

**JORDAN PHOSPHATE MINES COMPANY PSC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2017**



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**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Jordan Phosphate Mines Company – Public Shareholding Company**  
**Amman - Jordan**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the consolidated financial statements of **Jordan Phosphate Mines Company – Public Shareholding Company** (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2017, and its consolidated statement of income, consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<b>1. Impairment testing on the Group's goodwill - Fertilizer's Unit</b> Refer to note 6 on the consolidated financial statements	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>The annual impairment test for the Fertilizer's Unit performed by Jordan Phosphate Mines Company was significant to our audit because the assessment process is judgmental and is based on assumptions that are affected by expected future economic and market conditions. In performing the impairment testing for goodwill, the company used various assumptions in respect of future economic and market conditions, such as the discount rate, revenue and margin development, expected inflation rates and the terminal value growth.</p>	<p>Our audit procedures included an assessment of the methodology and the appropriateness of key assumptions. We reviewed and challenged management assumptions, including comparing relevant assumptions to industry and economic forecasts. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions.</p> <p>The process is complex and includes a high level of estimation, which includes price fluctuations, competition and uncertain economic outlooks. The outcome of impairment testing could vary significantly, if different assumptions applied.</p>

**2. Investments in associates and joint ventures including shareholders long-term receivables and loans**

Refer to the notes 5 and 12 on the consolidated financial statements

**Key audit matter**

The Company has investments in associates and Joint ventures in addition to the granted loans to these entities. The total amount of investments including loans is JD 364.5 million representing 34% of the Group's assets; accordingly, this was considered a key audit matter.

**How the key audit matter was addressed in the audit**

Our audit procedures included, among other things, instructing the statutory auditors to perform an audit on the relevant financial information for the purpose of the consolidated financial statements of Jordan Phosphate mining Company.

Obtaining the latest available financial information to recalculate the carrying value of the investments in associates and joint ventures according to the equity method.

We have received confirmations for shareholders long-term receivables and loans that are related to associates and joint ventures. In addition, We have assessed management's considerations of the impairment indicators of these investments and receivables.

**Other information included in the Company's 2017 annual report.**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the 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 reasonable be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper books of accounting which are in agreement with the consolidated financial statements

Ernst & Young/ Jordan



Waddah Isam Barkawi  
License No. 591

Amman – Jordan  
28 March 2018

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	228,979	247,197
Projects in progress	4	31,480	30,126
Investments in associates and joint ventures	5	271,996	273,466
Intangible assets	6	155,586	162,945
Deferred tax assets	22	4,941	6,537
Employees' housing loans	7	5,520	5,481
Financial assets at fair value through other comprehensive income	8	413	452
Loans receivable	9	16,033	6,781
Long term accounts receivable	12	5,076	5,076
Other current assets	13	1,313	975
Production and development stripping cost	10	19,393	30,060
Advance payments on investments		-	5,000
		<u>740,730</u>	<u>774,096</u>
<b>Current assets</b>			
Inventories, spare parts and supplies	11	161,235	199,894
Accounts receivable	12	141,716	123,683
Other current assets	13	27,820	24,695
Financial assets at fair value through profit and loss		194	182
Cash on hand and at banks	14	5,968	13,745
		<u>336,933</u>	<u>362,199</u>
<b>TOTAL ASSETS</b>		<u>1,077,663</u>	<u>1,136,295</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid-in-capital	15	82,500	82,500
Statutory reserve	15	75,000	75,000
Voluntary reserve	15	75,000	75,000
Special reserve	15	75,000	75,000
Fair value reserve		(266)	(227)
Retained earnings		363,544	411,076
<b>Equity attributable to Company's shareholders</b>		<u>670,778</u>	<u>718,349</u>
Non – controlling interests	39	7,374	6,495
<b>Total Equity</b>		<u>678,152</u>	<u>724,844</u>
<b>Non-current liabilities</b>			
Long-term loans	16	72,791	83,912
Compensation and end-of-service indemnity provision	17	2,394	11,338
Assets deferral provision	6	14,543	13,775
		<u>89,728</u>	<u>109,025</u>
<b>Current liabilities</b>			
Accounts payable	18	106,541	79,215
Accrued expenses	19	40,116	54,425
Other current liabilities	20	22,662	26,988
Due to banks	21	92,136	101,512
Employees incentives and retirees grants provision	33	744	1,058
Current portion of long-term loans	16	46,111	38,708
Income tax provision	22	1,473	520
		<u>309,783</u>	<u>302,426</u>
<b>Total Liabilities</b>		<u>399,511</u>	<u>411,451</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,077,663</u>	<u>1,136,295</u>

The attached notes from 1 to 42 form an integral part of these consolidated financial statements



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Net sales	23	586,666	549,697
Cost of sales	23	(496,099)	(471,964)
<b>Gross profit</b>		<b>90,567</b>	<b>77,733</b>
Selling and marketing expenses	24	(8,332)	(9,375)
New phosphate port terminal expenses	36	(11,405)	(11,997)
Aqaba port fees		(5,090)	(4,074)
Transportation expenses		(57,185)	(49,140)
Administrative expenses	25	(25,198)	(23,663)
Russiefah Mine expenses	26	(1,660)	(1,897)
Mining fees	27	(18,266)	(19,195)
Provision for slow-moving spare parts	11	(594)	(2,045)
Other provisions	33	(283)	(1,456)
provision for doubtful debts	12	(270)	-
Other income (loss), net	28	9,343	(6,163)
Foreign currency exchange differences		756	865
<b>Operating loss</b>		<b>(27,617)</b>	<b>(50,407)</b>
Finance costs	29	(11,452)	(14,805)
Finance income	30	1,706	1,306
Group's share of loss from associates and joint ventures	5	(6,093)	(12,363)
Gain from revaluation of financial assets at fair value through profit and loss		12	23
Goodwill impairment loss	6	(1,000)	(4,074)
Impairment on investment in associates	5	-	(4,563)
<b>Loss before income tax</b>		<b>(44,444)</b>	<b>(84,883)</b>
Income tax expense	22	(2,209)	(5,257)
<b>Loss for the year</b>		<b>(46,653)</b>	<b>(90,140)</b>
<b>(Loss) profit Attributable to:</b>			
Equity holders		(47,532)	(88,821)
Non – controlling interests	39	879	(1,319)
<b>Loss for the year</b>		<b>(46,653)</b>	<b>(90,140)</b>
		<u>JD/Fils</u>	<u>JD/Fils</u>
<b>Basic and diluted losses per share attributable to the equity holders</b>	31	<b>(0/576)</b>	<b>(1/077)</b>

The attached notes from 1 to 42 form an integral part of these consolidated financial statements

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Loss for the year</b>		(46,653)	(90,140)
<b>Add: Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Changes in fair value of financial assets at fair value through other comprehensive income	8	<u>(39)</u>	<u>(75)</u>
<b>Total comprehensive income for the year</b>		<u>(46,692)</u>	<u>(90,215)</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders		(47,571)	(88,896)
Non – controlling interests		<u>879</u>	<u>(1,319)</u>
<b>Total comprehensive income for the year</b>		<u>(46,692)</u>	<u>(90,215)</u>

The attached notes from 1 to 42 form an integral part of these consolidated financial statements

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	Paid-in capital	Reserves			Fair value	Retained earnings		Non - controlling interest	Total equity
		Statutory	Voluntary	Special		Unrealized*	Realized**		
<b>For the year ended 31 December 2017</b>									
Balance at 1 January 2017	82,500	75,000	75,000	75,000	(227)	25,953	385,123	6,495	724,844
Loss for the year	-	-	-	-	-	12	(47,544)	879	(46,653)
Total comprehensive income items	-	-	-	-	(39)	-	-	-	(39)
Total comprehensive income for the year	-	-	-	-	(39)	12	(47,544)	879	(46,692)
<b>Balance at 31 December 2017</b>	<b>82,500</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>(266)</b>	<b>25,965</b>	<b>337,579</b>	<b>7,374</b>	<b>678,152</b>
<b>For the year ended 31 December 2016</b>									
Balance at 1 January 2016	75,000	75,000	75,000	75,000	(152)	25,930	481,467	10,973	818,218
Loss for the year	-	-	-	-	-	23	(88,844)	(1,319)	(90,140)
Total comprehensive income items	-	-	-	-	(75)	-	-	-	(75)
Total comprehensive income for the year	-	-	-	-	(75)	(23)	(88,844)	(1,319)	(90,215)
Paid in capital ( Note 1)	7,500	-	-	-	-	-	(7,500)	-	-
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(3,159)	(3,159)
<b>Balance at 31 December 2016</b>	<b>82,500</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>(227)</b>	<b>25,953</b>	<b>385,123</b>	<b>6,495</b>	<b>724,844</b>

\* An amount of JD 26,179 thousands is restricted and represents the unrealized gain from the revaluation of investment and acquisition of Indo-Jordan Chemical Co. and Nippon Jordan Fertilizer Co. during 2010 and 2011.

\*\* Included in retained earnings an amount of JD 5,421 thousands which are restricted, it includes JD 4,941 thousands which represents deferred tax assets, an amount of JD 266 thousands restricted against the negative balance of fair value reserve for financial assets at fair value through other comprehensive income as of 31 December 2017, and an amount of JD 214 thousands is restricted against the negative balance of fair value through profit or loss as of 31 December 2017.

The attached notes from 1 to 42 form an integral part of these consolidated financial statements

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<b><u>OPERATING ACTIVITIES</u></b>			
Loss for the year before income tax		(44,444)	(84,883)
<b>Adjustments for:</b>			
Depreciation	3	27,687	25,233
Amortization of new phosphate port terminal	6	6,359	6,359
Goodwill impairment loss		1,000	4,074
Impairment on investment in associates	5	-	4,563
Amortization of production stripping costs	10	17,983	13,284
Employees compensation fund and end-of-service indemnity		15,165	17,091
Finance costs		10,219	9,172
Finance income		(1,706)	(1,306)
Mining fees		20,391	21,222
Group's share of loss from associates and joint ventures		6,093	12,363
Provision for slow-moving spare parts		594	2,045
Provision for doubtful debts		270	-
Other non-cash items		4,040	6,136
<b>Working capital changes:</b>			
Accounts receivable		(18,303)	(25,386)
Employees' housing loans		(504)	801
Other current assets		(2,329)	(4,989)
Inventories, spare parts and supplies		38,065	8,345
Production stripping costs		(7,316)	(14,680)
Accounts payable		27,326	187
Accrued expenses		(10,474)	6,533
Other current liabilities		(5,767)	7,520
Employees' compensation, end-of-service indemnity and death fund paid		(23,158)	(19,794)
Mining fees paid		(24,120)	(30,000)
Early retirement obligations paid		-	(118)
Income tax paid	22	(3,687)	(7,783)
<b>Net cash flows from (used in) operating activities</b>		<u>33,384</u>	<u>(44,011)</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Property, plant and equipment and payments on projects in progress – net		(10,823)	(9,929)
Loans receivable		(9,252)	547
Investment in associates and joint ventures		(12,500)	(17,000)
Dividends paid		14,260	-
Interest received		573	715
<b>Net cash flows used in investing activities</b>		<u>(17,742)</u>	<u>(25,667)</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Proceeds from loans		23,151	48,684
Repayments of loans		(26,869)	(26,115)
Dividends of subsidiaries		-	(3,064)
Finance costs paid		(10,325)	(9,089)
<b>Net cash flows (used in) from financing activities</b>		<u>(14,043)</u>	<u>10,416</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		1,599	(59,262)
Cash and cash equivalents at 1 January		(87,767)	(28,505)
<b>Cash and cash equivalents at 31 December</b>	14	<u>(86,168)</u>	<u>(87,767)</u>

The attached notes from 1 to 42 form an integral part of these consolidated financial statements

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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**(1) GENERAL**

Jordan Phosphate Mines Company was established in 1949, and became a public shareholding company in 1953. The Company's objectives are to mine and market phosphate rock, produce fertilizers and invest in the establishment of related industries. All other business activities of the Company are located in Jordan. The fertilizers production unit is located in the Industrial Complex in Aqaba. The phosphate rock is extracted, to a large extent, from the mines of Al-Abiad, Al-Hasa, Shidiya. In respect of the mining rights granted to the Company, it is subject to annual mining rights fees of JD 500 / squared Kilo meter or any part of squared Kilo meter per mined area payable to the Natural Resources Authorities. The Company produces chemical fertilizers and related by-products through its subsidiaries that are listed in (Note 2-2).

In it's meeting dated 14 April 2016, the General Assembly have decided to capitalized an amount of JD 7,500 thousand from the retained earnings and distribute them to shareholders as stock dividends, this resulted in an authorized and paid-in-capital of JD 82,500 thousand divided into 82,500 thousand shares with a par value of JD 1 each.

The head office of the Company is located in Shmeisani, Amman - Jordan.

The Consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 15 March 2018 and they are subject to the approval of the Company's General Assembly.

**(2-1) BASIS OF PREPARATION**

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income which have been measured at fair value as of the date of the consolidated financial statements.

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

The consolidated financial statements are presented in Jordanian Dinars and all values are rounded to the nearest thousand except when otherwise indicated.

JORDAN PHOSPHATE MINES COMPANY PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017  
(In Thousands of Jordanian Dinars)

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**(2-2) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of Jordan Phosphate Mines Company "JPMC" and the following subsidiaries:

<u>Company name</u>	<u>Nature of activity</u>	<u>Ownership</u>	<u>Country</u>
Indo-Jordan Chemicals Company Limited	Phosphoric Acid and other chemicals production	100%	Jordan
Ro'ya for Transportation Company Limited	Transportation services	100%	Jordan
Nippon Jordan Fertilizers Company Limited	Fertilizers and chemicals production	70%	Jordan

The control exists when the Group controls the subsidiaries' significant and relevant activities, and is exposed, or has the rights, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns. Control over the subsidiaries is exercised when the following factors exist:

- 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.
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting rights in an investee, in this case, the Group considers all factors and circumstances to determine whether it has control over the investee, which include the following:

- Contractual agreements with shareholders that have voting rights in the investee.
- Rights resulting from other contractual arrangements.
- The Group's current and future voting rights in the investee.

The Group reassesses its control over the investee when circumstances and factors exist that lead to the change in one or more of the three factors listed above.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group gains control, and continues to do so until the date when such control ceases. The subsidiaries revenues and expenses are consolidated in the consolidated statement of comprehensive income from the date the Group gains control over the subsidiaries until that control ceases.

Profits, losses, and all other comprehensive income items are attributed to the shareholders' equity of the parent company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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 interest
- 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 the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Investors with significant influence on the Group:**

Kamil Holding Limited, Government Contribution Management Company, Jordanian Social Security Corporation and Government of Kuwait own 37%, 25.7%, 16.5% and 9.3% of the Company's issued shares, respectively.

### **(2-3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except for the followings:

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's financial statements.

#### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses**

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's financial statements.

### **(2-4) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### **IFRS 9 Financial Instruments (Implemented IFRS 9)**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the remaining phases on the effective date and will not restate comparative information.



**(a) Classification and Measurement**

The Company does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

**(b) Impairment**

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

During 2017, the Group has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 15, whereas,

The Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

**IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

**IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

### **IFRS 17 Insurance Contracts**

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

### **Transfers of Investment Property (Amendments to IAS 40)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

### **Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

### **(2-5) USE OF ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

### **Useful life of properties, plant and equipment**

The Group's management estimates the useful life for property, plant and equipment for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually. Future depreciation expense is adjusted if management believes that the remaining useful life of the assets differs from previous estimations.

### **Impairment of goodwill**

The Group's management performs an annual impairment test for the goodwill resulted from the purchase of the fertilizers unit at the date of the consolidated financial statements. Goodwill is impaired if there are indications of impairment, i.e. if the estimated recoverable amount for the fertilizers unit is less than the book value. Impairment is recorded in the consolidated statement of income.

The fair value of recoverable amounts for the fertilizers unit is valued using the discounted value of future cash flows. All assumptions used in the goodwill impairment calculation are indicated in (Note 6).

### **Provision for slow moving spare parts**

The Group's management performs an annual study which categorizes all spare parts by age groups. Based on the results of the study, a provision is taken against spare parts which have surpassed, at the date of the Group's financial statements, a certain age from the date of purchase.

### **Stripping Cost in the Production Phase of Surface Mine**

The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of phosphate in that period or the creation of improved access and mining flexibility in relation to phosphate to be mined in the future.

Production stripping costs are included as part of the costs of inventory, while the stripping costs incurred in the creation of improved access and mining flexibility in relation to phosphate to be mined in future periods are capitalised as a stripping activity non-current asset that is amortized using units of production method.

Costs paid for the removal of overburden in the stripping or the production stages are capitalised as non-current assets at cost and is amortized using the units of production method at each location when the following conditions are met:

- It is probable that the future economic benefit improved access to the phosphate associated with the stripping activity will flow to the entity.
- The entity can identify the amount and type of phosphate for which has been improved; and
- The cost relating to the stripping activity associated with the component can be measured reliably.

Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of phosphate and what relates to the creation of a stripping activity asset. The Group's management calculates the stripped quantities of overburden for any of the locations based on geological and specialized technical studies conducted on a quarterly basis. Stripping costs are capitalized as a stripping activity asset when the actual stripping ratio is higher than the contracted stripping ratio estimated by geologists and specialised professionals.

The capitalised stripping costs are amortized using the units of production method estimated based on the updated geological studies for the period for each location when the actual stripping ratio is lower than or equal to the contracted stripping ratio.

#### **Provision for doubtful debts**

The Group's management reviews the credit limit granted to its customers periodically. When customers do not abide to their obligations to pay, and after the additional grace period granted, and after taking appropriate legal action, a provision is booked against the receivable balance until collected or it will be written off.

#### **Income tax provision**

The Group calculates tax expense for the year based on reasonable estimates, for possible consequences of audit by the Income and Sales tax department. The amount of tax provision is based on various factors, such as experience of previous tax audits. Additionally, the Group engages an independent tax specialist to review the tax provision calculations.

Deferred tax assets are recognized for all deductible temporary differences such as unused tax expenses and losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. Details of income tax provision and deferred tax are disclosed in (Note 22).

#### **Indemnity and end-of-service provisions**

Indemnity and end-of-service costs are measured using the Projected Unit Credit Method that is calculated by an actuary. All actuarial assumptions are disclosed in (Note 17).

**(2-6) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost and accumulated depreciation for a sold or disposed of asset is derecognized and the gain or loss associated is booked in the consolidated statement of income. Depreciation is calculated on a straight-line basis using the following depreciation rates, (land is not depreciated):

<u>Type of property, plant and equipment</u>	<u>Depreciation rate %</u>
Buildings	2 - 8
Roads and yards	25
Machinery and equipment	5 - 20
Water and electricity networks	5
Furniture and office equipment	9
Medical and lab equipment	10
Communication equipment	12
Computers	12
Vehicles	15
Spare parts reserves	10
Software and programs	20

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of income.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

### **Projects in progress**

Projects in progress are stated at cost, and include the cost of construction, equipment and other direct costs and it is not depreciated until it is available for use.

### **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 associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of income 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 consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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



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

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

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 statement of income.

#### **Intangible assets**

##### **- New phosphate port terminal**

This item represents the license to use and operate the new phosphate port terminal for a period of 26 years, after that the port will be handed over to Aqaba Development Corporation.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized over the period in which they are expected to be available for use by the Group and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets is recognized in the consolidated statement of income starting on the opening date of the new phosphate port terminal until 28 February 2040.

- **Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### **Asset deferral cost**

The Company recognises and measures asset deferral provision for movable assets as a consequence of the use of the new phosphate port terminal during the operating period in accordance with IAS 37, using the best estimate of the expenditures required to settle the present obligation at the consolidated statement of financial position date.

#### **Financial assets at fair value through other comprehensive income**

These are financial assets limited to equity instruments and the management intends to retain those assets in the long term. These financial assets are initially recognized at fair value plus attributable transaction costs and subsequently measured at fair value. The change in fair value of those assets is presented in the consolidated statement of comprehensive income within owners' equity, including the change in fair value resulting from the foreign exchange differences of non-monetary assets.

In case those assets - or part of them - were sold, the resultant gain or loss is recorded in the consolidated comprehensive income statement within owners' equity and the fair value reserve for the sold assets is directly transferred to the retained profit or loss and not through the consolidated statement of income.

- Those financial assets are not subject to impairment testing.
- Dividends income is recorded in the consolidated income statement.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the IFRS 9.

### **Loans receivable**

After initial measurement, loans receivable are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

### **Inventories and spare parts**

Inventories are valued at the lower of cost or net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- |                                    |   |
|------------------------------------|---|
| Raw materials                      | - Purchase cost using the weighted average cost method.   |
| Finished goods and work in process | - Cost of direct materials, labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs, using the weighted average cost method. |
| Spare parts and supplies           | - Cost using the weighted average cost method.  |

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **Accounts receivable**

Accounts receivable are stated at original invoice amount or the value of shipped goods less any provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount or part of it is no longer probable and bad debts are written off when there is no possibility of recovery.

### **Financial assets at fair value through profit and loss**

Financial assets which are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.

Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. When these assets or portion of these assets are sold, the gain or loss arising is recorded in the consolidated statement of income.

Dividend and interest income are recorded in the consolidated statement of income.

It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.

### **Cash and cash equivalents**

Cash and cash equivalent in the consolidated statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. If original maturity of deposits exceeds three months, they are classified as short-term investments. For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **Long term loans**

All term loans are initially recognized at net consideration received and interest is recognized using the effective interest rate method.

Interest on long term loans is recorded during the year when earned. Interest on long term loans for the purpose of financing projects in progress, is capitalized as a part of the project cost.

## **Employees' benefits**

### **1. End-of-service indemnity**

The liability is valued by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using a Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. Actuarial gains or losses are recognized as other comprehensive income item when it occurs. Gain or loss is realized from amendment or payment of the benefits when it occurs. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds.

### **2. Death and Compensation Fund**

Death and Compensation Fund represents a defined contribution plan; the Company calculated its contribution of 25% of gross monthly salaries subject to social security and transfers this contribution to the Fund's bank account. The Fund is independent from the Company (financially and administratively), accordingly, the Company is not legally obligated in case the Fund was not able to pay its obligations. The contribution is recognized as an expense in the consolidated statement of income.

## **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

### **Revenue recognition**

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer, usually when goods are shipped and invoices are issued.

Interest income revenue is recognized as interest accrues using the effective interest rate method.

Dividends are recognized when the shareholder's right to receive payment is established.

Other revenues are recognized on an accrual basis.

### **Mining Fees**

Mining fees paid in respect of phosphate rock used by the Fertilizers Unit are charged to cost of sales. Other mining fees on exported and locally sold phosphate are shown as a separate item in the consolidated statement of income.

### **Operating Lease**

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments made under an operating lease are recognized as an expense over the lease term on a straight-line basis, in the consolidated statement of income.

### **Income tax**

Income tax expense represents current year income tax and deferred income tax.

Accrued tax expenses are calculated based on taxable income, which may be different from accounting income as it may include tax-exempt income, non-deductible expenses in the current year that are deductible in subsequent years, tax-accepted accumulated losses or tax-deductible items.

Current income tax is calculated based on the tax rates and laws that are applicable at the consolidated statement of financial position date and according to IAS 12.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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Deferred income taxation is provided using the liability method on all temporary differences at the consolidated financial statement date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the financial position date. The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**Impairment of financial assets**

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are considered impaired when there is objective evidence of impairment as a result of one or more events (loss event) that occur after the asset's initial measurement, that will have a direct and reasonably estimated impact on its future cash flows. Permanent impairment indicators could comprise of indications that the borrower or a group of borrowers are facing significant financial difficulties, or neglect, or default in making interest or principal payments, and are likely to be subject to bankruptcy or financial restructuring. Furthermore, permanent impairment indicators exist when observable data indicates the existence of a measurable decrease in estimated cash flows such as changes in the Group's economic conditions due to negligence.

The Group's management does not believe there were any indications of impairments of its financial assets during 2017 and 2016.



### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date, based on the rates declared by the Central Bank of Jordan.

### **Fair value**

The Group evaluates its financial instruments such as financial assets at fair value through other comprehensive income at the date of the financial statements. Also, the fair value of financial instruments is disclosed in (Note 40).

Fair value represents the price received in exchange for financial assets sold, or price paid to settle a sale between market participants at the date of financial statements.

The fair value is measured based on the assumption that the sale or purchase transaction of financial assets is facilitated through an active market for financial assets and liabilities respectively. In case there is no active market, a market best fit for financial assets and liabilities is used instead. The Group needs to acquire opportunities to access the active market or the best fit market.

The Group measures the fair value of financial assets and liabilities using the pricing assumptions used by market participants to price financial assets and liabilities, assuming that market participants behave according to their economic interests.

The fair value measurement of non-financial assets considers the ability of market participants to utilize the assets efficiently in order to generate economic benefits, or to sell them to other participants who will utilize them in the best way possible.

The Group uses valuation techniques that are appropriate and commensurate with the circumstances, and provides sufficient information for fair value measurement. Also, it illustrates clearly the use of inputs that are directly observable, and minimizes the use of inputs that are not directly observed.

The Group uses the following valuation methods and alternatives in measuring and recording the fair value of financial instruments.

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

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

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

For the disclosure of fair value, the Group classifies assets and liabilities based on their nature, their risk, and the level of fair value measurement.

### **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.

### **Offsetting**

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated 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.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(3) PROPERTY, PLANT AND EQUIPMENT**

2017	Land	Buildings	Roads & Yards	Machinery & equipment	Water & electricity networks	Office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts reserves	Software and programs	Total
<b>Cost:</b>													
At 1 January 2017	1,299	130,027	25,404	475,552	82,329	6,440	1,017	1,324	3,785	14,122	44,772	1,913	787,984
Additions	-	49	-	112	49	68	73	2	14	125	5,694	-	6,186
Transfers from projects in progress (Note 4)	-	194	-	3,182	221	23	-	-	-	-	-	-	3,620
Adjustments	-	-	-	(173)	245	-	-	64	70	33	100	-	339
Disposals	-	(269)	(93)	(12,258)	-	(186)	-	(16)	(109)	(441)	(327)	-	(13,699)
At 31 December 2017	1,299	130,001	25,311	466,415	82,844	6,345	1,090	1,374	3,760	13,839	50,239	1,913	784,430
<b>Accumulated Depreciation:</b>													
At 1 January 2017	-	79,333	13,266	367,545	33,850	3,990	857	1,297	3,482	11,292	23,963	1,912	540,787
Depreciation for the year	-	5,347	3,758	11,516	2,626	401	26	21	157	891	2,944	-	27,687
Adjustments	-	33	(8)	2	-	-	(2)	18	(162)	-	184	-	65
Related to disposals	-	(264)	(17)	(12,161)	-	(169)	-	(15)	(102)	(338)	(22)	-	(13,088)
At 31 December 2017	-	84,449	16,999	366,902	36,476	4,222	881	1,321	3,375	11,845	27,069	1,912	555,451
<b>Net book value</b>													
At 31 December 2017	1,299	45,552	8,312	99,513	46,368	2,123	209	53	385	1,994	23,170	1	228,979

The estimated value of fully depreciated property, plant and equipment is JD 494,188 thousand as at 31 December 2017.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

2016	Land	Buildings	Roads & Yards	Machinery & equipment	Water & electricity networks	Office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts reserves	Software and programs	Total
<b>Cost:</b>													
At 1 January 2016	1,299	129,848	18,802	419,639	37,068	6,252	1,010	1,314	3,664	13,517	39,825	1,913	674,151
Additions	-	19	-	522	-	176	7	10	121	535	5,151	-	6,541
Transfers from projects	-	-	-	-	-	-	-	-	-	-	-	-	-
in progress	-	160	6,602	55,391	45,261	12	-	-	-	124	-	-	107,550
Disposals	-	-	-	-	-	-	-	-	-	(54)	-	-	(54)
Transferred to expenses	-	-	-	-	-	-	-	-	-	-	(204)	-	(204)
At 31 December 2016	1,299	130,027	25,404	475,552	82,329	6,440	1,017	1,324	3,785	14,122	44,772	1,913	787,984
<b>Accumulated Depreciation:</b>													
At 1 January 2016	-	73,661	10,771	355,887	32,414	3,597	825	1,271	3,300	10,327	21,634	1,912	515,599
Depreciation for the year	-	5,672	2,495	11,658	1,436	393	32	26	182	1,010	2,329	-	25,233
Related to disposals	-	-	-	-	-	-	-	-	-	(45)	-	-	(45)
At 31 December 2016	-	79,333	13,266	367,545	33,850	3,990	857	1,297	3,482	11,292	23,963	1,912	540,787
<b>Net book value</b>													
At 31 December 2016	1,299	50,694	12,138	108,007	48,479	2,450	160	27	303	2,830	20,809	1	247,197

The estimated value of fully depreciated property, plant and equipment is JD 425,974 thousand as at 31 December 2016.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(3) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation in the consolidated statement of income is as follows:

	<u>2017</u>	<u>2016</u>
Cost of sales	26,769	24,376
Administrative expenses	608	585
Selling and marketing expenses	89	82
Russiefah mine expenses	113	32
Others	108	158
	<u>27,687</u>	<u>25,233</u>

**(4) PROJECTS IN PROGRESS**

Movement on the projects in progress is as follows:

	<u>Balance at 1 January 2017</u>	<u>Additions</u>	<u>Transferred to property plant &amp; equipment</u>	<u>Transferred to expenses and others</u>	<u>Balance at 31 December 2017</u>
Aqaba Industrial Complex Projects	26,930	733	-	(91)	27,572
Shidiya Mine Projects	147	191	(214)	(5)	119
Indo-Jordan's Projects	2,312	3,851	(3,249)	-	2,914
Head Office, Hasa & Abiad mines	525	209	(103)	(13)	618
Nippon's Projects	212	100	(54)	(1)	257
	<u>30,126</u>	<u>5,084</u>	<u>(3,620)</u>	<u>(110)</u>	<u>31,480</u>

The estimated cost to complete the projects in progress as of 31 December 2017 amounted to JD 737 thousand for JPMC related projects, JD 2,434 thousand for Indo-Jordan related projects and JD 430 thousand for Nippon related projects.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(5) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

The below schedules summarizes the Group's investment in associates and joint ventures:

	<u>2017</u>	<u>2016</u>
Investment in associates (A)	211,387	228,567
Joint projects (B)	60,609	44,899
	<u>271,996</u>	<u>273,466</u>

**A. INVESTMENTS IN ASSOCIATES:**

The below schedules summarizes financial information for the Group's investment in associates:

	<u>Country of incorporation</u>	<u>Nature of activity</u>	<u>Ownership</u>	<u>2017</u>	<u>2016</u>
			%		
Manajim for Mining Development Company "Manajim"	Jordan	Mining services	46	37,057	41,192
Jordan Abyad Fertilizer Company "JAFCCO" *	Jordan	Fertilizers production	27.38	-	1,626
Jordan India Fertilizer Company "JIFCO"	Jordan	Phosphoric acid production	48	156,935	162,896
Kaltime Jordan Abdi Company	Indonesia	Phosphoric acid production	40	540	612
Arkan Company for Construction "Arkan"	Jordan	Mining contracting	46	<u>16,855</u>	<u>22,241</u>
				<u>211,387</u>	<u>228,567</u>

\* Losses in excess of the investment balance amounting to JD 1,080 thousand were recorded as other liabilities.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

Movements on the investment in associates were as follows:

	<u>2017</u>	<u>2016</u>
At 1 January	228,567	204,365
The Group's share of current year losses	(4,629)	(2,856)
Dividends received from Manajim for Mining development	(7,820)	-
Dividends received from Arkan constructions services	(6,440)	-
Impairment of the investment in JAFCCO	-	(4,563)
Elimination of Group's share of JIFCO income related to transactions between the Group and associate	603	(13)
Increase investment in JIFCO*	-	31,605
Addition of Group's share of JAFCCO's income related to transactions between the Group and associate	26	29
Transfer of JAFCCO excess losses over investment to other liabilities	<u>1,080</u>	<u>-</u>
At 31 December	<u>211,387</u>	<u>228,567</u>

\* On 9 August 2016 it was approved to increase JIFCO capital by JD 65,844 thousand bringing the total paid in capital to JD 371,346 thousand with JPMC's share of the increase amounted to JD 31,605 thousand. The Company had capitalized the value of its loans and accounts receivable balances.

Group's share of associate company's results:

	<u>2017</u>	<u>2016</u>
Group's share of loss for the year	(4,629)	(2,856)
Addition (Elimination) of Group's share of associate's income related to transactions between the Group and associate	<u>466</u>	<u>(34)</u>
	<u>(4,163)</u>	<u>(2,890)</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

The below schedules summarizes financial information for the Group's investment in associates:

	2017					
	Manajim for Mining Development	Jordan Abyad Fertilizers and Chemicals Company	Jordan India Fertilizers Company	Arkan Company for Construction	Kalime Jordan Abdi Company	Total
<u>Group's share in net equity:</u>						
Current assets	66,407	1,891	57,838	21,664	2,126	149,926
Non-current assets	22,529	100,032	525,552	30,012	35	678,160
Current liabilities	(16,468)	(18,943)	(96,736)	(10,789)	(810)	(143,746)
Non-current liabilities	-	(55,788)	(160,541)	(4,180)	-	(220,509)
Partners current account	-	(43,123)	-	-	-	(43,123)
Net equity	72,468	(15,931)	326,113	36,707	1,351	420,708
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share in net equity	33,335	(4,362)	156,534	16,885	540	202,932
Elimination of Group's share of association related to transaction between the Group and associate	-	-	401	-	-	401
Adjustments due to change in ownership percentage	(4,078)	(93)	-	14	-	(4,157)
Group's net share in partner's current account	-	3,375	-	-	-	3,375
Transfer of excess losses on investment to other liabilities	-	1,080	-	-	-	1,080
Imbedded goodwill	7,800	-	-	(44)	-	7,756
Net investment as at 31 December	37,057	-	156,935	16,855	540	211,387
<u>Group's share from associates revenues and profits:</u>						
Revenues	100,318	233	169,779	43,884	1,114	315,328
Cost of sales	(89,457)	(2,205)	(97,359)	(40,618)	(1,102)	(230,741)
Administrative, selling and distribution expenses	(999)	(3,456)	(85,082)	(1,196)	(267)	(91,000)
Interest income	146	-	-	-	45	191
Finance expenses	(17)	(4,194)	-	(706)	(1)	(4,918)
Other revenues	25	-	-	-	46	71
Profit (loss) for the year before income tax	10,016	(9,622)	(12,662)	1,364	(165)	(11,069)
Income tax expense	(2,007)	-	-	(68)	-	(2,075)
Profit (loss) for the year	8,009	(9,622)	(12,662)	1,296	(165)	(13,144)
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share from current year income	3,684	(2,635)	(6,078)	596	(66)	(4,499)
Group's share from prior years income*	-	(97)	(485)	457	(5)	(130)
Elimination of Group's share of associate's income related to transactions between the Group and associates	-	-	-	466	-	466
Group's share of associates' profit (loss)	3,684	(2,732)	(6,563)	1,519	(71)	(4,163)



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

2016

	Manajim for Mining Development	Jordan Abyad Fertilizers and Chemicals Company	Jordan India Fertilizers Company	Arkan Company for Construction	Kalime Jordan Abdi Company	Total
<u>Group's share in net equity:</u>						
Current assets	77,560	3,235	48,287	31,693	1,616	162,391
Non-current assets	28,250	100,667	542,893	31,282	-	703,092
Current liabilities	(24,354)	(26,928)	(71,361)	(14,559)	(86)	(137,288)
Non-current liabilities	-	(36,483)	(180,032)	-	-	(216,515)
Partners current account	-	(46,427)	-	-	-	(46,427)
Net equity	81,456	(5,936)	339,787	48,416	1,530	456,253
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share in net equity	37,470	(1,625)	163,098	22,271	612	221,826
Elimination of Group's share of association related to transaction between the Group and associate	-	(26)	(202)	-	-	(228)
Adjustments due to change in ownership percentage	(4,078)	(98)	-	14	-	(4,162)
Group's net share in partner's current account	-	3,375	-	-	-	3,375
Imbedded goodwill	7,800	-	-	(44)	-	7,756
Net investment as at 31 December	41,192	1,626	162,896	22,241	612	228,567
<u>Group's share from associates revenues and profits:</u>						
Revenues	84,838	4,740	178,807	50,526	-	318,911
Cost of sales	(75,396)	(10,290)	(102,367)	(42,592)	-	(230,645)
Administrative, selling and distribution expenses	(501)	(1,284)	(86,149)	(820)	(293)	(89,047)
Interest income	163	-	-	-	33	196
Finance expenses	(30)	(4,093)	-	(396)	(1)	(4,520)
Other finance expenses	35	-	-	-	-	35
Currency differences	-	-	-	-	(27)	(27)
Profit (loss) for the year before income tax	9,109	(10,927)	(9,709)	6,718	(288)	(5,097)
Income tax expense	(2,037)	-	-	(1,344)	-	(3,381)
Profit (loss) for the year	7,072	(10,927)	(9,709)	5,374	(288)	(8,478)
Percentage of ownership	46%	27.38%	48%	46%	40%	-
Group's share from current year income	3,253	(2,992)	(4,660)	2,472	(115)	(2,042)
Group's share from prior years income*	(723)	(110)	(90)	90	19	(814)
Elimination of Group's share of associate's income related to transactions between the Group and associates	-	-	-	(34)	-	(34)
Group's share of associates' profit (loss)	2,530	(3,102)	(4,750)	2,528	(96)	(2,890)

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**JOINT VENTURES:**

The below schedule presents the Group's investment in joint ventures:

	Country of incorporation	Nature of activity	Ownership	2017	2016
			%		
Indonesian project – Petro Jordan Abadi Company	Indonesia	Phosphoric Acid production	50	6,664	9,951
Jordan Industrial Ports Company	Jordan	Shipping services	50	53,945	34,948
				<u>60,609</u>	<u>44,899</u>

The movement on the investment in joint ventures is as follows:

	2017	2016
Balance at 1 January	44,899	31,677
Group's share of (loss) for the year	(1,930)	(9,473)
Increase in investment in Industrial Ports Company**	17,500	22,000
Addition Group's share of associate's income related to transactions between the Group and joint venture	140	695
Balance at 31 December	<u>60,609</u>	<u>44,899</u>

\*\* Industrial Ports Company increased its paid in capital during 2017 by JD 35,000 thousand to reach JD 105,000 thousand. JPMC's share of the increase amounted to JD 17,500 thousand.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

The below schedules summarizes financial information for the Group's major joint ventures:

	2017		Total
	Indonesian project – Petro Jordan Abadi Company	Jordan Industrial Ports Company	
Current assets	30,903	18,301	49,204
Non-current assets	138,900	101,710	240,610
Current liabilities	(41,446)	(12,121)	(53,567)
Non-current liabilities	(114,659)	-	(114,659)
<b>Net equity</b>	<b>13,698</b>	<b>107,890</b>	<b>121,588</b>
Percentage of ownership	50%	50%	
Group's share in net equity	6,849	53,945	60,794
Elimination of group's share of the income related to transactions between the Group and joint ventures	(185)	-	(185)
<b>Group's share in net equity</b>	<b>6,664</b>	<b>53,945</b>	<b>60,609</b>
<b><u>Group's share from joint ventures and profits</u></b>			
Revenues	73,485	14,772	88,257
Cost of sales	(78,078)	(12,672)	(90,750)
Administration, selling and distribution expenses	(1,637)	(694)	(2,331)
Interest income	50	801	851
Finance expense	(4,681)	(3)	(4,684)
Other revenues, net	(24)	1,110	1,086
<b>(Loss) profit for the year</b>	<b>(10,885)</b>	<b>3,314</b>	<b>(7,571)</b>
Percentage of ownership	50%	50%	
Group's share of the year results	(5,443)	1,657	(3,786)
Group's share of prior year results***	2,016	(160)	1,856
<b>Group's share of (loss) profit from joint ventures</b>	<b>(3,427)</b>	<b>1,497</b>	<b>(1,930)</b>

JORDAN PHOSPHATE MINES COMPANY PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017  
(In Thousands of Jordanian Dinars)

	2016		
	Indonesian project – Petro Jordan Abadi Company	Jordan Industrial Ports Company	Total
Current assets	24,707	31,468	56,175
Non-current assets	141,434	56,586	198,020
Current liabilities	(73,659)	(18,158)	(91,817)
Non-current liabilities	(71,930)	-	(71,930)
Net equity	20,552	69,896	90,448
Percentage of ownership	50%	50%	
Group's share in net equity	10,276	34,948	45,224
Elimination of group's share of the income related to transactions between the Group and joint ventures	(325)	-	(325)
<b>Group's share in net equity</b>	<b>9,951</b>	<b>34,948</b>	<b>44,899</b>
<b><u>Group's share in revenues and joint ventures</u></b>			
Revenues	54,919	4,208	59,127
Cost of sales	(68,528)	(3,185)	(71,713)
Administration, selling and distribution expenses	(1,566)	(735)	(2,301)
Interest income	9	-	9
Finance expense	(4,326)	-	(4,326)
Other revenues, net	158	924	1,082
(Loss) profit for the year	(19,334)	1,212	(18,122)
Percentage of ownership	50%	50%	
Group's share of the year results	(9,667)	606	(9,061)
Group's share of prior year results***	(299)	(113)	(412)
Group's share of (loss) profit from joint ventures	(9,966)	493	(9,473)

\*\*\* Prior year adjustments represent differences between draft financial statements and final audited financial statements.

The estimated cost to renovate the Industrial Port of Aqaba as of 31 December 2017 is approximately JD 25,000 thousand where JPMC's share amount to JD 12,500 thousand.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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**(6) INTANGIBLE ASSETS**

The details of this item is as follows:

	<u>2017</u>	<u>2016</u>
Fertilizers unit goodwill*	15,680	16,680
New phosphate port**	<u>139,906</u>	<u>146,265</u>
	<u>155,586</u>	<u>162,945</u>

**\* FERTILIZERS UNIT GOODWILL:**

During 1986 the Group acquired Jordan Fertilizers Industry Company ("JFIC" or "the Fertilizers Unit") as agreed by the Economic Security Committee decision no. 16/86 dated 15 June 1986, whereby all assets and certain liabilities have been transferred to the Group.

Goodwill represents the excess of the cost of purchase over the Group's interest in the net fair value of the JFIC identifiable assets and liabilities that have been recorded 1996.

**Impairment test of goodwill**

The recoverable amount of the Fertilizers Unit has been determined using the projected cash flows based on financial budgets and projections prepared by the Group. The pre-tax discount rate applied is 15.9% the projections were prepared based on the production capacity and the expected prices of raw material and finished goods as published by specialized international organization. Based on the impairment test of goodwill an impairment loss of JD 1,000 thousand was recorded.

**Key assumptions used:**

The key assumptions to calculate the value in use for the Fertilizers Unit and which were used by management to prepare the projected cash flows for the impairment test of goodwill were as follows:

**Projected sales:** The quantities sold during 2017 were used to build up the projected 5 years future sales.

JORDAN PHOSPHATE MINES COMPANY PSC  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 31 DECEMBER 2017  
 (In Thousands of Jordanian Dinars)

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**Projected costs:** The costs incurred during 2017 except for raw material prices, were used to build up the projected 5 years cost.

**Discount rate:** The discount rate used reflects the management's estimate of the risks specific to the fertilizer unit and to the industry to determine the weighted average cost of capital which represent the discount rate used of 15.9%.

**Raw materials and selling prices:** Estimated selling prices and prices of raw materials are based on management expectations. Fertilizers chemical products prices are obtained from published information issued from international specialized organization and it has been adjusted on historical cost to reflect the purchase prices including Cost and Freight (CFR) Aqaba / Jordan.

**Sensitivity to changes in assumptions:** With regard to the assessment of value in use of the fertilizer unit, management believes that no reasonably possible changes in any other above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

**\*\* NEW PHOSPHATE PORT:**

During 2014, the Company capitalized the new Phosphate Port Project as intangible assets in accordance with IFRIC 12 (Service Concession Arrangements), where the total cost of the project represents the license to use and operate the new port for a period of 26 years, after that the port will be handed over to Aqaba Development Corporation / Aqaba Special Economic Zone Authority. The Company started to amortize the intangible assets related to the new phosphate port terminal from the first of January 2014. The amortization expense for the year ended 31 December 2017 amounted to JD 6,359 thousand (2016: JD 6,359 thousand) was recorded within new phosphate port terminal expenses (Note 36).

Movement on new phosphate port is as follows.

	<u>2017</u>	<u>2016</u>
Balance at 1 January	146,265	152,624
Amortization for the year	<u>(6,359)</u>	<u>(6,359)</u>
Balance at 31 December	<u>139,906</u>	<u>146,265</u>

The asset deferral provision when the license to use and operate the new port expires is JD 14,543 thousand as 31 December 2017 (2016: JD 13,775 thousand). The obligation is measured at the present value of estimated future cash flows using an average interest rate of 6.5%.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

The movement on the asset deferred provision is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	13,775	12,993
Present value discount	768	782
Balance at 31 December	<u>14,543</u>	<u>13,775</u>

**(7) EMPLOYEES' HOUSING LOANS**

Movement on the employee's housing loans is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	5,481	6,378
Net movement during the year	504	(801)
Present value discount	(465)	(96)
Balance at 31 December	<u>5,520</u>	<u>5,481</u>

The Group grants its classified employees, who have been in service with the Group for a minimum of seven years, interest-free housing loans at a maximum amount of JD 30 thousand per employee. The loans are repaid in monthly installments, deducted from the employees' monthly salaries over a period of maximum 15 years. These loans are guaranteed by a mortgage over the real estate.

Housing loans are initially recorded at fair value which is calculated by discounting the monthly installments to their present value using an interest rate which approximates the interest rate for similar commercial loans, and is subsequently measured at amortized cost using the effective interest rate method.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>2017</u>	<u>2016</u>
Quoted shares	133	174
Unquoted shares*	280	278
	<u>413</u>	<u>452</u>

\* Unquoted financial assets at fair value through other comprehensive income are recorded at cost, the Group's management believes that book values of these assets do not materially vary from their fair value as of 31 December 2017 and 2016.

**(9) LOANS RECEIVABLE**

The balance represents loans granted to associated companies of the Group (Jordan Abyad Fertilizers and Chemicals Company, Manajim for Mining Improvements Company and Jordan India Fertilizers Company). Long-term loans receivable are subject to annual interest rates between 3.5% and 8.25%.

		<u>2017</u>	<u>2016</u>
		<u>Loan payments</u>	<u>Loan payments</u>
	<u>Currency</u>	<u>Long-term</u>	<u>Long-term</u>
Jordan India Fertilizers Company	USD	6,536	-
Jordan Abyad Fertilizers and Chemicals Company – net*	USD	3,564	3,564
Jordan Abyad Fertilizers and Chemicals Company – net*	JD	5,933	3,217
		<u>16,033</u>	<u>6,781</u>

\* The balance represents the net present value of the debit loans after deducting an amount of JD 2,498 thousand, which represents the net present value of the expected future cash in flows using the market weighted average interest rate..



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
(In Thousands of Jordanian Dinars)

**(10) PRODUCTION AND DEVELOPMENT STRIPPING COSTS**

Movement on the production stripping cost is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	30,060	28,664
Additions for the year	7,316	14,680
Amortization for the year	(18,449)	(13,250)
Addition (Elimination) of Group's share of associate's income related to transactions between the Group and associates	466	(34)
Balance at 31 December	<u>19,393</u>	<u>30,060</u>

**(11) INVENTORIES, SPARE PARTS AND SUPPLIES**

	<u>2017</u>	<u>2016</u>
Finished goods	42,416	54,081
Work in progress (Note 34)	22,398	35,775
Raw materials	16,408	24,424
Inventory held by contractors	8,128	12,534
Spare parts and supplies	95,188	95,789
	<u>184,538</u>	<u>222,603</u>
Provision for slow moving spare parts*	(23,303)	(22,709)
	<u>161,235</u>	<u>199,894</u>

\* Movement in the provision for slow-moving spare parts was as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	22,709	20,664
Provision for the year	594	2,045
Balance at 31 December	<u>23,303</u>	<u>22,709</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(12) ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
Trade receivables	66,622	60,129
Due from associated companies (Note 38)*	92,532	81,891
Other	8,869	7,700
	<u>168,023</u>	<u>149,720</u>
Provision for doubtful debts	<u>(21,231)</u>	<u>(20,961)</u>
	<u>146,792</u>	<u>128,759</u>

\* Included in this item an amount of JD 5,076 thousand which represents the net present value of the amount due from Jordan Abyad Fertilizers and Chemicals Company which is classified within non-current assets in the statement of financial position as at 31 December.

The following is the movement for the provision for doubtful debts:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	20,961	20,961
Provision for the year	270	-
Balance at 31 December	<u>21,231</u>	<u>20,961</u>

The Group's policy with regard to trade receivables and related parties receivables is a collection period that does not exceed 90 days.

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

	<u>Neither past due nor impaired</u>			<u>Total</u>
	<u>Less than 90 days</u>	<u>90 – 180 days</u>	<u>More than 180 days</u>	
2017	54,260	-	92,532	146,792
2016	16,461	30,407	81,891	128,759

The management of the Group expects unimpaired receivables, on the basis of past experience, to be fully recoverable. The majority of the Group's sales are made through letter of credits.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(13) OTHER CURRENT ASSETS**

	<u>2017</u>	<u>2016</u>
Payments on letters of credit	12,091	10,872
Advance payments on sales tax	7,514	6,934
Prepaid expenses	5,585	4,987
Accrued interest revenue*	3,592	2,452
Others	351	425
	<u>29,133</u>	<u>25,670</u>

\* Included in this item an amount of JD 1,313 thousand which represents the net present value of the accrued interest of debit loan related to Jordan Abyad Fertilizers and Chemicals Company, which is classified under non-current assets in the statement of financial position as at 31 December 2017 (2016: JD 975 thousand).

**(14) CASH AND CASH EQUIVALENTS**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of the following amounts which appears in the consolidated statement of financial position:

	<u>2017</u>	<u>2016</u>
Cash at banks*	5,908	13,682
Cash on hand	60	63
Cash on hand and at banks	5,968	13,745
Less: Bank overdrafts (Note 21)	(92,136)	(101,512)
Cash and cash equivalents	<u>(86,168)</u>	<u>(87,767)</u>

\* Cash at banks include current accounts in US Dollars bearing annual average interest rate of maximum 1% for the years ended 31 December 2017 and 2016.

Cash at banks include short-term deposits accounts in Jordanian Dinars bearing annual interest rate between 5% and 5.5% for the year ended 31 December 2017 (2016: Between 3% and 3,75%).

**(15) EQUITY ATTRIBUTABLE TO EQUITY HOLDERS**

**Paid-in capital**

The Group's authorized, subscribed and issued capital amounted to JD 82,500 thousand which comprises of 82,500 thousand shares at par value of JD 1 per share.

**Statutory reserve**

As required by the Jordanian Companies Law, 10% of the annual net income for the year before income tax is to be transferred to the statutory reserve until it reaches 25% of the Group capital. However the Group may continue transferring to the statutory reserve up to 100% of the Group capital if general assembly approval is obtained. This reserve is not available for distribution to the shareholders.

**Voluntary reserve**

The amount accumulated in this reserve represents the transfers from net income before income tax at a maximum of 20%. This reserve is available for distribution to the shareholders.

**Special reserve**

The amount accumulated in this reserve represents the transfers from net income before income tax at a maximum of 20%. This reserve is available for distribution to the shareholders.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(16) LOANS**

	Currency	2017		2016	
		Due within one year	long-term	Due within one year	Long-term
International Finance Corporation	USD	11,625	-	11,681	11,625
Arab Bank loan (1)	USD	5,168	47,790	-	40,427
Arab Jordanian Investment Bank	USD	531	1,460	-	2,124
Housing Bank for Trade and finance Loan (1)	USD	7,080	14,160	7,080	21,240
Housing Bank for Trade and finance Loan (2)	USD	826	3,717	-	-
Union Bank Loan	USD	2,832	5,664	2,831	8,496
Arab Banking Corporation revolving loan	USD	7,075	-	7,075	-
Arab Bank revolving loan (2)	USD	7,080	-	7,080	-
Capital Bank	USD	3,894	-	2,961	-
		<u>46,111</u>	<u>72,791</u>	<u>38,708</u>	<u>83,912</u>

***International Finance Corporation (IFC) Loan***

On 26 March 2010, the Group signed a loan agreement with the International Finance Corporation (IFC) in the amount of USD 110 million, the loan is divided into two parts: loan (A) in the amount of USD 50 million and loan (B) in the amount of USD 60 million. The purpose of the loan agreement is to finance the construction and operation of the new rock phosphate terminal in the southern industrial zone in the port of Aqaba on (Building Operating and Transfer) BOT basis. The new terminals total cost was JD 153,144 thousand at an interest rate of six months LIBOR +3.5%, the loan period is nine years including two years grace period that is payable in 14 equal semi-annual installments amounting to JD 5,840 thousand for each installment, the first installment for both loans was paid on 15 June 2012, and the last installment will be due on 15 December 2018.

### ***Arab Bank Loan (1)***

Jordan Phosphate Mining Company signed a USD 96 Million loan agreement with Arab Bank. On 5 January 2016, the first part of the loan agreement with the amount of USD 50 Million was signed between the group and Arab Bank. On 21 July 2016, the second part of the loan agreement with the amount of USD 46 Million was signed between the Group and the Arab Bank to finance 100% of Jordan Phosphate Mining Company's share in Jordan Industrial Ports Company to develop and update the industrial port in Aqaba. The loan holds a LIBOR interest rate of 6 months + 2.75% for the first 7 years of the loan period and LIBOR price of 6 months +2.8% from the 8<sup>th</sup> year until the end of loan period, the loan has a 15 years period including 2 years grace period. The loan is payable through equal semiannual installments amounted to USD 3.65 Million. The first installment is due on 15 January 2018, and the last installment is payable on 15 July 2030. The first part of the loan was utilized during the first quarter of 2016. Additionally an amount of USD 7.1 Million was utilized from the second part of the loan during the fourth quarter of 2016. An amount of USD 17.7 Million was utilized during 2017 from the second part of the loan.

Certain loan agreements contain covenants relating to financial ratios and others relating to additional borrowings. The loan agreements give the lender the right to ask for full repayment of the loans in case of non-compliance with the stated covenants.

### ***Arab Jordanian Investment Bank***

On 27 December 2016, a loan agreement was signed with Arab Jordanian Investment Bank with an amount of USD 3 Million, having an interest rate of 3 months LIBOR with a minimum annual interest rate of 3% for a period of 4 years that includes a one year grace period. The loan is payable through quarterly installments, that starts after 12 months from the agreement signing date. The first installment was due on 31 January 2017 and the last installment is due on 30 September 2021.

### ***Housing Bank for Trade and Finance Loan (1)***

On 22 December 2015, the Group signed a loan agreement with Housing Bank (Bahrain Branch) with an amount of USD 50 million to finance employees end-of-service expenses bearing an interest rate of 3 months LIBOR + 3% with minimum annual interest rate of 4%. The loan is payable in 10 equal semiannual installments of USD 5 million. The loan was fully utilized on 6 January 2015. The first installment was paid on 22 December 2015 and the last installment will be due on 15 July 2020. The Bank is entitled to claim for guarantees if the average price per phosphate ton decreased by less than USD 60.

***Housing Bank for Trade and Finance Loan (2)***

On 6 April 2017, the Group signed a loan agreement with Housing Bank (Bahrain Branch) in the amount of USD 7 million bearing an interest rate of 3 months LIBOR+2.75% with a minimum interest rate of 3.5%. The loan period is including a grace period of 6 months. The loan is payable through 12 equal semiannual installments of USD 583 thousand. The first installment was due on 6 October 2017 and the last installment will be due on 6 April 2023.

***Union Bank Loan***

On 6 October 2015, the Group signed an agreement with Union Bank in the amount of USD 20 million to finance the compensation and end-of-service fund bearing an interest rate of 3 months LIBOR + 2.75% with a minimum annual interest rate of 3.25%. The loan's period is 6 years including a grace period of 1 year. The loan is payable in 5 annual installments of USD 4 million. The first installment was payable on 6 October 2016 and the last installment will be due on 6 October 2020.

***Arab Banking Corporation Revolving Loan***

On 22 May 2014, the Group signed a revolving loan agreement with Arab Banking Corporation with a ceiling of USD 10 Million to finance the working capital, at an annual interest rate of one month LIBOR + 1.5%. The loan was fully utilized during 2014 and should be fully paid within a maximum of 13 months from the utilization date.

***Arab Bank Revolving Loan (2)***

On 3 July 2014, the Group signed a revolving loan agreement with Arab Bank with a ceiling of USD 10 Million to finance letters of credit at an annual interest rate of one month LIBOR +2%. The loan was fully utilized during 2014 and should be fully paid within 1 month from the utilization date and / or the collection date of the letter of credit from customers, whichever is earlier.

***Capital Bank Loan***

On 8 June 2016, the Group signed a revolving loan agreement with Capital Bank to renew and raise the ceiling by USD 30,000 thousand bearing an annual interest of period LIBOR + 2%. On 9 February 2017, the Group has utilized an amount of USD 5,000 thousand with 6% interest rate. The loan is due within a period of maximum one year from withdrawal date. On 14 December 2017, the Group utilized an amount of USD 500 thousand with 3.7% interest rate. The loan is due within one year from the withdraw date.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

---

**Loans repayments schedule:**

The aggregate amounts of annual principal maturities of long-term loan are as follows:

<u>Year</u>	<u>Amount in</u>
2018	46,111
2019	16,437
Thereafter	56,354
	<u>118,902</u>

Certain loan agreements contain covenants relating to financial ratios and others relating to additional borrowings. The loan agreements give the lender the right to ask for full repayment of the loans in case of non-compliance with the stated covenants.

The loan agreement with Arab Bank stipulates that the Group do not obtain another loan of more than USD 50 Million from other banks without the acceptance of Arab Bank. The agreement also stipulates that JPMC should maintain debt service coverage ratio not less than 1.25 times, a current ratio of not less than 1.2 times and liabilities to net equity ratio not more than 1.5 times, and the Group should not mortgage its share in Industrial Ports Company for any party without taking permission of the Bank, and not to distribute any dividends if there was installments due and the dividends should not exceed 75% of the Company's capital. The Group did not comply with debt service coverage ratio which is 1.25 times and current assets to current liabilities ratio which is 1.2 times. The Group has received a waiver letter for noncompliance with debt service coverage ratio in 15 March 2018 for a year starting 1 January 2018. Also the group has received a waiver letter for noncompliance with current ratio in 30 April 2017 for one year.



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(17) COMPENSATION AND END-OF-SERVICE INDEMNITY PROVISIONS**

The movement on the end-of-service indemnity provision is as follow:

	2017				Total
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	
Balance at 1 January	183	18	10,822	315	11,338
Provision during the year (company contribution)	65	-	200	83	348
Employee's contribution	37	-	-	-	37
Payments during the year	(7)	-	(25)	(97)	(129)
Transfers	-	-	(9,200)	-	(9,200)
Balance at 31 December	<u>278</u>	<u>18</u>	<u>1,797</u>	<u>301</u>	<u>2,394</u>
	2016				Total
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	
Balance at 1 January	4,233	18	10,625	280	15,156
Provision during the year (company contribution)	24	-	197	56	277
Employee's contribution	6	-	-	-	6
Payments during the year	(4,080)	-	-	(21)	(4,101)
Balance at 31 December	<u>183</u>	<u>18</u>	<u>10,822</u>	<u>315</u>	<u>11,338</u>

\* Starting on 1 January 1981, all employees became entitled to be included in the Compensation Fund (ESCF). The Funds contributions were divided between the employee and the employer. Effective 1 August 1999, the employer's share was amended to become JD 310 and the employee share JD 140 as the total entitlement became JD 450 annually. The Fund's balance as of 31 December 2017 represents the accumulated funds that have vested to some employees; the Company's contributions are recognized as an administrative expense when incurred.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

---

- \*\* During 1999 the Company calculated the engineers specialty allowances provision, per a value form count of cassation that includes a final verdict to previous Company's employee that makes the Company pay a premium for spartiality for employees as part of end of service indemnity.
- \*\*\* The Company calculated the provision for employees' end-of-service bonus based on JD 1,000 per each service year for each employee in accordance with the signed agreement with the Jordanian Mines Employees Labor Union on 9 June 2011 and according to the Board of Directors decisions made on the 2 July 2011 and 28 July 2011 which set the end of service bonus basis.

End-of-service bonus is earned based on years of service. The Company determined its liability for defined end of service bonus as the present value of the obligation at the date of the consolidated financial statements. The obligation resulting from the end-of-service bonus compensation plan is determined using the projected unit credit method and it is computed by an actuarial expert.

The Group transferred a provision surplus of JD 9,200 thousand to the death and compensation Fund as disclosed in note (20).

Details of employees end-of-service indemnity expense as presented on the consolidated statement of income is as follows:

	<u>2017</u>	<u>2016</u>
Interest cost	100	90
Cost of current service	<u>100</u>	<u>107</u>
	<u>200</u>	<u>197</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(18) ACCOUNTS PAYABLE**

	<u>2017</u>	<u>2016</u>
Due to associates (Note 38)	45,610	49,270
Due to contractors	20,408	13,817
Due to foreign suppliers	16,326	3,418
Due to local suppliers	5,711	1,620
Electricity company	3,473	5,926
Other	15,013	5,164
	<u>106,541</u>	<u>79,215</u>

**(19) ACCRUED EXPENSES**

	<u>2017</u>	<u>2016</u>
Inventory in transit in custody of contractor	8,128	12,534
Mining fees	5,116	8,846
Accrued contractors expense	6,665	6,721
Freight and transportation fees	4,314	4,417
Accrued agriculture service fees	3,967	2,990
Fuel, electricity and water expenses	2,691	1,491
Sales rebates	1,516	1,481
Demurrage and unloading expense	1,313	1,306
Accrued medical insurance	1,312	1,313
Port fees	1,185	1,466
Sales agents' commissions	870	543
Interest expense	371	476
Accrued production bonus	-	40
Accrued rent	139	139
Accrued balances for affiliate companies	-	7,373
Other	2,529	3,289
	<u>40,116</u>	<u>54,425</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(20) OTHER CURRENT LIABILITIES**

	<u>2017</u>	<u>2016</u>
Deposits and other provisions	7,924	5,493
Death and compensation fund	5,081	2,982
Contractor retention	2,216	2,217
Cash received under letters of guarantees	2,357	2,357
Advanced collected payments	2,090	10,349
Other	2,994	3,590
	<u>22,662</u>	<u>26,988</u>

\* The movement on the Death and Compensation Fund is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	2,982	1,431
Company's contribution	14,817	15,640
Employees contribution	921	862
Transferred from compensation and end-of-service provision (Note 17)	9,200	-
Transferred from other provisions and adjustment	(124)	-
Paid during the year	<u>(22,715)</u>	<u>(14,951)</u>
Balance at 31 December	<u>5,081</u>	<u>2,982</u>

During March 2015, the Group established a Death and Compensation Fund in accordance with the Board of Directors resolution dated 12 March 2015. The Fund is independent from the Group (financially and administratively) and is effective starting 1 April 2015.

The Fund resources consist of the following:

- Employees' contribution of 1% of gross salary subject to social security with a minimum annual contribution of JD 240.
- Company's contribution of 25% of gross monthly salaries subject to social security.
- Donations and grants.

The Fund grants the employees included in this Fund upon their end-of-service, an average of two-month salary bonus for each service year with a maximum of 23 service years. The salary bonus is determined based on the last salary subject to social security with a maximum salary of JD 4,000.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

---

The Company's financial obligations toward the Fund is limited to the contribution of 25% of gross monthly salaries subject to social security. Accordingly, the Company has no legal obligation to pay in case the Fund was not able to pay its obligations.

**(21) DUE TO BANKS**

This balance represents the utilized amount of overdraft facilities granted by local banks. The utilized balance exceeded the ceiling of JD 34,500 thousand as of 31 December 2017 (2016: JD 37,500 thousand) for the JD accounts, and USD 71,500 thousand as of 31 December 2017 (2016: USD 71,500 thousand) for the USD accounts. The Group agreed with local banks to exceed the ceiling of the overdrafts in US Dollar facility by USD 9,907 thousand guaranteed by the export letters of credit received by the Company. Average interest rates on those overdrafts facilities ranged between 7.25% to 9% in 2017 (2016: between 7.25% and 9%) for the JD accounts, and LIBOR plus 1% to 3.25% for the USD accounts with a maximum of 5.5%.

**(22) INCOME TAX**

Income tax expense (benefit) presented in the consolidated income statement represents the following:

	<u>2017</u>	<u>2016</u>
Current year income tax	474	4,704
Amount released from deferred tax asset	1,721	1,147
Prior year income tax	139	-
Deferred tax assets	(125)	(594)
	<u>2,209</u>	<u>5,257</u>

**(A) Income tax provision**

Movement on the provision for income tax is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	520	3,599
Income tax expense for the year	474	4,704
Prior year's income tax	139	-
Prior year provision adjustments	4,027	-
Income tax paid	(3,687)	(7,783)
Balance at 31 December	<u>1,473</u>	<u>520</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(B) Reconciliation of the accounting profit to taxable profit**

The details of computed income tax is as follows:

	2017					Total
	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	
(Loss) accounting profit	(14,345)	(21,839)	(11,735)	3,550	(75)	(44,444)
Non-taxable profits	(6,344)	(3,301)	11,735	(3,550)	-	(1,460)
Non-deductible expenses	15,748	602	-	-	2,370	18,720
Taxable income	(4,941)	(24,538)	-	-	2,295	(27,184)
Provision for income tax	-	-	-	-	474	474
Effective income tax rate	-	-	-	-	-	-
Enacted income tax rate	24%	5%	-	-	20%	-

	2016					Total
	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	
accounting Loss	(14,148)	(47,515)	(19,057)	(4,117)	(46)	(84,883)
Non-taxable profits	(10,662)	(3,463)	19,057	4,117	-	9,049
Non-deductible expenses	35,495	1,611	-	-	1,937	39,043
Taxable income	10,685	(49,367)	-	-	1,891	(36,791)
Provision for income tax	4,326	-	-	-	378	4,704
Effective income tax rate	-	-	-	-	-	-
Enacted income tax rate	24%	5%	-	-	20%	-

\* No income tax is calculated on Indo-Jordan's and Nippon Jordan's results because both companies are registered in the free zone which is exempted from the income tax at 100%.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

---

**(C) Deferred tax assets**

Movement in the provision for income tax was as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	6,537	7,090
Additions during the year	125	594
Released during the year	(1,721)	(1,147)
Balance at 31 December	<u>4,941</u>	<u>6,537</u>

The income tax provision for the year ended at 31 December 2017 and 2016 has been calculated in accordance with the Income Tax Law No. (34) of the year 2014 and in accordance with the Aqaba Special Economic Authority Law (32) of the year 2000 for the Fertilizers Unit.

**Phosphate Unit**

The Company submitted its' tax declarations for the Phosphate Unit for the years 2016, 2015, 2014, 2013 and 2012. The Income and Sales Tax Department has reviewed the records of the Phosphate Unit for the years 2015, 2013 and 2012 and reached to a final settlement up to the year 2013, while no settlement was reached for the years 2015 and 2012 up to the date of the consolidated financial statements.

The income and Sales Tax Department claimed a tax of JD 300 thousand for the year 2012, however, the company filed a lawsuit to reach for a final settlement.

The Income Tax return for the year 2014 was accepted as presented based on the samples system. As for the year 2016, the income and Sales Tax Department did not review the company's records up to the date of the consolidated financial statement.

**Fertilizer Unit**

The Company submitted its' tax declarations for the Fertilizers Unit for the years 2016, 2015, 2014, 2013. The Company reached a final settlement with the income tax department / Aqaba Special Economic Zone Authority for the fertilizers Unit up to 2012. The income and Sales Tax Department / Aqaba Special Economic Zone Authority has not reviewed the records for the years 2016, 2015, 2014 and 2013 up to the date of the consolidated financial statements.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(23) SALES/ COST OF SALES**

	<u>Sales</u>	<u>Cost of sales</u>	<u>Gross profit</u>
Phosphate unit	335,507	(226,955)	108,552
Fertilizers unit	101,883	(121,810)	(19,927)
Indo Jordan	70,358	(75,632)	(5,274)
Nippon	71,830	(65,535)	6,295
Trading in raw materials	7,088	(6,167)	921
	<u>586,666</u>	<u>(496,099)</u>	<u>90,567</u>
		<u>2017</u>	<u>2016</u>
Finished goods as at 1 January		54,081	61,009
Production costs (Note 34)		484,434	465,036
Finished goods as at 31 December		(42,416)	(54,081)
		<u>496,099</u>	<u>471,964</u>

Fertilizer Unit's production costs include the amounts of JD 2,125 thousand and JD 2,012 thousand for 2017 and 2016 respectively, which represent mining fees on rock phosphate used in the fertilizer unit production (Note 27).

**(24) SELLING AND MARKETING EXPENSES**

	<u>2017</u>	<u>2016</u>
Sales commissions	2,283	2,347
Export department expenses	1,145	906
Governmental fees on agriculture services	977	891
Packaging materials	765	501
Bank charges on letters of credit	498	726
Income tax on marine freight	432	280
Demurrage and unloading expenses	15	53
Other sales and marketing expenses	2,217	3,671
	<u>8,332</u>	<u>9,375</u>



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(25) ADMINISTRATIVE EXPENSES**

	<u>2017</u>	<u>2016</u>
Salaries and wages	9,144	8,058
End-of-service benefits and compensation fund contributions	5,129	3,726
Post-Retirement Health Insurance contributions	2,028	2,251
Legal expenses and lawyer fees	1,901	531
Scientific research and development	992	823
Employer's Social Security contributions	935	962
Depreciation	608	585
Medical expenses	485	422
Employees' Health Insurance Fund contributions	424	345
Employees Saving Fund contributions	344	370
Maintenance and administrative expenses	319	292
Fees, taxes and stamps	283	487
Travel and per-diems	218	736
Utilities	207	224
Paid vacations and end-of-service benefits	120	49
Hospitality	151	219
Subscriptions and exhibitions	109	270
Stationery	106	94
Post and telephone	93	163
Rent	76	82
Advertising	43	133
Insurance fees	41	72
Other	1,442	2,769
	<u>25,198</u>	<u>23,663</u>

**(26) RUSSIEFAH MINE EXPENSES**

	<u>2017</u>	<u>2016</u>
Scientific research and development	1,179	1,326
Salaries and wages	217	320
Depreciation	113	32
Employer's Social Security contributions	21	32
Employees Saving Fund contributions	8	12
Employees Health Insurance Fund contributions	16	28
Medical expenses	10	21
Other	96	126
	<u>1,660</u>	<u>1,897</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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**(27) MINING FEES**

The Group is subject to mining fees to the Jordanian Government on each ton of phosphate rocks exported, sold locally or used in the Group's projects. Mining fees are calculated as 5% of gross revenue or JD 1.42 per ton of phosphate, whichever is higher.

Mining fees incurred for the years 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Mining fees on sold Phosphate	18,266	19,195
Mining fees on Phosphate used by the Fertilizers Unit (Note 23)	2,125	2,012
	<u>20,391</u>	<u>21,207</u>

**(28) OTHER INCOME (LOSS), NET**

	<u>2017</u>	<u>2016</u>
Net income (loss) from sales of water and energy	4,335	(1,929)
Early vessels revenue	794	824
Dividends income	112	90
Claim settlement expenses	(3,100)	(10,063)
Settlement of insurance claims	1,520	1,478
Other	5,682	3,437
	<u>9,343</u>	<u>(6,163)</u>

**(29) FINANCE COSTS**

	<u>2017</u>	<u>2016</u>
Bank interest	5,465	4,956
Interest on loans	4,754	4,216
Present value discount for asset replacement cost	768	782
Present value discount on due from related parties amounts	-	4,727
Other	465	124
	<u>11,452</u>	<u>14,805</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(30) FINANCE INCOME**

	<u>2017</u>	<u>2016</u>
Interest income on banks' current accounts and deposits	572	715
Interest on loans receivable	1,134	591
	<u>1,706</u>	<u>1,306</u>

**(31) EARNINGS PER SHARE**

	<u>2017</u>	<u>2016</u>
Profit for the year attributable to Company's shareholders (thousand JD's)	(47,532)	(88,821)
Weighted average number of shares during the year (thousand shares)	<u>82,500</u>	<u>82,500</u>
	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic earnings per share*	<u>(0/576)</u>	<u>(1/077)</u>

\* The diluted losses / earnings per share attributable to Company's shareholders are equal to the basic earnings per share.

**(32) SEGMENT INFORMATION**

The operating segments are organized and managed separately according to the nature of the products and services provided. Each segment represents a separate unit which is measured according to the reports used by the chief operating decision maker of the Group.

The Phosphate Unit extracts mines and sells phosphate to local and international markets and to associated companies.

The Fertilizer Unit purchases the phosphate from the Phosphate Unit and uses it in the production of Fertilizers, Phosphoric Acid and Aluminum Fluoride to be sold to international and local markets and to associated companies.

Indo-Jordan (Subsidiary) produces phosphoric acid and other chemical by-products and sells them to international markets and associated companies.

Nippon (Subsidiary) produces fertilizers and other chemical by-products and sells to international and associated companies.

The raw material trading unit purchases raw materials and explosives and uses them in mining and fertilizers production as well as selling them in local and international markets and to associated companies.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Trading in Raw Materials	Eliminations	Total
<b>31 December 2017</b>								
<b>Revenues</b>								
External sales	335,507	101,883	70,358	71,830	-	7,088	-	586,668
Inter-segment sales	72,309	39,573	5,731	844	-	-	(118,457)	-
<b>Total Sales</b>	<b>407,816</b>	<b>141,456</b>	<b>76,089</b>	<b>72,674</b>	<b>-</b>	<b>7,088</b>	<b>(118,457)</b>	<b>586,668</b>
Cost of sales	(226,955)	(121,810)	(75,632)	(85,535)	-	(6,167)	-	(496,099)
<b>Gross profit</b>	<b>108,552</b>	<b>(19,927)</b>	<b>(5,274)</b>	<b>6,295</b>	<b>-</b>	<b>921</b>	<b>-</b>	<b>90,567</b>
<b>Segment results</b>								
(Loss) profit before tax, net finance cost and exchange difference	(5,038)	(22,717)	(11,530)	2,985	(75)	921	-	(35,454)
Net finance cost and exchange difference	(9,288)	(62)	(205)	565	-	-	-	(8,990)
(Loss) profit before income tax	(14,326)	(22,779)	(11,735)	3,550	(75)	921	-	(44,444)
(Loss) profit for the year	(15,775)	(23,026)	(11,735)	3,550	(588)	921	-	(46,653)
Group share of loss of associates and joint ventures	(6,093)	-	-	-	-	-	-	(6,093)
Non-controlling interest	-	-	-	879	-	-	-	879
<b>Other segment information</b>								
Capital expenditures	897	6,172	3,561	193	-	-	-	10,823
Depreciation	10,072	10,252	6,233	1,022	108	-	-	27,687

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Trading In Raw Materials	Eliminations	Total
<b>31 December 2016</b>								
<b>Revenues</b>								
External sales	367,040	99,172	40,875	35,870	-	6,740	-	549,697
Inter-segment sales	57,116	18,538	6,174	-	-	-	(81,828)	-
<b>Total Sales</b>	<b>424,156</b>	<b>117,710</b>	<b>47,049</b>	<b>35,870</b>	<b>-</b>	<b>6,740</b>	<b>(81,828)</b>	<b>549,697</b>
Cost of sales	(235,718)	(137,811)	(55,297)	(37,448)	-	(5,690)	-	(471,964)
<b>Gross profit</b>	<b>131,322</b>	<b>(38,639)</b>	<b>(14,422)</b>	<b>(1,578)</b>	<b>-</b>	<b>1,050</b>	<b>-</b>	<b>77,733</b>
<b>Segment results</b>								
(Loss) profit before tax, net finance cost and exchange difference	(1,092)	(48,437)	(19,011)	(4,713)	(46)	1,050	-	(72,249)
Net finance cost and exchange difference	(13,002)	(182)	(46)	598	-	-	-	(12,634)
(Loss) profit before tax	(14,094)	(48,619)	(19,057)	(4,117)	(46)	1,050	-	(84,883)
(Loss) profit for the year	(18,924)	(48,667)	(19,057)	(4,117)	(425)	1,050	-	(90,140)
Group share of loss of associates and joint ventures	(12,363)	-	-	-	-	-	-	(12,363)
Non-controlling interest	-	-	-	(1,319)	-	-	-	(1,319)
<b>Other segment information</b>								
Capital expenditures	1,909	4,979	2,308	700	33	-	-	9,929
Depreciation	7,224	8,310	8,550	995	154	-	-	25,233

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Total
<b>Assets and Liabilities as at 31 December 2017</b>						
Assets	497,324	207,601	75,388	24,228	1,126	805,667
Investment in associates and joint ventures	271,996	-	-	-	-	271,996
Liabilities	348,176	37,409	11,844	744	1,338	399,511

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Total
<b>Assets and Liabilities as at 31 December 2016</b>						
Assets	532,011	213,142	87,273	29,303	1,100	862,829
Investment in associates and joint ventures	273,466	-	-	-	-	273,466
Liabilities	371,399	28,236	7,842	2,638	1,336	411,451

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**Geographical segments**

Following is a summary of sales by geographical areas:

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Raw Materials	Total
<b>2017</b>						
Asia	239,607	89,136	65,479	46,233	-	440,455
Europe	8,882	6,135	-	19,332	-	34,349
Africa	-	5,987	1,131	6,117	-	13,235
Associated and joint ventures companies in Jordan	87,013	-	-	-	-	87,013
Other	5	625	3,748	148	7,088	11,614
	<u>335,507</u>	<u>101,883</u>	<u>70,358</u>	<u>71,830</u>	<u>7,088</u>	<u>586,666</u>
<b>2016</b>						
Asia	261,322	93,041	34,095	28,455	-	416,913
Australia	5,462	-	-	-	-	5,462
Europe	11,894	5,237	-	5,439	-	22,570
Africa	-	88	1,528	1,831	-	3,447
Associated and joint ventures companies in Jordan	88,361	-	-	-	-	88,361
Other	1	806	5,252	145	6,740	12,944
	<u>367,040</u>	<u>99,172</u>	<u>40,875</u>	<u>35,870</u>	<u>6,740</u>	<u>549,697</u>

The Group operates in the Hashemite Kingdom of Jordan, accordingly all of its assets and liabilities are within the territory of Jordan, except for the Indonesian project – Petro Jordan Abadi Company which is located in Indonesia.

**(33) OTHER PROVISIONS**

The details of other provisions included in the consolidated statement of income are as follows:

	2017	2016
Employees' incentives provision*	-	1,203
End-of-service bonus compensation provision (Note 17)	200	197
Bonus compensation – six months for subsidiaries (Note 17)	83	56
	<u>283</u>	<u>1,456</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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The details of employees' incentives and retirees grants provision included in the consolidated statement of financial position are as follows:

	<u>2017</u>	<u>2016</u>
Employees' incentives provision*	193	489
Employees' grants provision**	551	569
	<u>744</u>	<u>1,058</u>

\* The employees' incentives provision for the year 2011 was calculated based on the Company's Board of Directors decision on 2 July 2011 approved an Early Retirement Incentive Plan for the year 2011 and its associated by-laws (the "Plan"). The Plan is applicable only to those employees who meet its conditions, whereby the Plan may not be combined with either the early retirement incentive plan for the year 2000 or with the end of service bonus. The Plan provides the following benefits to those employees who meet the conditions of the plan:

- 1- Granting a JD 1,000 bonus for each year of service as of the hiring date and until the termination date.
- 2- Granting a JD 1,000 bonus for each year of service as of the termination date until attaining the age of seniority (60 years of age for males and 55 years of age for females).
- 3- Granting a bonus equivalent to four salaries for each year in respect of the first five years of service, a bonus equivalent to three salaries for each year in respect of the second five years of service, a bonus equivalent to two salaries for each year in respect of the third five years of service. For purposes of computing the incentive provided for under the Plan, the remaining years of service must not, in all cases, exceed 10 years for females and 15 years for males.
- 4- Benefiting from the medical insurance coverage after retirement. Additionally, the employee who does not meet the conditions of the Plan, or the employee who chooses to leave the company and not take advantage of the early retirement program, still has the right to subscribe to the medical insurance coverage after retirement provided that the subscription must be paid in advance.

Whereby eligibility to the plan and its entitlements shall not affect the eligible employee's rights to receive his/her end-of-service benefits including the six-month bonus, the compensation and death fund entitlements, or the savings fund entitlements.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

---

Movement on the employees' bonus provision is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	489	12
Provision for the year	-	1,203
Paid during the year	<u>(296)</u>	<u>(726)</u>
Balance at 31 December	<u>193</u>	<u>489</u>

\*\* On 29 February 2012, the Company's Board of Directors approved the decision to grant the Company's early retirees who retired on early retirement plan for the year 2000 an amount of JD 5,000 for each retiree.

On 20 February 2012, the Company's Board of Directors approved the decision to grant the Company's retirees who retired between the period from 1 January 2002 and 4 June 2011. The amount is calculated based on the following formula and the minimum amount is JD 8,000 for each retiree:

$((50\% \times \text{salary subject to social security} \times \text{years of service}) + (25\% \times \text{salary subject to social security} \times \text{remaining years from the termination date until the age of seniority}))$ .

Movement on the employees' grants provision is as follows:

	<u>2017</u>	<u>2016</u>
Balance at 1 January	569	585
Paid during the year	<u>(18)</u>	<u>(16)</u>
Balance at 31 December	<u>551</u>	<u>569</u>



**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(34) PRODUCTION COSTS**

	<u>2017</u>	<u>2016</u>
Work in progress beginning balance	35,775	44,455
Add:		
Mining contractors	176,120	171,377
Raw materials	92,071	74,572
Raw materials purchases	6,167	5,690
Salaries and other benefits	82,931	89,399
Utilities	28,977	35,134
Fuel and oil	9,972	12,455
Spare parts and consumables	21,984	26,364
Depreciation	26,769	24,376
Other	26,066	16,989
Less: Work in progress ending balance	<u>(22,398)</u>	<u>(35,775)</u>
	<u>484,434</u>	<u>465,036</u>

**(35) SALARIES AND EMPLOYEES BENEFITS**

	<u>2017</u>	<u>2016</u>
Salaries and allowances	70,124	74,661
End-of-service and indemnity Fund	14,882	15,634
Social security	8,545	8,673
Paid end-of-service indemnity	4,978	2,286
Employees families health insurance	3,371	3,356
Employees medical expenses	3,284	3,541
Saving Fund	2,228	2,710
Employees meals subsidy	991	918
Present value of end-of-service bonus compensation	<u>200</u>	<u>197</u>
	<u>108,603</u>	<u>111,976</u>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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**(36) NEW PHOSPHATE PORT TERMINAL EXPENSES**

	<u>2017</u>	<u>2016</u>
Salaries, wages and other benefits	2,665	2,873
Water and electricity	1,258	1,279
Amortization (Note 6)	6,359	6,359
Property and equipment insurance	500	524
Rent	333	601
Other	290	361
	<u>11,405</u>	<u>11,997</u>

**(37) COMMITMENTS AND CONTINGENCIES**

**Guarantees and letters of credit**

As of 31 December 2017, the outstanding letters of credit and letters of guarantee were JD 33,137 thousand and JD 2,835 thousand respectively (2016: JD 14,995 thousand and JD 2,856 thousand; respectively).

The Group has guaranteed 27.38% (Group's share of investment) of the syndicated loans and credit facilities managed by Jordan Ahli Bank, given to Jordan Abyad Fertilizers and Chemicals Company (Affiliate Company), amounting to JD 13,758 thousand as of 31 December 2017. On 16 November 2016, Jordan Ahli Bank credited JD 7,639 thousand to the Company's account, which represents the Company's share of the syndicated loan installment, the credit facilities granted and the accrued interest on Jordan Abyad Fertilizers and Chemicals Company. The company do not have any accounts at Al-Ahli Bank as of 31 December 2016 and 31 December 2017.

An agreement was signed between Jordan Abyad Fertilizers and Chemicals Company and Jordan Ahil Bank, to reschedule loan installments, the shareholders and the bank agreed to consider the installment that credited to the Jordan Phosphate Mine Company by Jordan Ahil Bank on 16 November 2016 as part of debt that scheduled and due on Jordan Abyad Fertilizers and Chemicals Company.

The Group has guaranteed 50% of a guarantee issued to Aqaba development Company form Jordanian Industrial Ports Company (affiliate Company) as of 31 December 2017 amounting to JD 2,600 Thousand.

### **Operating Leases**

During 2008, the Group had renewed the agreement with Aqaba Development Company by entering into an operating lease agreement for an area of 3,043 square meters for a period of forty nine years with an annual lease of JD 570,194.

### **Litigation**

The Group is a defendant in a number of lawsuits and claims in the ordinary course of business of approximately JD 2,244 thousand. The management of the Group believes that these lawsuits will not have a material effect on the financial statements.

During 1999, the Group withdrew the cash received under letters of guarantee that were issued by the German KHD Company in favor of the Group due to KHD's noncompliance with the terms and conditions of the contract agreement. KHD is the prime contractor of the Company's beneficiation and flotation plant project in the Shidiya.

During January 2000, KHD initiated a lawsuit in a Jordanian court against the Group's withdrawal of the amount of the letters of guarantee and during February 2000, the Group filed a counter suit. Further, during March 2000, KHD started an arbitration procedure to be heard by the International Chamber of Commerce. The Jordanian Supreme Court had decided that KHD had waived its right to arbitration in the International Chamber of Commerce and, accordingly, Jordanian Courts are the relevant legal jurisdiction to hear the lawsuit and the case is still pending.

During October 2004, KHD filed a lawsuit against the Group, claiming amounts under the contract signed between the two parties in respect of the beneficiation and flotation plant project at Shidiya mine.

The total amount of claims relating to lawsuits relating to KHD is JD 12,564 thousand. The Group filed a counter-claim that has reached JD 27,659 thousand representing the cost incurred by the Group in fixing the errors made by KHD during the construction of the project.

In August 2017, the Company filed a lawsuit against Manjem for Mining Development in the amount of JD 99,046 thousand as a result of breaching the execution of Phosphate Mining Contract (removal of overburden, Mining and crushing Phosphate A1, A2, A3) in area number (1) which located in Mine number (2) North of Shidiya Mine) in addition to compensation of damages as a result of contract breach which is estimated based on technical experience. The Company notified Manjem for Mining Development of the contract termination by the expiry of the specified period of time, the contract was extended for a further period of three months which ended on 1 September 2014. The case is still pending at the civil proceedings Court judge.

Manjem for Mining Development filed a lawsuit against Jordan Phosphate Mines Company in November 2017 in respect of compensation of damages as a result of the contact termination, the penalty is estimated at JD 91,461 thousand which represents 20% of the mining contact amounted to JD 457,306 thousand approximately.

In November 2017, Manjem for Mining Development filed a lawsuit against Jordan Phosphate Mines Company claiming several amounts related to Phosphate Mining Contract (removal of overburden, Mining and crushing Phosphate A1, A2, A3) in area number (1) which is located in Mine number (2) North of Shidya Mine) in an amount of JD 15,533 thousand, the case is still pending at the Court of first instance in Amman.

Manjem filed a lawsuit against Jordan Phosphate Mines Company in December 2017 claiming several amounts related to work performed during the months (May, June, and July) 2017 as per the mining contact signed by Jordan Phosphate Mines Company and Manjem with a total amount of JD 20,814 thousand, that was overdue, the case is still pending at the Court of First Instance in Amman. The Group's management believe that the provision recorded against Manjem claims are sufficient .

There is an arbitration case registered in the International Court of Arbitration, which was formed between Jordan Phosphate Mines Company and AFCON Infrastructure Limited , where AFCON filed its claim on 22 August 2017 which represents the remaining due amounts related to the new Phosphate port construction contract with an amount of JD 79,551 thousand.

On 29 October 2017, Jordan Phosphate Mines Company filed a counter claim for the uncompleted works for the new Phosphate port amounting to JD 16,364 thousand.

There is an arbitration case which was formed between Jordan Phosphate Mines Company and Site Group, where Site Group filed its claim in the amount of JD 1,494 thousand which represents the remaining due amount related to the Wells Project Construction Contract. Jordan Phosphate Mines Company filed a counter- claim for uncompleted works amounted to JD 6,212 thousand.

#### **Obligations related to rehabilitation of mines and factories**

The Group's activities are represented in industrial and mining rights, which may have an impact on the environment. The Group does not have a reliable estimate of this impact. The Group will perform a study to determine the environmental obligations "if any" as a result of the Group's business.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**(38) RELATED PARTY TRANSACTIONS**

Related parties represent balances with associated companies, major shareholders, directors and key management of the Group and the companies in which they are major shareholders in.

The Group entered into transactions with the associates, related parties and the Hashemite Kingdom of Jordan government in its normal course of business with pricing, policies and term.

The following is a summary of related parties transactions for the years ended 31 December 2017 and 2016:

	Related parties			Total	
	Associated Companies and Joint Ventures	Government of Jordan*	Others**	2017	2016
<u>Consolidated statement of financial position items:</u>					
Accounts receivable	92,532	-	6,814	99,346	99,324
Accounts payable	45,610	4,844	5,670	56,124	50,025
Debit loans	16,033	-	-	16,033	6,781
Accrued expenses	-	10,392	-	10,392	20,199
<u>Off consolidated statement of financial position items:</u>					
Guaranteed loans	16,358	-	-	16,358	16,358
<u>Consolidated statement of income items:</u>					
Sales	87,013	-	123,547	210,560	218,462
Purchases	156,283	-	2,298	158,581	159,515
Mining fees	-	20,391	-	20,391	21,207
Port fees	-	5,091	-	5,090	4,074
Other income	21,903	-	149	22,052	19,131
Land lease	-	6,493	-	6,493	4,568

The following transactions have been entered into with related parties:

\* The Group purchases goods and services from companies /institutions owned by the Government of Jordan (Major shareholders). The total amounts paid to these companies / institutions amounted to JD 97,261 thousand and JD 120,360 thousand for the years ended 31 December 2017 and 2016 respectively.

\*\* Others include balances and transactions with Jordan Phosphate Mines Company partners in associated companies and projects.

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

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Compensation of the key management personnel was as follows:

	<u>2017</u>	<u>2016</u>
Benefits (Salaries, wages, and other benefits) of senior executive management	787	905
Board of Directors reward	355	504

End-of-service indemnity paid to key management personnel for the year 2017 amounted to JD 673 thousand (2016: JD 546 thousands).

**Main transactions with the Government of Jordan:**

The nature of the main transactions with related parties was as follows:

- The Company is liable to pay mining fees to the Government of Jordan at rates determined by the government from time to time.
- The Company has an operating lease with the Government of Jordan / Aqaba Special Economic Zone Authority for the land which the Industrial Complex is built on.
- The Company has an operating lease with the Government of Jordan / Aqaba Special Economic Zone Authority for the land which the New Phosphate Port is built on (Note 6).

JORDAN PHOSPHATE MINES COMPANY PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017  
(In Thousands of Jordanian Dinars)

**(39) MATERIAL PARTY-OWNED SUBSIDIARIES**

Financial information of subsidiaries in which non-controlling interest is material is as follows:

Company name	Country of incorporation	Nature of activity	Non-controlling interest	
			2017	2016
Nippon Jordan Fertilizers Company Limited	Jordan	Production and sale of fertilizers and chemical by-products	30%	30%

Summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company elimination.

Accumulated balances of material non-controlling interest	2017	2016
Nippon Jordan Fertilizers Company Limited	7,374	6,495
Profit (loss) attributable to material non-controlling interest	2017	2016
Profit (loss) of Nippon Jordan Fertilizers Company Limited	879	(1,319)
Dividends of Nippon Jordan Fertilizers Company Limited	-	(3,159)

**A. Summarized statement of financial position**

	Nippon Jordan Fertilizers Company Limited	
	2017	2016
Current assets	18,082	21,123
Non-current assets	7,122	7,951
Current liabilities	(430)	(7,217)
Non-current liabilities	(301)	(315)
<b>Difference between book and market value at acquisition</b>	<b>107</b>	<b>107</b>
<b>Total equity</b>	<b>24,580</b>	<b>21,649</b>
<b>Non-controlling interest in equity</b>	<b>7,374</b>	<b>6,495</b>

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**B. Summarized statement of profit and loss**

	Nippon Jordan Fertilizers Company Limited	
	2017	2016
Sales revenue	72,674	35,870
Cost of sales	(67,049)	(37,745)
<b>Gross profit (loss)</b>	<b>5,625</b>	<b>(1,875)</b>
Sales and marketing expenses	(1,451)	(909)
Administrative expenses	(1,809)	(1,676)
<b>Operating profit (loss)</b>	<b>2,365</b>	<b>(4,460)</b>
Interest revenue	536	583
Finance cost	(8)	(7)
Other (expense) revenue	38	(511)
<b>Net income (Loss) for the year</b>	<b>2,931</b>	<b>(4,395)</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>2,931</b>	<b>(4,395)</b>
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>879</b>	<b>(1,319)</b>

**C. Summarized statement of cash flow**

	Nippon Jordan Fertilizers Company Limited	
	2017	2016
Operating activities	(5,723)	(1,031)
Investing activities	448	202
Financing activities	(8)	(8,959)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,283)</b>	<b>(9,788)</b>



**(40) FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments include financial assets and financial liabilities.

Financial assets include cash on hand and at banks, trade receivables, debt loans and selected other current assets as well as employee housing loans, financial liabilities include due to banks, accounts payable and other current liabilities.

Book values of financial instruments do not materially vary from their fair value.

The Group uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	JD ('000)	JD ('000)	JD ('000)	JD ('000)
<b>2017</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	133	-	280	413
Financial assets at fair value through profit and loss	194	-	-	194
<b>2016</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	174	-	278	452
Financial assets at fair value through profit and loss	182	-	-	182

**(41) RISK MANAGEMENT**

**Interest rate risk**

Credit risk is the risk that results from the changes in market value or future cash flows of financial instruments as a result of changes in interest rate.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (bank deposits, bank overdraft and term loans).

The following table summarizes the sensitivity analysis for the changes in the interest rates over the profit and loss for the Group as of 31 December computed on the Group's assets and liabilities bearing a variable interest rate, with all other variables held constant, on the consolidated statement of income:

Currency	<i>Increase in</i>	<i>Effect on profit</i>
	<u><i>interest rates</i></u>	<u><i>JD'(000)</i></u>
	<i>Basis points</i>	
<b>2017</b>		
JOD	100	(292)
USD	100	(1,616)
Euro	100	-
<b>2016</b>		
JOD	100	(348)
USD	100	(1,771)
Euro	100	-

The effect of the decrease in the interest rates by 100 basis points is expected to be equal and opposite to the effect of the increases shown above.

### Share price risk

The following table demonstrates the sensitivity of the Group's consolidated statement of income (for financial assets at fair value through profit and loss) and cumulative changes in fair value (for financial assets at fair value through other comprehensive income to reasonably possible changes in equity prices, with all other variables held constant.

	<i>Change in Index</i>	<i>Effect on Profit</i>	<i>Effect on Equity</i>
	%	JD ('000)	JD ('000)
<b>2017</b>			
<b>Index</b>			
Amman Stock Exchange	5	10	7
<b>2016</b>			
<b>Index</b>			
Amman Stock Exchange	5	9	9

The effect of decreases in equity prices with the same percentages is expected to be equal and opposite to the effect of the increases shown above.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The majority of the Group's sales are carried out through letters of credit.

The Group sells its products to a large number of phosphate and fertilizers customers. Its largest 8 customers account for 60.70% of outstanding accounts receivable at 31 December 2017 (2016: largest 7 customers 68%).

**JORDAN PHOSPHATE MINES COMPANY PSC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**  
**(In Thousands of Jordanian Dinars)**

**D) Liquidity risk**

Liquidity risk is defined as the Group failure to provide the required funding to cover its obligations at their respective due dates.

The Group limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2017 and 2016, based on contractual payment dates and current market interest rates.

<b>As of 31 December 2017</b>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Due to banks	1,958	98,009	-	-	99,967
Accounts payable	106,541	-	-	-	106,541
Term loans	-	47,681	52,737	27,557	127,975
<b>Total</b>	<u>108,499</u>	<u>145,690</u>	<u>52,737</u>	<u>27,557</u>	<u>334,483</u>

  

<b>As of 31 December 2016</b>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Due to banks	2,030	107,603	-	-	109,633
Accounts payable	68,802	10,413	-	-	79,215
Term loans	-	40,016	61,127	32,363	133,506
<b>Total</b>	<u>70,832</u>	<u>158,032</u>	<u>61,127</u>	<u>32,363</u>	<u>322,354</u>

**Currency risk**

Most of the Group's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (USD 1/41 JD). Accordingly, the Group is not exposed to significant currency risk in relation to the US Dollar.

**(42) CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

During its meeting held on 14 April 2016, the Company's Board of Directors approved the recommendation to the general assembly to capitalize an amount of JD 7,500 thousand from the retained earnings and distribute them to shareholders as stock dividends, this resulted in an authorized and paid in –capital of JD 82,500 thousand divided into 82,500 thousand shares with a par value of JD 1 each.

Capital comprises paid in capital, statutory reserve, voluntary reserve, special reserve and retained earnings, and is measured at JD 671,044 thousand as at 31 December 2017 (2016: JD 718,576 thousand).