash equivalent

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 9requirements 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 change as being currently recognised under IAS 18, since the Group's revenues are generated from sources that are not subject to the new changes required by IFRS 15. Analysis performed by management were as below:

The new five-step process must be applied before revenue can be recognised:

- 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 prices are fixed annually based on the agreed on international prices. Accordingly, management didn't identify additional performance obligations in the related contracts other than selling the requested orders and based on specific agreed on shipping terms that will be satisfied on a point in time rather over time.

(14) KEY ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing these condensed interim financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's audited consolidated financial statements as at and for the year ended 31 December 2017, except for the new estimates and judgments applied on adoption of IFRS 9 as set out below:

- *Impairment of financial assets*
  Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

- *Measurement of ECL*
  The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate.

  The key inputs into the measurement of ECL are the term structure of the following variables:

  - probability of default (PD);
  - loss given default (LGD);
  - exposure at default (EAD).

These parameters are generally derived from internally developed statistical models, other historical data and forward looking information.

(15) CREDIT RISK

Credit risk is the risk of suffering a financial loss, should any of the Group's customers fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from sales to customer, treasury activities and lending to employees. The Group is also exposed to other credit risk arising from investments in debt instruments.

Credit risk is the single largest risk from the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a risk management department which reports regularly to the Board of directors.

Due to the implementation of IFRS 9, Management has recorded an expected credit losses over its financial assets and especially over deposits at Banks, and this is due to the fact that some of these banks has not credit rating, which led to the recognition of a high credit losses amount. Management and to mitigate such losses, decided to concentrate its investments in Banks' deposits with rated banks.

(16) DIVIDENDS DISTRIBUTION

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.