البوتاس العربية
Arab Potash

الرقم Ref. VPF 120/20

التاريخ Date 2020/05/21

السادة هيئة الأوراق المالية المحترمين
ص.ب 8802
عمان 11121 – الأردن

<u>الموضوع: إفصاح اجتماع الهيئة العامة التاسع والخمسون</u>

تحية طيبة وبعد ،

إشارة لتعليمات إفصاح الشركات المصدرة والمعايير المحاسبية ومعايير التدقيق، يرجى العلم التكرم بأن مجلس إدارة شركة البوتاس العربية المساهمة العامة قرر دعوة الهيئة العامة لعقد اجتماع الهيئة العامة العادي رقم (59) في تمام الساعة العاشرة من صباح يوم الاثنين الموافق 2020/06/15 وذلك بواسطة وسيلة الاتصال المرئي والإلكتروني(تقنية شركة Lumi AGM المتخصصة باجتماعات الهيئة العامة عن بُعد) عملاً بأحكام قانون الدفاع رقم (13) لسنة 1992 وأمر الدفاع رقم (5) لسنة 2020 المنشور في الجريدة الرسمية بتاريخ 2020/03/31 والإجراءات الصادرة عن معالي وزير الصناعة والتجارة والتموين بتاريخ 2020/04/09 بموجب أمر الدفاع أعلاه.

مرفق لعنايتكم القوائم المالية والمصادق عليها من قبل مدققي الحسابات السادة برايس ووتر هاوس كوبرز – PWC ونسخة من التقرير السنوي وجدول الأعمال الكترونياً.

وتفضلوا بقبول فائق الاحترام والتقدير،

محمد عبدالرحمن الرازم CPA,CFA
نائب الرئيس التنفيذي الأول للمالية
والخدمات المساندة

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢١ أيار ٢٠٢٠
الرقم المتسلسل: ١٤٩٥
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ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

ARAB POTASH COMPANY
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019 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 2019;
- 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.

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

OUR AUDIT APPROACH

OVERVIEW

Key Audit Matter	Employees' benefit obligations

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 judgement, 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
Employees' benefit obligations (Death and compensation fund)	To evaluate the accounting treatments applied by the Group and to test the accuracy of management's estimates, we undertook the following procedures:
• The Group has different employee benefit programs, some of which are defined contribution plans where the Group's obligations are limited to the contribution made. Other plans constitute "defined benefit plans" including the Death and Compensation fund which represents benefit for retired, resigned or deceased employees. Further details of employee benefit plans are illustrated in Note (21).	• 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 its subsequent amendments. • 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".

• Under IAS 19 'Employee Benefits', the measurement of employees' benefits obligations requires estimates relating to expected future payments and the application of actuarial assumptions in connection with salary growth rates, staff turnover and use of an appropriate discount rate. The assumptions used, and the sensitivities to their changes, are disclosed in Note (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 55,805 thousand as at 31 December 2019 (2018: 53,028 thousand). This subject is considered a key audit matter given the materiality of the employees benefits funds, Death and compensation fund in particular, to the consolidated financial statements and the significant estimates and judgments used in the calculation of the obligation as mentioned above.	• 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 requested to perform. • We utilised 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 which was provided by management by tracing to employees' contracts, payroll sheets, employees' information including date of hire, age, current salary and grade. • We have reviewed the disclosures included in the consolidated financial statements to assess adequacy of disclosures based on IAS 19 "Employees Benefits" requirements in Note (21).

Other information:

Directors are responsible for other information. The other information comprises all other information included in the Group's annual report for the year 2019, except for the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information, and we do not and 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, which we have not obtained yet, 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.

Responsibilities of directors and those charged with governance for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting, and for such internal control as the directors 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, directors are 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 the directors 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 judgement 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 the directors.

- Conclude on the appropriateness of directors' 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 which are consistent, in all material aspects, with the accompanying consolidated financial statements. We recommend the General Assembly to approve them.

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

Hazem Sababa
License No. (802)

Amman - Jordan
17 March 2020

Certified Public Accountants
pwc
Amman - Jordan

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 JD "000"	31 December 2018 JD "000"
ASSETS			
Non-current assets			
Property, plant and equipment	5	214,869	243,267
Right of use	6	19,571	20,981
Right of use of leased asset	34	5,858	-
Projects in progress	7	105,467	25,166
Investment in associates	8	3,789	4,770
Investment in joint ventures	9	188,438	190,160
Finance assets at amortized cost	11	20,903	21,007
Employees' housing loans	12	15,560	16,656
Other non-current assets	18	33,293	31,964
Financial assets at fair value through other comprehensive income	10	585	568
Deferred tax assets	25	20,906	21,378
		629,239	575,917
Current assets			
Inventories	14	30,078	21,949
Spare parts and supplies	15	44,746	43,723
Employees' housing loans	12	2,796	2,822
Accounts receivable	13	102,747	66,778
Other current assets	16	38,832	53,458
Cash on hand and bank balances	17	240,135	245,958
		459,334	434,688
Total assets		1,088,573	1,010,605
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	(72)	(89)
Re-measurement of post-employment benefit obligations		(13,314)	(8,190)
Retained earnings		690,606	638,892
Net Shareholders Equity		891,701	845,094

The accompanying notes 1 to 36 form part of these consolidated financial statements

	Notes	31 December 2019	31 December 2018
		JD "000"	JD "000"
Liabilities			
Non-current liabilities			
Long-term loan	20	11,690	15,861
Obligations against capital projects	6	5,664	8,900
Death and compensation fund obligations	21	48,812	49,922
Other non-current liabilities	24	7,454	7,609
Lease liability	34	4,349	-
		77,969	82,292
Current liabilities			
Bank overdraft	20	10,499	3,688
Current portion of long-term loan	20	5,845	3,798
Obligations against capital projects	6	3,236	3,236
Death and compensation fund obligations	21	6,993	3,106
Trade payables		12,625	21,961
Income tax provision	25	33,756	12,061
Other current liabilities	22	45,189	35,369
Lease liability	34	760	-
		118,903	83,219
Total liabilities		196,872	165,511
Total shareholders' equity and liabilities		1,088,573	1,010,605

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD "000"	JD "000"
Sales	23	504,608	482,727
Cost of sales	26	(278,429)	(316,030)
Gross profit	23	226,179	166,697
Administrative expenses	27	(19,080)	(14,959)
Selling and distribution expenses	30	(19,637)	(20,501)
Corporate social responsibility expenses		(11,319)	(9,815)
Net foreign currency exchange differences		(821)	(276)
Potash mining fees	1, 29	(24,839)	(15,114)
Operating profit		150,483	106,032
Interest income		13,151	13,210
Finance costs and bank charges	31	(8,499)	(10,838)
Other income, net	28	1,252	36
Profit before the group's share of profit from associates and joint ventures and income taxes		156,387	108,440
Group's share of profit of associates and joint ventures	8,9	52,350	34,852
Profit before income tax		208,737	143,292
Income tax expense	25	(57,042)	(18,418)
Profit for the year		151,695	124,874
		JD / Fills	JD / Fills
Earnings per share			
Basic and diluted earnings per share	32	1.821	1.499

The accompanying notes 1 to 36 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD "000"	JD "000"
Profit for the year		151,695	124,874
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefit obligations		(6,747)	(3,217)
Group's share of re-measurement of post-employment benefit obligations		(688)	-
Changes in the fair value of equity investments at fair value through other comprehensive income	10	17	(38)
Income tax relating to these items		2,311	739
Total comprehensive income for the year		146,588	122,358

The accompanying notes 1 to 36 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 2019

	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"
2019							
Balance at 1 January 2019	83,318	50,464	80,699	(89)	(8,190)	638,892	845,094
Profit for the year	-	-	-	-	-	151,695	151,695
Other comprehensive income (Loss) for the year	-	-	-	17	(5,124)	-	(5,107)
Total comprehensive income for the year	-	-	-	17	(5,124)	151,695	146,588
Transactions with shareholders in their capacity as owners:							
Dividends distribution (Note 19)	-	-	-	-	-	(99,981)	(99,981)
Balance at 31 December 2019	83,318	50,464	80,699	(72)	(13,314)	690,606	891,701
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 loss for the year	-	-	-	(38)	(2,478)	-	(2,516)
Total comprehensive income for the year	-	-	-	(38)	(2,478)	124,874	122,358
Transactions with shareholders 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

The accompanying notes 1 to 36 form part of these consolidated financial statements

ARAB POTASH COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD "000"	JD "000"
Operating Activities			
Profit for the year before income tax		208,737	143,292
Adjustments:			
Depreciation	5	45,765	65,232
Depreciation on right of use of leased asset	34	538	-
Amortisation	6,11,18	3,796	2,705
(Gain) Loss on disposal of Property, plant and equipment		(1,178)	32
Interest income		(13,151)	(13,210)
Finance costs	31	8,499	10,838
Share of profit of associates and joint ventures and its amendments	8,9	(52,350)	(34,852)
End of service indemnity provision		476	(417)
Potash mining fees		24,839	15,114
Employees' post-employment benefits provision		-	(3,355)
Provision for slow moving spare parts and inventory	14,15	913	(674)
Provision for unpaid employees' leaves		(64)	2,760
Employee's legal cases compensation provision		2,955	(1,838)
Death and compensation provision	21	10,732	7,345
Working capital changes:			
Inventories		(8,129)	(10,589)
Spare parts		(1,935)	(5,770)
Accounts receivable		(35,969)	(16,089)
Other assets		(2,244)	(23,787)
Trade payables and accruals		(9,338)	5,136
Other current liabilities		5,844	10,706
Net cash flows from operating activities before income tax paid and royalties paid		188,736	152,579
Income tax paid	25	(19,305)	(9,464)
Mining fees paid	29	(24,000)	(16,339)
Death and compensation fund paid	21	(15,390)	(5,901)
Net cash flows from operating activities		130,041	120,875

The accompanying notes 1 to 36 form part of these consolidated financial statements

	Notes	2019	2018
		JD "000"	JD "000"
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(4,783)	(7,460)
Acquisition of right of use	6	-	(7,420)
Cash proceeds from sales of property, plant and equipment		1,248	-
Projects in progress	7	(92,955)	(55,234)
Interest received		13,151	11,117
Dividends received from associates and joint ventures	8,9	60,053	10,983
Investment in associates and joint ventures	8,9	(5,000)	(12,500)
Granted employees' housing loans		(2,093)	(1,247)
Proceeds from Employees housing loans		3,215	2,774
Short term deposits with maturity above three months and less than a year		(15,012)	(20,390)
Net cash flows used in investing activities		(42,176)	(79,377)
FINANCING ACTIVITIES			
Repayment of loans	20	(4,915)	-
Loans borrowed	20	2,791	8,028
Payments for obligations against capital projects		(3,236)	(3,237)
Lease liability paid	34	(1,671)	-
Interest paid		(8,499)	(10,838)
Dividends paid to shareholders	19	(99,981)	(83,318)
Net cash flows used in financing activities		(115,511)	(89,365)
Net decrease in cash and cash equivalents		(27,646)	(47,867)
Cash and cash equivalents at 1 January		36,588	84,455
Cash and cash equivalents at 31 December	17	8,942	36,588
Non-Cash Transactions:			
Transfers from projects in progress to property, plant and equipment	7	12,654	81,590
Transfers from projects in progress to other non-current assets	7	-	26,888
Offset income tax payable against sales tax receivable	25	(13,259)	(3,399)

The accompanying notes 1 to 36 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 1,836 thousand as at 31 December 2019.

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 12 March 2020, 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.

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	Percentage of ownership
			'000	%
Arab Fertilizers and Chemicals Industries (KEMAPCO)	Limited Liability	Fertilizer production	29,000	100
Numeira Mixed Salts and Mud Company	Limited Liability	Dead sea Mud products and packaging services	800	100
Jordan Dead Sea Industries (JDICO)	Limited Liability	Investment Holding Company	100	100

Shareholders that have significant influence over the Group

Shareholder	No. of shares	Percentage of ownership
		%
Man Jia Industrial Development Limited *	23,294,614	28
Governmental Investments Management Company	21,782,437	26,1
Arab Mining Company	16,655,651	20

* 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 Man Jia Industrial Development Company; that is fully owned by SDIC Mining Investment Company in China.

2.3 Changes in Accounting Policies

2.3.1 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations issued and adopted by the Group for the first time effective for the financial year beginning on 1 January 2019:

A number of new or modified standards have become applicable in the current reporting period and are as follows:

- **'Annual improvements to the IFRSs issued during the years 2015-2017:** 'Improvements to IFRS (3) include "Business combination", and IFRS (11) "Joint arrangements" and IAS (12) "Income taxes" and IAS (23) "Borrowing costs".

- **'Amendments to IAS 19 'Employees' benefits"**: These amendments relate to an amendment to plans, curtailment, or adjustments.

- **'IFRS 9 "Financial instruments"**
Nature of change: The amendment allows for more assets to be measured at amortised cost more frequently compared to the previous version of IFRS 9, in particular for some prepaid financial assets. The amendment also confirms that the adjustments in financial liabilities will result in immediate recognition of profit or loss.

- **'IFRIC 23 'Uncertainty over income tax treatments'**: 'IFRIC 23 explains the determination of taxable profit (tax loss), tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - 'Whether tax treatments should be considered collectively.
  - 'Assumptions of tax authorities.
  - 'Determination of tax profit (tax loss), tax bases, unused tax losses and tax rates.
  - 'Impact of changes in facts and circumstances.

- **IFRS 16, "Leases"**

Nature of change: 'IFRS (16) was issued in January 2016 and is valid for financial periods beginning on or after 1 January 2019. The IFRS (16) states that all leases, and associated contractual rights and obligations should be recognised in the Group's financial position, unless the term is 12 months or less, or the lease is for low-value assets and leases under exploration, concession and extraction. Consequently, the classification required under IAS 17 "Leases" in operating or finance leases was cancelled for tenants. For each lease, the tenant recognises an obligation in exchange for the future rental obligations. In contrast, the right to use the leased asset is capitalised, which is generally equivalent to the present value of future rental payments plus directly attributable costs that are amortised over the useful life.

The accounting for lessors will not significantly change.

Mandatory date of adoption by the Group: Mandatory for financial years commencing on or after 1 January 2019. The Group applied the simplified prospective transition approach and did not restate comparative amounts for the year prior to first adoption.

Impact: The standard will affect primarily the accounting for the Group's operating leases.

The leases contracts were previously accounted for as operating leases in accordance with International Accounting Standard No. 17 and were recognized as an expense for the period in the consolidated statement of income.

Leases are recognized as assets of the right to use and corresponding liabilities on the date that the leased assets are available for use in the Group. Each lease payment is distributed between the obligation and the financing cost. The cost of financing is charged to profit or loss over the term of the lease to obtain a constant periodic rate of interest payable on the remaining balance of liabilities for each period. Amortisation is calculated on the assets of the right to use over the useful life of the asset or lease term, whichever is shorter, using the straight-line method.

Assets and liabilities arising from rent are measured at their present value. Rental assets include the net present value of the following lease payments:

- Fixed payments (including fixed payments in substance), less any rent incentives payable.
- Variable lease payments based on the index or the rate.
- Amounts expected to be paid by the lessee under residual value assurance.
- The exercise price of the purchase option if the lessee is reasonably sure of exercising this option.
- Payments for rent termination penalties, if the rental terms indicate the tenant's use of this option.

Operating lease commitments are measured at the present value of the remaining lease payments, where the lease payments are deducted using the interest rate included in the lease. If this rate cannot be determined, the additional borrowing rate of the lessee, which is the rate at which the lessee must pay to borrow funds to obtain an asset of similar value in a similar economic environment, is used on similar terms and conditions.

The asset's right to use is measured at cost which includes:

- The initial amount of the lease obligation.
- Any lease payments paid on or before the date of commencement of the contract less any rent incentives received.
- Any direct priority costs.
- The cost of the repairs to return the leased asset to its condition before the lease.

Payments relating to short term leases and low value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are 12 months or less.

Impact on the consolidated statement of financial position as at 1 January 2019 and 31 December 2019:

	2019 JD "000"
Consolidated statement of financial position	
Assets	
Gross amount of operating lease contracts	4,040
Discount effect	(803)
Current value of right of use of leased asset	3,237
Add: Prepaid rent expense	505
Right of use of leased asset as of 1 January	3,742
Add: new operating lease contracts during the year	2,654
Minus: depreciation expense for the year	(538)
Right of use of leased assets as at 31 December	5,858

	2019 JD "000"
Consolidated statement of financial position	
Liabilities	
Current value of operating lease liabilities as of 1 January	3,237
Additions on the operating lease contracts during the year	2,654
Operating lease liabilities paid during the year	(1,166)
Finance cost for the year	384
Operating lease liabilities as at 31 December	5,109

	2019 JD "000"
Liabilities	
Current portion	760
Non-current portion	4,349
Operating lease liabilities as at 31 December	5,109

The Impact on the consolidated statement of income statement (increase/(decrease)) for the year ended 31 December 2019:

	2019 JD "000"
Consolidated income statement	
Rent expense	609
Depreciation expense	(538)
Finance costs	(384)
Net effect of implementation	(313)

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

- **Amendments to IAS (1) 'Presentation of financial statements':** These amendments relate to the definition of materiality.

- **Amendments to IFRS (3) "Business combinations":**

  These amendments clarify the definition of business as the revised International Accounting Standards Board (IASB) published the revised the "Conceptual framework for financial reporting". This includes the revised definitions of assets and liabilities, as well as new guidance on measurement, de-recognition, presentation and disclosure.

  'In addition to the revised conceptual framework, the IASB issued amendments to the references for the conceptual framework in the IFRSs, as the document contains amendments to IFRSs (2, 3, 6 and 14) and IASs (1, 8, 34, 37 and 38) and the IFRICs (12 and 19, 20 and 22) and SIC (32) in order to update these pronouncements regarding references and quotations from the framework or to indicate what they refer to in a different version of the conceptual framework.

- **Amendments to IFRS 10 (Consolidated financial statements) and IAS 28 "Investments in associates and joint ventures (2011)":**

  The effective date has been postponed indefinitely, and adoption is still permitted: 'These amendments relate to the transaction to sell or contribute assets from the investor to the affiliate or joint venture.

  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.

2.6 Projects in Progress

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

2.7 Right of use

This asset represents the amounts that were paid to the Gas provider against the cost of constructing the gas pipelines from the supplier's field of operation to the borders of the Hashemite Kingdom of Jordan, in additions to the amounts that were paid to National Electrical Power Company as a contingent option to be able to use the electricity as an alternative source of power for the gas turbine. The Company will be amortising these assets using the straight-line method over 15 and 20 years respectively.

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

2.8 Inventories and Spare Parts and Supplies

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

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

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

2.9 Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

2.10 Impairment of Non-Financial Assets

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

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

2.11 Accounts Receivable

Trade receivables are carried at the transaction price related to a performance obligation less an allowance for doubtful debts. The Group assesses on a forward looking basis the allowance for doubtful debts using an expected credit losses ("ECL") approach over the lifetime of the assets. Such allowances for doubtful debt are charged to the consolidated statement of profit or loss and reported under "General and administrative expenses". When a trade receivable is uncollectible, it is written-off against the allowance for the doubtful debts in the consolidated income statement. When a subsequent event causes the amount of allowance for doubtful debts to decrease, the decrease in the allowance for doubtful debts is reversed through the consolidated income statement as per the staging criteria logic defined in the Group's policy.

2.12 Cash on hand and at banks

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

2.13 Impairment of financial assets

The group applies IFRS 9 simplified approach for measuring expected credit losses ("ECL") model on all financial assets measured at amortized cost.

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- Deposits at banks

1- 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- All of the Group's debt investments at amortised cost are considered to have 'low credit risk 'as these investments are investments in 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- 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.

   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. A provision of JD 746 thousand is the balance as of 31 December 2019.

4- 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 December 2019 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%.

2.14 Provisions

Provisions are recognised when the Group has:

- a present legal or constructive obligation as a result of a past event,
- it is probable that an outflow of economic resources will be required to settle the obligation in the future and,
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects time value of money, where appropriate and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as part of the finance cost in the consolidated statement of profit or loss.

2.15 Employees Benefits

Short-term obligations

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

Defined contribution pension plan

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

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan.
The Group makes payments to the employees when their service end, usually dependent on one or more factors such as age, years of service and compensation as per the Group's internal bylaws.

The Group has the following defined benefit plans:

- End of service indemnity
- Death and compensation fund obligations
- Employees Unveiled leaves

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

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

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

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

2.16 Trade Payables

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

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

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

2.19 Revenue Recognition

Revenue is recognised at the fair value of received or due amounts from the sale of goods net of returns, discounts and rebates.

Revenue comprises of sales to other parties. Revenue is recognised, when (or as) the group satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer (buyer) control over the promised goods and services, either as:

- at a point in time or,
- over a time basis equivalent to the stage of completion of the service.

The Group recognizes revenue from the following main sources:

(i) Sale of Potash and fertilizer products directly to the customers:

Revenue is recognized when the risks and rewards of ownership are transferred to the customer, when the sales amount can be recovered, the related costs and the probable returns of the goods can be reliably estimated, there is no continuous interference from management in the goods, and when revenue can be reasonable measured. Revenue is measured after deduction of returns, discounts and quantity rebates.

For certain contracts involving discounts or rebates, the Group calculates an allowance for such sales on the basis of the specified discount and expected quantity rebates as stated in the contract and these are recorded as a deduction from sales revenue with the corresponding liability recorded in "other payables" as mentioned below. In return, the Group deducts these amounts from the customer's due balance when all the conditions stipulated in the contract are met. As for the quantity rebates, these are deducted from the inventory balance and the related cost are added to the cost of sales when all the conditions in the contract are met.

All the Group sales are performed within a short period, thus, the period between the transfer of the promised goods or services to the customer and payment by the customer doesn't exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money

Right in discounts

The Group offers discounts based on the agreements signed with some customers, and on any quantity sold within the contract. Discounts are charged against amounts owed by the customer. To estimate the variable variance of the expected future discounts, the Group applies the most probable method of contracts with the only ceiling for trading volume and the expected value method for multi-volume trading contracts. The chosen method that predicts better versus variable is mainly based on the number of trading volume ceilings contained in the contract. The Group then applies the requirements to record the estimates of the variable consideration and recognizes the liability for future expected liabilities.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate ("EIR") applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

2.20 Dividend distribution

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

2.21 Leases

Starting from 1 January 2019, lease contracts are recognized based on the right to use assets and the corresponding obligations on the date when the leased assets are available for the use of the group. Each lease payment is distributed between the obligation and the cost of the financing. The finance charge is charged to the profit or loss over the term of the lease in order to obtain a fixed periodic rate of interest due on the balance remaining from the obligation for each period. Depreciation is calculated on the assets of the right to use over the useful life of the asset or the lease term, whichever is shorter, using the straight-line method.

2.22 Earnings per share

Basic earnings per share is calculated by dividing:

- the consolidated net profit after tax attributable to ordinary owners of the Group .
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (where applicable).

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

2.23 Income tax

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

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

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

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

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

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

2.24 Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 3.3.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 - The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

- Level 2 - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2

- Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities

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

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

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

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

2.25 Segment reporting

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

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

2.26 Offsetting

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

2.27 Financial assets

The application of the new standard required the management to apply the following new accounting policies:

2.27.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value; and
- Those to be measured at amortised cost including financial assets at amortised costs, accounts receivable, employees housing loans and bank balances).

The classification depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2.27.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.27.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(3) FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

- **Foreign exchange risk**

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

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

	Increase in exchange rate	Balance	Effect on profit for the year
	%	JD '000	JD '000
2019			
Assets			
Euro	5	3,681	175
Liabilities			
Euro	5	(2,171)	(103)
		1,510	72
2018			
Assets			
Euro	5	8,430	329
Liabilities			
Euro	5	(1,278)	(50)
		7,152	279

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

Cash flow and fair value interest rate risk

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

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

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

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

	Increase in interest rate	Effect on profit for the year
	%	JD '000
2019		
Assets		
JOD	1	2,222
Liabilities		
USD	1	(89)
Net impact		2,133
2018		
Assets		
JOD	1	2,334
Liabilities		
USD	1	(355)
Net impact		1,979

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

- **Price risk**

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

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

	Increase in Potash price	Effect on profit for the year
	%	JD '000
2019		
JD	10	19,773
2018		
JD	10	4,827

(b) Liquidity risk

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

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Book value
	JD '000	JD '000	JD '000	JD '000	JD '000
At 31 December 2019					
Loans and bank overdraft	16,344	6,196	6,567	29,107	28,034
Commitments against capital expenditures	3,236	6,060	-	9,296	8,900
Lease liability	760	1,373	6,597	8,730	5,109
Trade payables	12,625	-	-	12,625	12,625
Other current liabilities	41,605	-	-	41,605	41,605
At 31 December 2018					
Loans and bank overdraft	7,486	5,111	11,839	24,436	23,347
Commitments against capital expenditures	3,236	3,446	7,648	14,330	12,136
Trade payables	21,961	-	-	21,961	21,961
Other current liabilities	29,079	-	-	29,079	29,079

(c) 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 one of the largest risks from the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management is controlled by the finance department; which reports regularly to the 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 no credit ratings, 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.

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

The Group's customers are granted 30-180 days as a grace period after the assessment of their financial solvency, in addition the creditworthiness of the customers is continually assessed.

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

There is a concentration of credit risk in the Group, with the largest receivable balance comprises 39% of net receivables as at 31 December 2019 (29.9% as at 31 December 2018).

Regarding employees housing loans, they are granted to employees based on the internal bylaws of the Group. These loans are later collected through the monthly deduction from salaries in accordance to the agreed on repayment schedule. Salaries are deducted against the loans in addition to mortgaging the real-estate in the benefit of the Group, and setting other employees benefits including end of service when retiring and resigning.

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

Bank name	Credit Rating (Fitch)	31 December 2019	31 December 2018
Arab Bank	BB	16,634	11,851
Safwa Islamic Bank	A	9,360	14,145
Islamic International Arab Bank	A+	11,249	15,636
Al Rajhi Bank	A-	23,087	22,807
Housing Bank for Trade and Finance	BBB+	30,143	11,155
BLOM Bank	B-	-	1,660
Jordan Commercial Bank	BB	12,047	12,369
Invest Bank	BBB-	23,720	15,486
Bank al Etihad	Unrated	5,149	23,357
Societe Generale Bank	A+	19,666	24,933
Jordan Ahli Bank	BB-	31,590	26,753
Capital Bank	BBB-	20,536	15,939
ABC Bank	BBB-	17,378	26,003
Citi Bank	A+	4,296	1,430
Arab Jordanian Investment Bank	BB-	3,889	5,088
Audi Bank	B-	11,548	3,753
Cairo Amman Bank	BBB-	-	13,214
Bank of Jordan	BB-	7	7
Standard Chartered	A+	1,176	2,283
		241,475	247,869

3.2 Capital risk management

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

3.3 Fair value of Financial Instrument

A- Financial instruments

The Group holds the following financial instruments:

Financial assets	Financial assets at FVOCI	Financial assets at amortised cost	Total
	JD '000	JD '000	JD '000
At 31 December 2019			
Financial assets at fair value through other comprehensive income	585	-	585
Financial assets at amortized cost	-	20,903	20,903
Employees' housing loans	-	18,356	18,356
Accounts receivable	-	102,747	102,747
Other receivables (excluding prepayments and statutory requirements)	-	4,874	4,874
Cash on hand and bank balances	-	240,135	240,135
	585	387,015	387,600
At 31 December 2018			
Financial assets at fair value through other comprehensive income	568	-	568
Financial assets at amortized cost	-	21,007	21,007
Employees' housing loans	-	19,478	19,478
Accounts receivable	-	66,778	66,778
Other receivables (excluding prepayments and statutory requirements)	-	5,470	5,470
Cash on hand and bank balances	-	245,958	245,958
	568	358,691	359,259

Financial liabilities	Financial liabilities at FVOCI	Financial liabilities at amortised cost	Total
	JD '000	JD '000	JD '000
At 31 December 2019			
Loans and bank overdraft	-	28,034	28,034
Obligations against capital projects	-	8,900	8,900
Operating lease liability	-	5,109	5,109
Trade payables	-	12,625	12,625
Other current liabilities (excluding statutory liabilities)	-	41,605	41,605
	-	96,273	96,273
At 31 December 2018			
Loans and bank overdraft	-	23,347	23,347
Obligations against capital projects	-	12,136	12,136
Trade payables	-	21,961	21, 961
Other current liabilities (excluding statutory liabilities)	-	29,079	29,079
	-	86,523	86,523

B- Fair value hierarchy

The Group's financial instrument measured at fair value are classified into one of the three levels mentioned in note 2.24.

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

	Total	Level 1	Level 2	Level 3
2019	JD "000"	JD "000"	JD "000"	JD "000"
Financial assets at fair value through other comprehensive income	585	509	-	76
2018				
Financial assets at fair value through other comprehensive income	568	492	-	76

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

C- Fair value for financial assets not held at fair value:

	Book value	Fair value
	JD '000	JD '000
2019		
Financial assets at amortised cost	20,903	20,903
Employees housing loans	18,356	18,356
Trade receivables	102,747	102,747
Other current assets	4,874	4,874

	Book value	Fair value
	JD '000	JD '000
2018		
Financial assets at amortised cost	21,007	21,007
Employees housing loans	19,478	19,478
Trade receivables	66,778	66,778
Other current assets	5,470	5,470

(4) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Income taxes

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

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

(b) Useful lives of property, plant and equipment

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

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

At the end of the year, if the useful lives increased/decreased by 5% in comparison with the current useful lives and having all other variables fixed, the net profit of the year will decrease/ increase by JD 2,288 thousand (2018: decrease/ increase by JD 3,135 thousand).

(c) Impairment of financial assets

The Group applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all financial instruments. To measure the expected credit losses, the group's financial instruments have been grouped based on shared credit risk characteristics and the days past due as follows:

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 is required to revise its impairment methodology under IFRS 9 for each of these classes of assets' by measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables and employees housing loans.

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.

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.

For the Deposits with Banks Portfolio, all the Deposits were for periods less than 365 days and the Fitch Ratings as on 31 December 2019 for them were mapped with the S&P Equivalent Ratings and one year average Multi-Year Global Corporate Transition Matrices, using the annual Global Corporate Default Study And Rating Transitions by S&P to arrive at the Probability of Default (PD).

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

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

The assumptions used in determining the cost for the death and compensation fund obligations include the discount rate, mortality staff turnover, and expected future salary increments. Any changes in these assumptions will impact the amount of these obligations. The Group determines the appropriate discount rate at the end of each year. This discount rate should be used to determine the present value of estimated future cash outflows expected to be required to settle the employees' death and compensation fund obligations, please see note (21 and 24).

(e) Impairment of property, plant and equipment

Whenever indicators of impairment are present in accordance with the accounting policy, note 2.10, the Group tests whether its property, plant and equipment (PP&E) has suffered impairment at each reporting period. The recoverable amount of PP&E is determined based on the "Value in Use" (VIU) calculations, which require the use of assumptions.

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

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

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

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

In the opinion of the management, there are no indications of impairment in the value of property, plant and equipment.

(5) PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Dikes	Machinery and Equipment	Vehicles	Furniture and Fixtures	Computers	Total
2019	JD"000"	JD"000"	JD"000"	JD"000"	JD"000"	JD"000"	JD"000"	JD"000"
Cost:								
Balance at 1 January 2019	3,011	113,143	192,397	821,317	45,552	8,525	11,533	1,195,478
Additions	-	289	63	3,409	800	34	188	4,783
Transfers from projects in Progress (Note 7)	-	2,205	-	10,449	-	-	-	12,654
Disposals	-	(715)	(44)	(45,357)	(4,870)	(606)	(2,313)	(53,905)
Balance at 31 December 2019	3,011	114,922	192,416	789,818	41,482	7,953	9,408	1,159,010
Accumulated Depreciation								
Balance at 1 January 2019	-	83,490	168,041	645,057	37,354	7,541	10,728	952,211
Depreciation for the year *	-	5,363	3,556	34,216	2,057	224	349	45,765
Disposals	-	(657)	(44)	(45,350)	(4,865)	(606)	(2,313)	(53,835)
Balance at 31 December 2019	-	88,196	171,553	633,923	34,546	7,159	8,764	944,141
Net Book Value At 31 December 2019	3,011	26,726	20,863	155,895	6,936	794	644	214,869
2018								
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 (Note 7)	-	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

Total fully depreciated assets as at 31 December 2019 amounted to JD 779,495 thousand (2018: JD 621,874 thousand).

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

	2019	2018
	JD "000"	JD "000"
Cost of sales (Note 26)	43,115	62,653
Administrative expenses (Note 27)	486	503
Selling and distribution expenses (Note 30)	2,164	2,076
	45,765	65,232

(6) RIGHT OF USE

	2019	2018
	JD "000"	JD "000"
Right of use of the Gas Pipeline	12,553	13,592
Right of use of NEPCO electricity	7,018	7,389
	19,571	20,981

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 and generate electricity. This agreement resulted in an obligation against capital projects of JD 15,583 thousand with an annual interest rate of LIBOR 3 months plus 5% marginal fixed interest rate. This commitment will be settled over a period of 60 monthly payments starting 31 October 2017.

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

	Right of use
	JD "000"
2019	
Cost	
Balance as at 1 January and 31 December 2019	15,583
Accumulated amortization	
Balance as at 1 January 2019	1,991
Charges for the year (Note 26)	1,039
Balance as at 31 December 2019	3,030
Net book amount	12,553

	Right of use JD "000"
2018	
Cost	
Balance as at 1 January and 31 December 2018	15,583
Accumulated amortization	
Balance as at 1 January 2018	952
Charges for the year (Note 26)	1,039
Balance as at 31 December 2018	1,991
Net book amount	13,592

- ***Obligations against capital projects***

The obligation against the capital project that is due in 2019 and after are as below:

	2019 JD "000"	2018 JD "000"
Non- current portion	5,664	8,900
Current portion	3,236	3,236
	8,900	12,136

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"
2019	
Cost	
Balance as at 1 January and 31 December 2019	7,420
Accumulated amortization	
Balance as at 1 January 2019	31
Charges for the year (Note 26)	371
Balance as at 31 December 2019	402
Net book amount	7,018

	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 for the year (Note 26)	31
Balance as at 31 December 2018	31
Net book amount	
As at 31 December 2018	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:

	2019	2018
	JD "000"	JD "000"
Balance as at 1 January	25,166	78,410
Additions during the year	92,955	55,234
Transfers to property, plant and equipment (Note 5)	(12,654)	(81,590)
Transfer to other non-current assets (Note 18) *	-	(26,888)
	105,467	25,166

* The Group entered into an agreement with the Jordan Valley Authority in 2016 to finance the construction of "Wadi Ibn Hammad dam" in return for water supplies. As a result, the Group transferred a balance of JD 26,888 thousand from the projects in progress to other non-current assets as they will begin to benefit from the project.

(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 2019	Investment in associates balance 2018
				%	JD "000"	JD "000"
Nippon Jordan Fertilizer Company (NJFC)*	Jordan	3,345,600	Fertiliser production	20	3,535	4,548
Jordan Investment and South Development Company (JISDC)	Jordan	393,096	Investment and development	45.45	243	211
Jordan International Chartering Company (JICC)	Jordan	12,000	Sea transportation and chartering	20	11	11
					3,789	4,770

The movement on investments in associates is as follows:

	2019	2018
	JD "000"	JD "000"
Balance as at 1 January	4,770	5,095
Group's share of (Loss) profit of associates	(811)	243
Amendments on the group's share of profit**	-	(48)
Dividends received from associates*	(170)	(520)
Balance as at 31 December	3,789	4,770

* The Group's portion of Nippon Jordan Fertilizer Company's dividends amounted to JD 170 thousand during 2019 (2018: JD 520 thousand).

** 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 2019.

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

	2019	2018
	JD "000"	JD "000"
Nippon Jordan Fertilizer Company (NJFC)	(843)	174
Jordan Investment and South Development Company (JISDC)	32	69
	(811)	243

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

	NJFC		JISDC		JICC*	
	2019	2018	2019	2018	2019	2018
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Current assets	18,178	23,427	433	321	84	84
Non-current assets	6,175	6,821	284	301	1	1
Current liabilities	(6,678)	(7,508)	(81)	(88)	(30)	(30)
Non-current liabilities	-	-	(101)	(70)	-	-
Net assets	17,675	22,740	535	464	55	55
Percentage of ownership	20%	20%	45.45%	45.45%	20%	20%
Carrying amount of investment in associates	3,535	4,548	243	211	11	11

	NJFC		JISDC		JICC*	
	2019	2018	2019	2018	2019	2018
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Revenue	58,115	65,991	440	426	-	2
Cost of sales	(57,916)	(61,945)	(246)	(219)	-	(4)
Other revenues and expenses, net	(4,414)	(3,178)	(123)	(55)	-	2
Income (loss) before tax	(4,215)	868	71	152	-	-
Income tax expense	-	-	-	-	-	-
Profit for the year	(4,215)	868	71	152	-	-
Group's share of income for the year	(843)	174	32	69	-	-

* During 2019, the general assembly decided in its extraordinary meeting to liquidate the Company.

(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	
				%	2019	2018
					JD "000"	JD "000"
Jordan Bromine Company (JBC)*	Jordan	15,000,000	Extraction of Bromine	50	114,242	121,861
Jordan Industrial Port (JIPC)**	Jordan	70,000,000	Port logistics	50	74,196	68,299
					188,438	190,160

The movement on investments in joint ventures is as follows:

	2019	2018
	JD "000"	JD "000"
Balance as at 1 January	190,160	153,466
Increase in the group's share of investment in joint venture**	5,000	12,500
Group's share of profit of joint venture	53,161	34,657
Group's share of re-measurement of post-employment benefit obligations	(688)	-
Dividends received from joint ventures*	(59,195)	(10,463)
Balance as at 31 December	188,438	190,160

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

	2019	2018
	JD "000"	JD "000"
Jordan Bromine Company (JBC)	52,264	33,127
Jordan Industrial Port (JIPC)	897	1,530
	53,161	34,657

* 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 59,883 thousand during 2019 (2018: JD 10,463 thousand).

** During 2019, the Group increased its investment by JD 5,000 thousand to reach 70,000,000 shares (2018: 65,000,000 shares) and the percentage of ownership did not change.

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

	Jordan Bromine Company		Jordanian Industrial Port Company	
	2019	2018	2019	2018
	JD "000"	JD "000"	JD "000"	JD "000"
Current assets	134,704	89,239	23,224	28,169
Non-current assets	193,275	175,970	129,193	116,080
Current liabilities	(21,275)	(20,354)	(4,225)	(7,651)
Non-current liabilities	(17,420)	(6,565)	-	-
Net assets	289,284	238,290	148,192	136,598
Carrying amounts of investment in joint ventures	114,242	121,861	74,096	68,299

	Jordan Bromine Company		Jordanian Industrial Port Company	
	2019	2018	2019	2018
	JD "000"	JD "000"	JD "000"	JD "000"
Revenue	290,544	202,144	16,406	16,125
Cost of sales	(127,810)	(98,944)	(11,838)	(13,703)
Other revenues and expenses, net	(11,745)	(14,198)	(2,774)	638
Profit before tax	150,989	89,002	1,794	3,060
Income tax expense	-	-	-	-
Profit for the year	150,989	89,002	1,794	3,060
The Group's share of profit for the year	52,264	33,127	897	1,530

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

	2019	2018
	JD "000"	JD "000"
Quoted shares*	509	492
Unquoted shares**	76	76
	585	568

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

	2019	2018
	JD "000"	JD "000"
At 1 January	(89)	(51)
Net unrealized gains (losses)	17	(38)
At 31 December	(72)	(89)

** 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

	2019	2018
	JD "000"	JD "000"
Unquoted financial assets- government bonds*	20,903	21,007

* 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 amortization of bonds premium for these assets is JD 0.104 thousand for 2019 (2018: JD 0.99 thousand).

The fair value of these bonds approximates 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 50,000 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 6.8%. These loans are subsequently measured at amortized cost using the effective interest rate method.

The balance of the Housing loan is as follows:

	2019	2018
	JD "000"	JD "000"
Employees housing loans undiscounted value	27,577	28,699
Minus: Loss allowance for doubtful receivables*	(746)	(746)
	26,831	27,953
Minus: Effect of the discount	(8,475)	(8,475)
	18,356	19,478

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

	2019 JD "000"	2018 JD "000"
Non-current	15,560	16,656
Current	2,796	2,822
	18,356	19,478

(13) ACCOUNTS RECEIVABLE

	2019 JD "000"	2018 JD "000"
Trade receivables	101,690	65,836
Due from associates (note 33)	1,073	922
Others	-	39
	102,763	66,797
Less: expected credit loss *	(16)	(19)
	102,747	66,778

* The movement on the expected credit loss during the year is as follows:

	2019 JD "000"	2018 JD "000"
At 1 January	19	19
Reversal of provisions	(3)	-
At 31 December	16	19

The Group grants its customers credit policy arranging from 30-180 days. As at 31 December 2019 and 2018, there were no trade receivables that exceeded its credit terms.

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

	Neither past due nor impaired			
	1- 30 days JD"000"	30 – 90 days JD"000"	91 – 180 day JD"000"	Total JD"000"
2019	88,571	14,192	-	102,763
2018	56,477	10,320	-	66,797

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

	2019 JD "000"	2018 JD "000"
Finished goods	30,061	20,596
Raw materials	10	1,281
Others	242	307
	30,313	22,184
Allowance for slow moving inventory*	(235)	(235)
	30,078	21,949

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

	2019 JD "000"	2018 JD "000"
At 1 January	235	113
Charges to the provision	-	122
At 31 December	235	235

(15) SPARE PARTS AND SUPPLIES

	2019 JD "000"	2018 JD "000"
Spare parts	42,513	42,433
Fuel store	1,805	2,537
Others	2,572	1,810
	46,890	46,780
Allowance for slow-moving spare parts*	(2,144)	(3,057)
	44,746	43,723

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

	2019 JD "000"	2018 JD "000"
At 1 January	3,057	3,853
Amounts written-off during the year	(913)	(796)
At 31 December	2,144	3,057

(16) OTHER CURRENT ASSETS

	2019 JD "000"	2018 JD "000"
Advance payments to contractors	24,972	28,155
Due from Sales Tax Department (note 25)	6,063	15,708
Prepaid expenses	2,876	3,239
Advance payment for Potash mining fees due to the government of the Hashemite Kingdom of Jordan	47	886
Others	4,874	5,470
	38,832	53,458

(17) CASH ON HAND AND BANK BALANCES

	2019 JD "000"	2018 JD "000"
Cash on hand	132	133
Cash at banks	19,309	14,433
Short term deposits*	-	25,710
Cash and cash equivalents	19,441	40,276
Short term deposits mature after more than 3 months**	222,166	207,726
The effect of IFRS 9 implementation – Expected credit loss	(1,472)	(2,044)
	240,135	245,958

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	132	133
Cash at banks	19,309	14,433
Short term deposits*	-	25,710
	19,441	40,276
Bank overdraft (Note 20)	(10,499)	(3,688)
Balances per statement of cash flows	8,942	36,588

* This item represents deposits in Jordanian Dinar at local banks with an interest rate of 5.21% (2018: 5.1%) and have a maturity of three months or less.

** This item represents deposits in Jordanian Dinar at local banks with an annual interest rate ranges 5.21% (2018: between 5.5% to 6.15%) 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 in 2016 to finance the construction of Wadi Ibn Hammad dam in return for water supplies. As a result, the Group transferred a balance of JD 26,888 thousand from the projects in progress to other non-current assets as they started to benefit from the project during 2018.

During 2018, the contract was amended where the amount to be paid was increased to reach JD 33.5 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 for 16.5 years.

In 2019, the contract was amended where the amount to be paid was increased to reach JD 51.5 million, with total of 56.25 million cubic meters to be provided over 16.5 years.

Management started amortising these amounts based on the amounts of water actually received.

The movement on other non-current assets is as follows:

	Other non-current assets
	JD "000"
2018	
Cost	
Balance as at 1 January 2019	33,500
Additions	3,611
Balance as at 31 December 2019	37,111
Accumulated amortization	
Balance as at 1 January 2019	1,536
Charges	2,282
Balance as at 31 December 2019	3,818
Net book amount	
As at 31 December 2019	33,293

	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	33,500
Accumulated amortization	
Balance as at 1 January 2018	-
Charges	1,536
Balance as at 31 December 2018	1,536
Net book amount	
As at 31 December 2018	31,964

(19) RESERVES

Statutory reserve

The accumulated amounts in this account of JD 50,464 thousand 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 thousand 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 2019 to distribute an amount of JD 99,981 thousand (equivalent to 120% of the Company's capital) as cash dividends to the shareholders. (2018: 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 though 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 2019 from a local bank, with annual interest rate of 3%. The total utilised balance as at 31 December 2019 was JD 10,499 thousand.

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.

Principal instalments payable during 2019 and after are as follows:

	2019	2018
	JD "000"	JD "000"
Non- current		
Long-term loan	11,690	15,861
Current		
Current portion of long-term loan	5,845	3,798
Total loans	17,535	19,659

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 on the provision recognized in the consolidated statement of financial position.

	2019	2018
	JD "000"	JD "000"
Balance as at 1 January	53,028	49,106
Current and past service cost	6,613	3,360
Discount value	4,119	3,246
Actuarial losses resulting from the remeasurement of the defined benefit plans	7,435	3,217
Paid during the year	(15,390)	(5,901)
Balance as at 31 December	55,805	53,028

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

	2019	2018
	JD "000"	JD "000"
Non- current		
Death and compensation fund obligations	48,812	49,922
Current		
Death and compensation fund obligations	6,993	3,106
Total	55,805	53,028

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	JD '000	JD '000	JD '000	JD '000	JD '000
At 31 December 2019					
Death and compensation obligation	6,993	4,165	14,364	191,600	217,122
At 31 December 2018					
Death and compensation obligation	3,106	4,847	12,389	200,472	220,814

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

	2019	2018
	JD "000"	JD "000"
Current and past service cost	6,613	3,360
Discount value	4,119	3,246
	10,732	6,606

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

	2019	2018
	%	%
Discount rate	6.16	7.9
Salary growth rate	3.5	3.5
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:

2019

	Increase in the assumptions by 1%	Decrease in the assumptions by 1%
Discount rate	5,089	(4,569)
Salary growth rate	(4,388)	5,002
Staff turnover	(240)	1,450

2018

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

(22) OTHER CURRENT LIABILITIES

	2019	2018
	JD "000"	JD "000"
Accrued expenses	26,147	19,151
Employees' legal cases compensation provision (note 35)	3,584	6,290
Dividends payable	1,414	1,310
Contractors retentions	6,397	1,629
Others	7,647	6,989
	45,189	35,369

(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:

	2019					
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations and Adjustments	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Sales to external customers	434,870	68,978	760	504,608	-	504,608
Inter-company Sales	24,954	-	1,291	26,245	(26,245)	-
Total Sales	459,824	68,978	2,051	530,853	(26,245)	504,608
Less: Cost of sales	(253,769)	(48,066)	(2,132)	(303,967)	25,538	(278,429)
Segment profit	206,055	20,912	(81)	226,886	(707)	226,179
Results						
Share of profit of associates and joint ventures	52,350	-	-	52,350	-	52,350
Depreciation	43,802	2,223	359	46,384	(619)	45,765
Capital Expenditure						
PP&E and projects in progress	96,015	1,626	97	97,737	-	97,738
Total Assets	1,005,502	95,819	2,017	1,103,338	(14,765)	1,088,573
Total Liabilities	182,611	19,753	3,822	206,186	(9,314)	196,872
Investments in associates and joint ventures	192,227	-	-	192,227	-	192,227

	2018					
	Arab Potash Co.	KEMAPCO	Numeira Co.	Total	Eliminations and Adjustments	Total
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	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 sales	(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

Following is a summary of sales by geographical location for the year ended 31 December 2019 and 2018:

	31 December 2019				31 December 2018			
	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	240,024	2,814	7	242,845	165,657	6,147	1	171,805
Far East	68,457	3,619	18	72,094	110,180	4,912	10	115,102
Middle East	36,810	7,756	580	45,146	34,356	10,843	418	45,617
Africa	67,231	8,570	-	75,801	69,763	9,587	-	79,350
Europe	13,854	31,943	155	45,952	26,964	32,057	110	59,131
America & Australia	8,494	13,078	-	21,572	326	10,346	-	10,672
Canada	-	1,198	-	1,198	-	1,050	-	1,050
	434,870	68,978	760	504,608	407,246	74,942	539	482,727

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

(24) OTHER NON-CURRENT LIABILITIES

	2019 JD "000"	2018 JD "000"
End of service indemnity*	4,530	4,749
Employees vacations provision**	2,924	2,860
	7,454	7,609

* 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 3 years, accordingly, any early retirements or change in discount rate will have immaterial impact on the consolidated financial statement.

** 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.

(25) INCOME AND DEFERRED TAX

A- Income tax

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

	2019 JD "000"	2018 JD "000"
Balance at 1 January	12,061	2,314
Income tax expense for the year	54,259	22,610
Offset against prepaid sales tax	(13,259)	(3,399)
Income tax paid	(19,305)	(9,464)
Balance at 31 December	33,756	12,061

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

	2019 JD "000"	2018 JD "000"
Current year income tax	54,259	22,610
Deferred tax assets	2,783	(4,192)
	57,042	18,418

Income tax expense

	2019 JD "000"	2018 JD "000"
Computed tax at statutory rates	69,481	36,726
Subsidiaries' profits not subject to income tax	(3,613)	(4,498)
Gain on investments in associates not subject to income tax	(8,560)	(7,706)
Tax effect of expenses not acceptable for tax purposes	(266)	(6,104)
Income tax expense for the year	57,042	18,418
Effective income tax rate	27.3%	12.9%

The statutory income tax rate for the company and its subsidiaries is 31% and 16% respectively. The provision for the year ended 31 December 2019 and 2018 has been calculated in accordance with the income tax law No, (38) of the year 2018 and its amendments.

B- Deferred tax assets

The movement on deferred tax assets is as follows:

	2019 JD "000"	2018 JD "000"
At 1 January (as previously stated)	21,378	15,897
Additions during the year- IFRS 9 effect	-	550
At 1 January (Restated)	21,378	16,447
Additions during the year	3,828	7,775
Additions during the year- resulting from re-measurement of Post-employment benefit obligations	2,311	739
Retirements during the year	(6,611)	(3,583)
At 31 December	20,906	21,378

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

Deferred tax assets items	2019 JD "000"	2018 JD "000"
Death and compensation fund obligation	17,302	16,261
End of service indemnity	389	536
Medical disability provision	1,019	1,935
Inventory provision	665	948
Unveiled employees' vacation	907	887
IFRS 9 Impact on financial assets	624	811
	20,906	21,378

The deferred tax assets as at 31 December 2019 and 2018 was calculated using the income tax rate of 31% per the new enacted tax law no.38.

- **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 years 2017 and 2018, 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 6 million (2018:15.7) representing the general sales tax authorities paid by the Company over the past years and mainly on the expansion project which was completed in 2010. These amounts are refundable under the provisions of the General Sales Tax Law.

- **Numeira Mixed Salts and Mud Company**

  Tax returns up to the year 2018 were 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 that is exempted from income and social services taxes for a period of 12 years starting from the assessment year following the beginning of production (April 2003). Excluded from this exemption is the profit of commercial storage projects for goods that are put into local consumption. The Income and Sales Tax Department ("the Department") has inspected the Company's records for the years 2010, 2011, 2012 and 2013 and issued its initial decision to claim the Company to pay income tax resulting from differences in interpreting the decision of exemptions. The Company recorded an income tax provision for this claim. In the opinion of the Management and the legal counsel, additional tax provisions are sufficient to meet the impact of obligations in this regard.

(26) COST OF SALES

	2019	2018
	JD "000"	JD "000"
Raw materials		
Raw materials as at 1 January	1,281	2,294
Purchases	17,834	18,300
Minus: Raw materials as at 31 December (Note 14)	(10)	(1,281)
Raw materials used in production	19,105	19,313
Salaries and wages	67,183	67,214
Fuel and electricity	61,438	87,291
Depreciation (Note 5)	43,115	62,653
Maintenance	34,762	30,031
Freight costs	30,646	31,490
Water	9,254	8,375
Rentals	5,446	4,248
Professional fees	3,266	3,296
Insurance	3,153	3,415
Amortisation (Note 6)	1,410	1,070
Others	9,116	8,969
	287,894	327,365
Add: beginning finished goods	20,596	9,261
Less: ending finished goods (Note 14)	(30,061)	(20,596)
	278,429	316,030

(27) ADMINISTRATIVE EXPENSES

	2019 JD "000"	2018 JD "000"
Salaries and other benefits	9,780	8,632
Professional and consulting fees	3,606	1,405
Travel and hospitality	767	534
Insurance	584	962
Depreciation on right of use of leased asset (Note 34)	538	-
Depreciation (Note 5)	486	503
Maintenance and repairs	346	242
Post and telephone	209	145
Electricity	147	168
Fuel	51	63
Others	2,566	2,305
	19,080	14,959

(28) OTHER INCOME, NET

	2019 JD "000"	2018 JD "000"
Reversal of provisions	3	-
Scrap sales of spare parts	1,178	497
Others, net	71	(461)
	1,252	36

(29) MINING FESS TO THE GOVERNMENT OF JORDAN

The movement on accrued royalty provision is as follows:

	2019 JD "000"	2018 JD "000"
Balance as at 1 January	(886)	339
Additions during the year	24,839	15,114
Payments during the year	(24,000)	(16,339)
Balance (Due from) to the government as at 31 December (Note 16)	(47)	(886)

(30) SELLING AND DISTRIBUTION EXPENSES

	2019 JD "000"	2018 JD "000"
Marketing		
Sales commission	3,282	3,863
Salaries and other benefits	762	704
Travel and transportation	412	348
Sample testing	289	265
Post and telephone	23	18
Depreciation (Note 5)	11	11
Advertising	10	61
Others	280	851
	5,069	6,121
Aqaba – Selling Office		
Handling fees	8,576	8,414
Depreciation (Note 5)	2,153	2,065
Salaries, wages and other benefits	1,940	2,128
Maintenance and repair	480	409
Electricity	430	448
Insurance	116	132
Rent	100	74
Fuel	17	18
Others	756	692
	14,568	14,380
	19,637	20,501

(31) FINANCE COSTS AND BANK CHARGES

	2019	2018
	JD "000"	JD "000"
Interest expense	5,332	8,184
Bank commissions	2,783	2,654
Finance cost on operating lease liability (Note 34)	384	-
	8,499	10,838

(32) EARNINGS PER SHARE

	2019	2018
	JD "000"	JD "000"
Profit for the year	151,695	124,874
Weighted average number of shares ("000")	83,318	83,318
	Fills/ JD	Fills/ JD
Basic and diluted, earnings per share (JD / Fils)	1.821	1.499

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

(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.

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

	2019	2018
Amounts due from related parties	JD "000"	JD "000"
Accounts receivable – Jordan Bromine Company	1,073	922

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

	2019	2018
	JD "000"	JD "000"
Sales – Nippon Jordan Fertilizer Company (Associate)	3,943	1,905
Sales – Jordan Bromine Company (Joint venture)	10,512	8,828
Company's share of profit of associates and joint ventures	52,350	34,852

Compensation of the key management personnel was as follows:

	2019	2018
	JD "000"	JD "000"
Key management benefits (Salaries, wages, and bonus) for the Group	2,027	2,303

(34) CHANGES IN ACCOUNTING POLICIES

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases". These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

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

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

The Group recognized a right of use asset and a lease liability amounting to JD 3,742 thousand as of 1 January 2019, which is the present value of all the minimum lease payments for the remaining 9 years representing the maximum contract duration excluding the extension option (which is non-obligatory). Amortization is calculated on a straight-line basis to allocate the cost over the entire term of the right of use asset of 9 years. The interest of the lease obligation is calculated using a 9% interest rate implicit in the lease contract as the discount rate that represents the interest rate applicable to the delay in the lease payments. The lease payments made in 2019 were deducted from the lease liability balance. Interest expense is recognized for the period related to the lease liability.

During the year, an additional area of land was agreed and signed between Kemapco and ADC. The contract was signed in August of 2019 and was added to the right of use of leased asset and the lease liability recorded as of 1 January 2019. The agreement follows the same terms and conditions as the original contract; the duration of the contract and the interest rate used is the same as the original contract. The annual rent payment amount to JD 173 thousand paid at the beginning of each year.

The impact of the adoption on the consolidated financial statements is disclosed in Note 2.

The schedule below shows the movement on the right of use of leased asset and the operating lease liability as of 31 December 2019:

Right of use- leased asset	Cost at 1 January 2019	Additions during the year	Depreciation	Net book value
	JD "000"	JD "000"	JD "000"	JD "000"
Kemapco	3,742	2,654	(538)	5,858

Operating lease liability	Beginning balance (1-Jan-2019)	Additions during the year	Interest expense	Rent payments	Ending balance (31-Dec-2019)	Current lease liabilities	Non-current lease liabilities
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
Kemapco	3,742	2,654	384	(1,671)	5,109	760	4,349

(35) CONTINGENCIES AND COMMITMENTS

As of 31 December 2019, the Group had the following contingencies and commitments:

	2019	2018
	JD "000"	JD "000"
Letters of Guarantees	18,777	27,609
Letters of Credit	8,543	28,212
Bills of collection	4,631	112

Capital Commitments:

- The Group has committed and contracted for capital expenditure amounting to JD 152,000 thousand as at 31 December 2019 (2018: JD 164,000 thousand).

- The Group has committed but not contracted for capital expenditure amounting to JD 96,000 thousand as at 31 December 2019 (2018: JD 375,000 thousand).

Operating lease commitments

The Company leases the land under mining through a non-cancellable operating lease expiring in 2058. The lease 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:

	2019	2018
	JD "000"	JD "000"
Within one year	1,836	2,290
After one year but not more than five years	7,344	9,160
More than five years	60,588	63,360
	69,768	74,810

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 4,255 thousand as at 31 December 2019 (2018: JD 6,466 thousand), see note 22, which were provided for by management based on the opinion of the legal advisor (Note 22).

(36) SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's IFRS9 estimates of expected credit loss provisions in 2020 and the expected contract prices and quantities demand.