JORDAN PHOSPHATE MINES COMPANY PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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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 Consolidated Financial Statements

Opinion

We have audited the accompanying 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 2019, and the consolidated statement of income, 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 financial position of the Group as at 31 December 2019, and its 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.

1. Revenue recognition

Refer to note 23 on the consolidated financial statements

Key audit matter	**How the key audit matter was addressed in the audit**
The Group focuses on revenue as one of its main performance measures, and given the importance of the amounts and the geographical diversity of the Group's operations and the ease with which these revenues are exposed to the risks of overstatement in value and fraud, we consider the revenue recognition as an key audit matter.	The audit procedures included an assessment of the Group's accounting policies for revenue recognition in accordance with the International Financial Reporting Standards. We also tested the Group's controls around revenue recognition and key controls within the revenue cycle. We have selected a sample of revenues before and after year-end to ensure proper cut off, we also performed detailed revenue analysis using financial and non-financial information. We selected and tested a sample of the daily journal entries on revenue accounts. We have also gained a detailed understanding of the mechanism used by management to determine the different sources of revenues. The details of revenues are set out in note 23 to the accompanying consolidated financial statements.

2. Impairment in goodwill

Refer to note 6 on the consolidated financial statements

Key audit matter	How the key audit matter was addressed in the audit
In compliance with International Financial Reporting Standards (IFRS), the Group is required to annually test goodwill for impairment. The annual impairment test is important for our audit, as the balance of JD 15,295 thousand as of 31 December 2019, is material to the consolidated financial statements. In addition, management's assessment process is complex and highly judgmental, and is based on assumptions, specifically the discount rate and the growth rate estimates which are affected by expected future market and economic conditions. Any changes in assumptions could result in impairment of the goodwill. Accordingly, we consider impairment testing of goodwill to be a key audit matter.	We used valuation experts to assist us in evaluating the assumptions and methodologies used by the Group, in particular, those relating to discount rates, forecasted revenue growth and profit margins for the cash generating units; and we have focused on the adequacy of the group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. The details of goodwill are set out in Note 6 to the accompanying consolidated financial statements.

Other information included in the Group's 2019 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 exists, 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.

The partner in charge of the audit resulting in this auditor's report was Waddah Isam Barkawi; license number 591.

Amman – Jordan
26 April 2020

Ernst + Young

JORDAN PHOSPHATE MINES COMPANY PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(In Thousands of Jordanian Dinars)

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	222,921	234,843
Projects in progress	4	6,588	4,861
Investments in associates and joint ventures	5	306,675	273,088
Intangible assets	6	142,868	149,227
Deferred tax assets	22	13,321	18,944
Employees' housing loans	7	4,567	4,850
Financial assets at fair value through other comprehensive income	8	365	389
Long term loans receivable	9	20,351	22,510
Long term accounts receivable	12	3,488	16,376
Other current assets	13	2,476	1,313
Production and development stripping cost	10	7,172	16,622
Right-of-use asset	2	66,099	-
		796,891	743,023
Current assets			
Inventories, spare parts and supplies	11	171,611	193,008
Accounts receivable	12	106,232	119,214
Other current assets	13	58,465	39,407
Short term loans receivable	9	2,817	2,817
Financial assets at fair value through profit and loss		214	197
Cash on hand and at banks	14	30,117	24,670
		369,456	379,313
TOTAL ASSETS		1,166,347	1,122,336
EQUITY AND LIABILITIES			
Equity			
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		(314)	(290)
Retained earnings		373,954	368,587
Equity attributable to Company's shareholders		681,140	675,797
Non – controlling interests	39	5,330	6,862
Total Equity		686,470	682,659
Non-current liabilities			
Long-term loans	16	63,776	82,161
Compensation and end-of-service indemnity provision	17	2,808	2,827
Assets deferral provision	6	16,031	15,295
Other long-term credit provisions		30,000	30,000
Long-term lease liabilities	2	61,054	-
		173,669	130,283
Current liabilities			
Accounts payable	18	98,880	106,949
Accrued expenses	19	38,551	40,596
Other current liabilities	20	29,406	28,650
Due to banks	21	82,256	85,677
Employees incentives and retirees grants provision	33	772	1,168
Current portion of long-term loans	16	35,017	35,017
Income tax provision	22	14,293	11,337
Short-term lease liabilities	2	7,033	-
		306,208	309,394
Total Liabilities		479,877	439,677
TOTAL EQUITY AND LIABILITIES		1,166,347	1,122,336

The attached notes from 1 to 45 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PLC
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(In Thousands of Jordanian Dinars)

	Notes	2019	2018
Net sales	23	640,793	674,439
Cost of sales	23	(507,192)	(508,985)
Gross profit		133,601	165,454
Selling and marketing expenses	24	(7,873)	(8,246)
New phosphate port terminal expenses	36	(11,260)	(11,577)
Aqaba port fees		(4,163)	(4,452)
Transportation expenses		(55,498)	(48,967)
Administrative expenses	25	(23,366)	(26,887)
Russiefah mine expenses	26	(1,188)	(1,330)
Mining fees costs	27	(18,956)	(18,169)
Provision for slow-moving spare parts	11	(634)	(1,591)
Other provisions	33	(430)	(781)
Provision for expected credit losses	12	(1,520)	-
Other income, net	28	39,581	26,651
Foreign currency exchange differences		268	966
Operating loss		48,562	71,071
Finance costs	29	(17,044)	(17,228)
Finance income	30	2,192	2,971
Group's share of profit from associates and joint ventures	5	8,520	1,612
Other fees		(45)	(43)
Gain from revaluation of financial assets at fair value through profit and loss		17	3
Profit before income tax		42,202	58,386
Income tax expense	22	(21,612)	(10,842)
Profit for the year		20,590	47,544
Profit Attributable to:			
Equity holders		21,867	47,276
Non – controlling interests	39	(1,277)	268
Profit for the year		20,590	47,544
		JD/Fils	JD/Fils
Basic and diluted profit per share attributable to the equity holders	31	0/265	0/573

The attached notes from 1 to 45 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(In Thousands of Jordanian Dinars)

	Note	2019	2018
Profit for the year		20,590	47,544
Add: Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of financial assets at fair value through other comprehensive income	8	(24)	(24)
Total comprehensive income for the year		20,566	47,520
Total comprehensive income attributable to:			
Equity holders		21,843	47,252
Non – controlling interests		(1,277)	268
Total comprehensive income for the year		20,566	47,520

The attached notes from 1 to 45 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(In Thousands of Jordanian Dinars)

		Reserves			Fair	Retained earnings		Non -	
	Paid-in capital	Statutory	Voluntary	Special	value reserve	Unrealized*	Realized**	controlling interest	Total equity
For the year ended 31 December 2019									
Balance at 1 January 2019	82,500	75,000	75,000	75,000	(290)	25,968	342,619	6,862	682,659
Profit for the year	-	-	-	-	-	17	21,850	(1,277)	20,590
Total comprehensive income items	-	-	-	-	(24)	-	-	-	(24)
Dividends payments (Note 43)	-	-	-	-	-	-	(16,500)	(255)	(16,755)
Balance at 31 December 2019	82,500	75,000	75,000	75,000	(314)	25,985	347,969	5,330	686,470
For the year ended 31 December 2018									
Balance at 1 January 2018	82,500	75,000	75,000	75,000	(266)	25,965	337,579	7,374	678,152
Impact of the adaption of IFRS 9	-	-	-	-	-	-	(42,233)	-	(42,233)
Balance at 1 January 2018 (Adjusted)	82,500	75,000	75,000	75,000	(266)	25,965	295,346	7,374	635,919
Profit for the year	-	-	-	-	-	3	47,273	268	47,544
Total comprehensive income items	-	-	-	-	(24)	-	-	-	(24)
Dividends payments	-	-	-	-	-	-	-	(780)	(780)
Balance at 31 December 2018	82,500	75,000	75,000	75,000	(290)	25,968	342,619	6,862	682,659

* 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 13,829 thousands which are restricted, it includes JD 13,321 thousands which represents deferred tax assets, an amount of JD 314 thousands restricted against the negative balance of fair value reserve for financial assets at fair value through other comprehensive income, and an amount of JD 194 thousands is restricted against the negative balance of fair value accumulated for financial assets at fair value through profit or loss as of 31 December 2019.

The attached notes from 1 to 45 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(In Thousands of Jordanian Dinars)

	Notes	2019	2018
OPERATING ACTIVITIES			
Profit for the year before income tax		42,202	58,386
Adjustments for:			
Depreciation	3	24,441	25,803
Depreciation of right of use assets	2	4,804	-
Amortization of new phosphate port terminal	6	6,359	6,359
Amortization of production stripping costs	10	15,497	11,183
Employees compensation fund and end-of-service indemnity		12,339	13,354
Finance costs	29	17,044	17,228
Finance income	30	(2,192)	(2,971)
Mining fees costs	27	20,940	20,460
Group's share of profit from associates and joint ventures	5	(8,520)	(1,612)
Provision for slow-moving spare parts	11	634	1,591
Provision for expected credit losses	12	1,520	-
Recoveries from provision for expected credit losses	12	(12,886)	-
Other non-cash items		2,575	(1,120)
Working capital changes:			
Accounts receivable		12,444	(11,100)
Employees' housing loans		419	(94)
Other current assets		(20,221)	(11,587)
Inventories, spare parts and supplies		20,763	(33,364)
Production and development stripping costs		(6,047)	(8,412)
Accounts payable		(8,069)	408
Accrued expenses		(5,242)	4,998
Other current liabilities		3,284	26,783
Employees' compensation, end-of-service indemnity and death fund paid		(19,386)	(36,453)
Mining fees paid		(17,784)	(26,798)
Income tax paid	22	(13,033)	(1,821)
Lease liabilities payments	2	(7,054)	-
Net cash flows from operating activities		64,831	51,221
INVESTING ACTIVITIES			
Property, plant and equipment and payments on projects in progress – net		(14,282)	(4,723)
Cash refund from contractors		-	4,198
Loans receivable	9	1,670	(15,000)
Investment in associates and joint ventures	5	(5,000)	(12,500)
Dividends received	5	7,750	16,330
Interest received		720	317
Net cash flows used in investing activities		(9,142)	(11,378)
FINANCING ACTIVITIES			
Proceeds from loans		3,367	33,772
Repayments of loans		(21,752)	(35,496)
Dividends of subsidiaries paid		(16,482)	(780)
Finance costs paid		(11,954)	(12,178)
Net cash flows used in financing activities		(46,821)	(14,682)
Net increase in cash and cash equivalents		8,868	25,161
Cash and cash equivalents at 1 January		(61,007)	(86,168)
Cash and cash equivalents at 31 December	14	(52,139)	(61,007)

The attached notes from 1 to 45 form an integral part of these consolidated financial statements

(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. 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, and 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).

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 4 March 2020 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.

(2-2) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Jordan Phosphate Mines Company "JPMC" and the following subsidiaries as of 31 December 2019:

Company name	Nature of activity	Ownership	Country
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 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.

Subsidiaries are fully consolidated from 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 assets, liabilities, equity, revenues, expenses, 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes 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.

Investors with significant influence on the Group:

Indian Potash Limited, Government Contribution Management Company (Jordan), Jordanian Social Security Corporation, Kisan International Trading and Government of Kuwait own 27.3%, 25.7%, 16.5% 9.6%, and 9.3% of the Company's capital, respectively.

(2-3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

(In Thousands of Jordanian Dinars)

The effect of adoption IFRS 16 was as follows:

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	1 January 2019
	JD
Assets	
Right of use assets	70,903
Noncurrent Liabilities	
Long term lease liabilities	63,870
Current liabilities	
Short term lease liabilities	7,033
Total liabilities	70,903
Equity	-

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various land owned by the Government of Jordan. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

(In Thousands of Jordanian Dinars)

• *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

• Used a single discount rate to a portfolio of leases with reasonably similar characteristics

• Relied on its assessment of whether leases are onerous immediately before the date of initial application

• Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows**:**

	Thousands JD's
Operating lease commitments as at 31 December 2018	116,977
Less: Short term lease contracts liabilities	-
Less: Low value assets lease contracts liabilities	-
Weighted average incremental borrowing rate as at 1 January 2019	%6.5
Discounted liability of operating lease contracts as of 1 January 2019	70,903

(In Thousands of Jordanian Dinars)

b) Amounts recognized in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 31 December 2019:

	Right of use assets	Lease liabilities
	JD ('000)	JD ('000)
At 1 January 2019	70,903	70,903
Depreciation	(4,804)	-
Finance costs	-	4,238
Lease payments	-	(7,054)
At 31 December 2019	66,099	68,087

Short term	Long term	Total
JD ('000)	JD ('000)	JD ('000)
7,033	61,054	68,087

Effects on the consolidated income statement (increase/(decrease)) as at 31 December 2019:

	2019
	JD ('000)
Cost of sales	(2,145)
New Phosphate port terminal expenses	(83)
Finance costs	4,238
Loss of the year	2,010

Effects on the consolidated cash flow statement (increase/(decrease)) as at 31 December 2019:

	2019
	JD
	JD ('000)
Depreciation of right of use assets	4,804
Finance costs	4,238
Net Cash flow from operating activities	9,042
Lease liabilities payments	(7,054)
Net cash flow used in financing activities	(7,054)

C) New accounting policies for the Group that have been applied since the implementation date of IFRS number (16) is explained in note (2-5).

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.

These amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group’s consolidated financial statements.

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 recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

There was no effect of the application of these adjustments to the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

There was no effect of the application of these adjustments to the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group’s consolidated financial statements.

(2-4) 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 capitalized 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 striping 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 specialized professionals.

The capitalized 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.

Expected credit losses

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 loses 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).

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

(2-5) 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):

Type of property, plant and equipment	Depreciation rate %
Buildings and constructions	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.

Book value of property and equipment's are being reviewed regarding the decreasing the value when the events or changing in circumstances indicate that the book value cannot be recovered. 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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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 acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirer'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 Group 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 expected credit loss.

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:

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.

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.

Accounts receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in accordance with IFRS (9).

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 Group 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 and expense recognition

Revenues are recorded in accordance with the five-steps model of the International financial Reporting Standard (15), which includes identifying the contract and the price and determining the performance obligation in the contract and recognizing revenue based on the performance of the obligation, where revenue is recognized when the goods are sold to customers and the invoice is issued, which usually takes place at a specific point in time

Other revenues are recognized on an accrual basis.

Expenses 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.

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.

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.

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.

(In Thousands of Jordanian Dinars)

(3) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Roads & Yards	Machinery & equipment	Water & electricity networks	Furniture & office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts reserves	Software and programs	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
2019													
Cost:													
At 1 January 2019	3,101	133,340	25,361	491,650	82,990	6,161	1,066	1,353	3,509	14,212	51,191	1,913	815,847
Additions	402	210	-	750	154	92	1	4	53	171	8,465	-	10,302
Transfers from projects in progress (Note 4)	-	-	-	1,954	14	-	-	-	236	-	49	-	2,253
Disposals		-	-	(21)	(1)	(57)	(2)	(11)	(52)	(200)	6	-	(338)
At 31 December 2019	3,503	133,550	25,361	494,333	83,157	6,196	1,065	1,346	3,746	14,183	59,711	1,913	828,064
Accumulated Depreciation:													
At 1 January 2019	-	89,656	20,569	376,774	39,032	4,379	887	1,310	3,261	12,746	30,478	1,912	581,004
Depreciation for the year	-	5,243	2,426	9,556	2,575	298	29	12	128	556	3,618	-	24,441
Related to disposals	-	-	-	(20)	(1)	(28)	(2)	(11)	(46)	(199)	5	-	(302)
At 31 December 2019	-	94,899	22,995	386,310	41,606	4,649	914	1,311	3,343	13,103	34,101	1,912	605,143
Net book value													
At 31 December 2019	3,503	38,651	2,366	108,023	41,551	1,547	151	35	403	1,080	25,610	1	222,921

The value of fully depreciated property, plant and equipment is JD 585,104 thousand as at 31 December 2019.

(In Thousands of Jordanian Dinars)

	Land	Buildings and constructions	Roads & Yards	Machinery & equipment	Water & electricity networks	Furniture & office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts reserves	Software and programs	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
2018													
Cost:													
At 1 January 2018	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
Additions	1,802	3,331	50	788	95	64	-	6	7	40	1,121	-	7,304
Transfers from projects in progress	-	8	-	28,613	51	-	-	-	-	-	-	-	28,672
Cash refunds from contractors	-	-	-	(4,198)	-	-	-	-	-	-	-	-	(4,198)
Adjustments	-	-	-	32	-	-	-	-	-	333	(169)	-	196
Disposals	-	-	-	-	-	(248)	(24)	(27)	(258)	-	-	-	(557)
At 31 December 2018	3,101	133,340	25,361	491,650	82,990	6,161	1,066	1,353	3,509	14,212	51,191	1,913	815,847
Accumulated Depreciation:													
At 1 January 2018	-	84,449	16,999	366,902	36,476	4,222	881	1,321	3,375	11,845	27,069	1,912	555,451
Depreciation for the year	-	5,207	3,570	9,848	2,556	380	28	15	143	647	3,409	-	25,803
Adjustments	-	-	-	24	-	-	-	-	-	254	-	-	278
Related to disposals	-	-	-	-	-	(223)	(22)	(26)	(257)	-	-	-	(528)
At 31 December 2018	-	89,656	20,569	376,774	39,032	4,379	887	1,310	3,261	12,746	30,478	1,912	581,004
Net book value													
At 31 December 2018	3,101	43,684	4,792	114,876	43,958	1,782	179	43	248	1,466	20,713	1	234,843

The value of fully depreciated property, plant and equipment is JD 554,667 thousand as at 31 December 2018.

(In Thousands of Jordanian Dinars)

Depreciation in the consolidated statement of income is as follows:

	2019	2018
	JD ('000)	JD ('000)
Cost of sales	23,768	25,036
Administrative expenses	523	565
Selling and marketing expenses	90	94
Russiefah mine expenses	50	98
Others	10	10
	24,441	25,803

(4) PROJECTS IN PROGRESS

Movement on the projects in progress is as follows:

	Balance at 1 January 2019	Additions	Transferred to property plant & equipment	Balance at 31 December 2019
	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Aqaba Industrial Complex Projects	145	25	(25)	145
Shidiya Mine Projects	133	11	(14)	130
Indo-Jordan Chemicals Company Projects	3,424	3,585	(1,865)	5,144
Head Office, Hasa & Abyad mines	668	-	(236)	432
Nippon Jordan Fertilizers Company Projects	491	359	(113)	737
	4,861	3,980	(2,253)	6,588

The estimated cost to complete the projects in progress as of 31 December 2019 amounted to JD 6,314 thousand for JPMC related projects and the expected completion of this projects is through 2021. The estimated cost to complete the projects in progress amounted to JD 5,143 thousand for Indo-Jordan's related projects as of 31 December 2019 and the expected completion of this projects is in 2022. The estimated cost to complete the projects in progress amounted to JD 78 thousand for Nippon's related projects as of 31 December 2019 and the expected completion of this projects is in 2020.

(In Thousands of Jordanian Dinars)

(5) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	2019	2018
	JD ('000)	JD ('000)
Investment in associates (A)	209,394	204,296
Joint ventures (B)	97,281	68,792
	306,675	273,088

A. INVESTMENTS IN ASSOCIATES:

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

	Country of incorporation	Nature of activity	Ownership	2019	2018
			%	JD ('000)	JD ('000)
Manajim for Mining Development Company "Manajim"	Jordan	Mining services	46	29,885	30,849
Jordan Abyad Fertilizer Company "JAFCCO"	Jordan	Fertilizers production	27,38	-	-
Jordan India Fertilizer Company "JIFCO"	Jordan	Phosphoric acid production	48	168,970	163,022
Arkan Company for Constructions "Arkan"	Jordan	Mining contracting	46	10,102	9,971
Kaltime Jordan Abdi Company	Indonesia	Phosphoric acid production	40	437	454
				209,394	204,296

Movements on the investment in associates were as follows:

	2019	2018
	JD ('000)	JD ('000)
At 1 January	204,296	211,387
The Group's share of current year profit	10,287	5,889
Dividends received from Manajim for Mining development	(7,750)	(12,880)
Dividends received from Arkan constructions services	-	(3,450)
Addition (elimination) of Group's share of JIFCO income related to transactions between the Group and associate	2	(817)
Group share of JAFCCO accumulated losses in excess of the investment value	2,559	4,167
At 31 December	209,394	204,296

Group's share of associate companies' results:

	2019	2018
	JD ('000)	JD ('000)
Group's share of profit for the year	10,287	5,889
Addition of Group's share of associate's income related to transactions between the Group and associate	248	57
	10,535	5,946

(In Thousands of Jordanian Dinars)

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

	2019					
	Manajim for Mining Development	Jordan Abyad Fertilizers and Chemicals Company	Jordan India Fertilizers Company	Arkan Company for Construction	Kaltime Jordan Abdi Company	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Group's share in net equity:						
Current assets	40,893	1,762	54,603	20,784	3,716	121,758
Non-current assets	19,432	90,262	492,491	26,093	69	628,347
Current liabilities	(16,764)	(20,886)	(81,197)	(15,913)	(2,692)	(137,452)
Non-current liabilities	(17)	(61,232)	(113,016)	(1,540)	-	(175,805)
Elimination of the Group's portion of application of IFRS 9 related to the transactions between the Group and associates	10,333	-	-	-	-	10,333
Partners current account	-	(50,405)	-	-	-	(50,405)
Adjustment resulted from settlement	3,000	-	-	(7,397)	-	(4,397)
Net equity	56,877	(40,499)	352,881	22,027	1,093	392,379
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share in net equity	26,163	(11,089)	169,383	10,132	437	195,026
Elimination of Group's share of association related to transaction between the Group and associate	-	-	(413)	-	-	(413)
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	-	7,807	-	-	-	7,807
Imbedded goodwill	7,800	-	-	(44)	-	7,756
Net investment as at 31 December	29,885	-	168,970	10,102	437	209,394
Group's share from associate's revenues and profits:						
Revenues	115,097	13,613	214,335	35,674	10,790	389,509
Cost of sales	(96,538)	(17,603)	(117,368)	(33,693)	(10,705)	(275,907)
Administrative, selling and distribution expenses	(811)	(1,010)	(84,581)	(1,129)	(192)	(87,723)
Interest income	200	-	-	-	67	267
Finance expenses	(12)	(4,130)	-	(552)	(57)	(4,751)
Other revenues	(230)	-	-	-	-	(230)
Group share of prior year income*	(130)	(216)	-	-	55	(291)
Profit (loss) for the year before income tax	17,576	(9,346)	12,386	300	(42)	20,874
Income tax expense	(2,824)	-	-	(15)	-	(2,839)
Profit (loss) for the year	14,752	(9,346)	12,386	285	(42)	18,035
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share from current year income	6,786	(2,559)	5,946	131	(17)	10,287
Elimination of Group's share of associate's income related to transactions between the Group and associates	-	-	-	248	-	248
Group's share of associates' profit (loss)	6,786	(2,559)	5,946	379	(17)	10,535

(In Thousands of Jordanian Dinars)

	2018					
	Manajim for Mining Development	Jordan Abyad Fertilizers and Chemicals Company	Jordan India Fertilizers Company	Arkan Company for Construction	Kaltime Jordan Abdi Company	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Group's share in net equity:						
Current assets	48,116	3,438	57,994	20,498	5,548	135,594
Non-current assets	21,324	92,998	509,853	26,093	46	650,314
Current liabilities	(23,801)	(22,398)	(90,043)	(15,913)	(4,458)	(156,613)
Non-current liabilities	-	(55,791)	(137,309)	(1,540)	-	(194,640)
Elimination of the Group's portion of application of IFRS 9 related to the transactions between the Group and associates	10,333	-	-	-	-	10,333
Partners current account	-	(49,401)	-	-	-	(49,401)
Adjustment resulted from settlement	3,000	-	-	(7,397)	-	(4,397)
Net equity	58,972	(31,154)	340,495	21,741	1,136	391,190
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share in net equity	27,127	(8,530)	163,438	10,001	454	192,490
Elimination of Group's share of association related to transaction between the Group and associate	-	-	(416)	-	-	(416)
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	-	5,248	-	-	-	5,248
Imbedded goodwill	7,800	-	-	(44)	-	7,756
Net investment as at 31 December	30,849	-	163,022	9,971	454	204,296
Group's share from associates revenues and profits:						
Revenues	111,719	14,289	226,560	42,204	9,428	404,200
Cost of sales	(96,539)	(18,078)	(127,400)	(40,112)	(9,357)	(291,486)
Administrative, selling and distribution expenses	(811)	(1,229)	(85,676)	(1,202)	(240)	(89,158)
Interest income	201	80	-	-	119	400
Finance expenses	(12)	(3,755)	-	(795)	(51)	(4,613)
Other revenues	(230)	-	-	-	-	(230)
Group share of prior year income*	-	(6,527)	900	(159)	(115)	(5,901)
Profit (loss) for the year before income tax	14,328	(15,220)	14,384	(64)	(216)	13,212
Income tax expense	(2,824)	-	-	(4)	-	(2,828)
Profit (loss) for the year	11,504	(15,220)	14,384	(68)	(216)	10,384
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share from current year income	5,292	(4,167)	6,904	(31)	(86)	7,912
Group's share of provisioning	1,380	-	-	(3,403)	-	(2,023)
Elimination of Group's share of associate's income related to transactions between the Group and associates	-	-	-	57	-	57
Group's share of associates' profit (loss)	6,672	(4,167)	6,904	(3,377)	(86)	5,946

* Prior year adjustments represent the profit/Loss differences between draft financial statements and issued audited financial statements of the associate companies.

(In Thousands of Jordanian Dinars)

B. JOINT VENTURES:

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

	Country of incorporation	Nature of activity	Ownership	2019	2018
			%	JD ('000)	JD ('000)
Indonesian project – Petro Jordan Abadi Company	Indonesia	Phosphoric Acid production	50	23,062	957
Jordan Industrial Ports Company	Jordan	Shipping services	50	74,219	67,835
				97,281	68,792

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

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	68,792	60,609
Group's share of loss for the year	(2,015)	(4,334)
Increase in investment in Industrial Ports Company*	5,000	12,500
Increase in investment in Petra Jordan Abdi **	25,771	-
(Disposal) Addition Group's share of Petra Jordan Abdi income related to transactions between the Group and joint venture	(267)	17
Balance at 31 December	97,281	68,792

* Industrial Ports Company increased its paid in capital during 2019 by JD 10,000 thousand to reach JD 140,000 thousand. JPMC's share of the increase amounted to JD 5,000 thousand.

** Petra Jordan Abdi increased its paid in capital during 2019 by JD 51,542 thousand to reach JD 95,438 thousand. JPMC's share of the increase amounted to JD 25,771 thousand. The group has paid its share through the capitalization of some accrued loans on the company.

(In Thousands of Jordanian Dinars)

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

	2019		
	Indonesian project – Petro Jordan Abadi Company	Jordan Industrial Ports Company	Total
	JD ('000)	JD ('000)	JD ('000)
Current assets	30,047	23,224	53,271
Non-current assets	119,092	129,193	248,285
Current liabilities	(47,975)	(3,979)	(51,954)
Non-current liabilities	(54,166)	-	(54,166)
Net equity	46,998	148,438	195,436
Percentage of ownership	50%	50%	
Group's share in net equity	23,499	74,219	97,718
Elimination of group's share of the income related to transactions between the Group and joint ventures	(437)	-	(437)
Group's share in net equity	23,062	74,219	97,281
<u>Group's share from joint ventures and profits</u>			
Revenues	83,556	16,406	99,962
Cost of sales	(80,087)	(11,838)	(91,925)
Administration, selling and distribution expenses	(1,261)	(3,151)	(4,412)
Interest income	-	1,010	1,010
Finance expense	(3,836)	(6)	(3,842)
Other revenues, net	-	411	411
Group's share from prior year results***	(5,170)	(64)	(5,234)
(Loss) profit for the year	(6,798)	2,768	(4,030)
Percentage of ownership	50%	50%	
Group's share of (loss) profit from joint ventures	(3,399)	1,384	(2,015)

(In Thousands of Jordanian Dinars)

	2018		
	Indonesian project – Petro Jordan Abadi Company	Jordan Industrial Ports Company	Total
	JD ('000)	JD ('000)	JD ('000)
Current assets	22,070	28,169	50,239
Non-current assets	127,709	116,081	243,790
Current liabilities	(37,741)	(8,581)	(46,322)
Non-current liabilities	(95,187)	-	(95,187)
Partners current account	(14,601)	-	(14,601)
Net equity	2,250	135,669	137,919
Percentage of ownership	50%	50%	
Group's share in net equity	1,125	67,835	68,960
Elimination of group's share of the income related to transactions between the Group and joint ventures	(168)	-	(168)
Group's share in net equity	957	67,835	68,792
<u>Group's share from joint ventures and profits</u>			
Revenues	65,143	16,125	81,268
Cost of sales	(71,650)	(13,703)	(85,353)
Administration, selling and distribution expenses	(1,069)	(1,192)	(2,261)
Interest income	-	1,473	1,473
Finance expense	(4,273)	(4)	(4,277)
Other revenues, net	2,807	352	3,159
Group's share of prior year results***	(2,406)	(272)	(2,678)
(Loss) profit for the year	(11,448)	2,779	(8,669)
Percentage of ownership	50%	50%	
Group's share of (loss) profit from joint ventures	(5,724)	1,390	(4,334)

*** Prior year adjustments represent differences between draft financial statements and issued audited financial statements of the joint ventures' companies.

(In Thousands of Jordanian Dinars)

(6) INTANGIBLE ASSETS

The details of this item are as follows:

	2019	2018
	JD ('000)	JD ('000)
Fertilizers unit goodwill*	15,680	15,680
New phosphate port**	127,188	133,547
	142,868	149,227

* 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 1986.

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 16.3% 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. The test did not result any impairment in goodwill.

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 2019 were used to build up the projected 5 years future sales.

Projected costs: The costs incurred during 2019 except for raw material prices, were used to build up the projected 5 years cost.

(In Thousands of Jordanian Dinars)

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 16.3%.

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 Group 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 Group 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 2019 amounted to JD 6,359 thousand (2018: JD 6,359 thousand) was recorded within new phosphate port terminal expenses (Note 36).

Movement on new phosphate port is as follows.

	2019 JD ('000)	2018 JD ('000)
Balance at 1 January	133,547	139,906
Amortization for the year	(6,359)	(6,359)
Balance at 31 December	127,188	133,547

The asset deferral provision when the license to use and operate the new port expires is JD 16,031 thousand as 31 December 2019 (2018: JD 15,295 thousand). The obligation is measured at the present value of estimated future cash flows using an average interest rate of 6.5%.

The movement on the asset deferred provision is as follows:

	2019 JD ('000)	2018 JD ('000)
Balance at 1 January	15,295	14,543
Present value discount (note 29)	736	752
Balance at 31 December	16,031	15,295

(In Thousands of Jordanian Dinars)

(7) EMPLOYEES' HOUSING LOANS

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

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	4,850	5,520
Net movement during the year	(419)	94
Release from discount- early payments	212	-
Present value discount (note 29)	(76)	(764)
Balance at 31 December	4,567	4,850

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.

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

	2019	2018
	JD ('000)	JD ('000)
Quoted shares	86	110
Unquoted shares	279	279
	365	389

(In Thousands of Jordanian Dinars)

(9) LOANS RECEIVABLE

The balance represents loans granted to associated companies of the Group (Jordan Abyad Fertilizers and Chemicals Company and Jordan India Fertilizers Company). Long-term loans receivable is subject to annual interest rates between 0% and 8.25%.

	Currency	2019 Short-term Loan payments	2019 Long-term Loan payments	2018 Long-term Loan payments
Jordan India Fertilizers Company*	USD	-	5,555	6,536
Jordan Abyad Fertilizers and Chemicals Company – net **	USD	-	3,564	3,564
Jordan Abyad Fertilizers and Chemicals Company – net**	JD	-	6,028	6,028
Compensation and death fund***	JD	2,817	7,980	9,650
		2,817	23,127	25,778
Provision for expected credit loss		-	(2,776)	(3,268)
		2,817	20,351	22,510

* Jordan India Fertilizers Board of directors accepted on transferring JD 981 thousand from loan receivable to short term accounts receivable to be paid.

** The balance represents the net present value of the loans receivable of Jordan Abyad Fertilizers and Chemicals Company after deducting an amount of JD 2,498 thousand, which represents the net present value of the expected future cash inflows using the market weighted average interest rate.

*** The group has accepted to grant a loan without interest amounted to JD 15,000 thousand for compensation and death fund to settle his liabilities, to be paid on 5 annual installments amounted to JD 3,000 Thousand, the first payment accrued on 1 December 2019, and the last installment will accrue on December first. The fund settled an amount JD 1,670 thousand in 2019.The balance represents the net present value of the debit loan of the death and compensation fund after deducting an amount of JD 2,533 thousands, which represents the net present value of the expected future cash inflows using the market weighted average interest rate.

(In Thousands of Jordanian Dinars)

(10) PRODUCTION AND DEVELOPMENT STRIPPING COSTS

Movement on the production stripping cost is as follows:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	16,622	19,393
Additions for the year	6,047	8,412
Amortization for the year	(15,745)	(11,240)
Addition of Group's share of associate's income related to transactions between the Group and associates (Note 5)	248	57
Balance at 31 December	7,172	16,622

(11) INVENTORIES, SPARE PARTS AND SUPPLIES

	2019	2018
	JD ('000)	JD ('000)
Finished goods	49,881	57,714
Work in progress (Note 34)	16,206	20,787
Raw materials	25,406	26,955
Inventory held by contractors	6,352	13,717
Spare parts and supplies	99,294	98,729
	197,139	217,902
Provision for slow moving spare parts*	(25,528)	(24,894)
	171,611	193,008

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

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	24,894	23,303
Provision for the year	634	1,591
Balance at 31 December	25,528	24,894

(In Thousands of Jordanian Dinars)

(12) ACCOUNTS RECEIVABLE

	2019	2018
	JD ('000)	JD ('000)
Trade receivables	55,144	79,108
Due from associated companies (Note 38)	57,841	90,842
Others	13,168	9,173
	126,153	179,123
Provision for expected credit losses	(16,433)	(43,533)
	109,720	135,590
	106,232	119,214
Current portion	3,488	16,376
Non-current portion	109,720	135,590

The following is the movement for the provision of expected credit loss:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	43,533	21,231
Impact of adoption of IFRS 9	-	22,302
Beginning balance (Adjusted)	43,533	43,533
Bad debts	(15,734)	-
Recoveries	(12,886)	-
Provision for the year	1,520	-
Balance at 31 December	16,433	43,533

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

During 2018, the Group has reclassified the dues from Petro Jordan Abadi Company (Joint venture) to long-term accounts receivables, after deducting an amount of JD 16,376 thousand which represents an allowance for credit losses anticipated under IFRS 9, where the Joint venture will pay the outstanding debit after payment of the full amount of loan due in 2027. During 2019, the group capitalized JD 25,771 thousand to increase the capital of Petro Jordan Abadi, Accordingly the group recovered an amount of JD 12,886 thousand from the provision.

(In Thousands of Jordanian Dinars)

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

	Neither past due nor impaired			
	Less than 90 days	90 – 180 days	More than 180 days	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)
2019	61,070	225	48,425	109,720
2018	67,050	-	68,540	135,590

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.

(13) OTHER CURRENT ASSETS

	2019	2018
	JD ('000)	JD ('000)
Payments on letters of credit	18,886	12,829
Due from contractors' settlements	11,565	9,759
Prepaid death and compensation fund expenses	8,966	2,984
Prepaid expenses	8,299	6,013
Accrued interest revenue *	7,530	5,943
Advance payments on sales tax	2,875	2,369
Retrieved from insurance	2,000	-
Others	820	823
	60,941	40,720
Current portion	58,465	39,407
Non-current portion	2,476	1,313
	60,941	40,720

* Included in this item an amount of JD 2,376 thousand which represents the net present value of the accrued interest of loans receivable related to Jordan Abyad Fertilizers and Chemicals Company, which is classified under non-current assets in the consolidated statement of financial position as at 31 December 2019 (2018: JD 1,313 thousand).

(In Thousands of Jordanian Dinars)

(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:

	2019	2018
	JD (‘000)	JD (‘000)
Cash at banks*	30,085	24,609
Cash on hand	32	61
Cash on hand and at banks	30,117	24,670
Less: Due to banks (Note 21)	(82,256)	(85,677)
Cash and cash equivalents	(52,139)	(61,007)

* Cash at banks include current accounts in US Dollars bearing annual interest rate of maximum 1.25% for the years ended 31 December 2019 and 2018.

Cash at banks include short-term deposits accounts in Jordanian Dinars bearing annual interest rate between 3% and 6.5% for the year ended 31 December 2019 (2018: Between 3% and 4.5%).

(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.

(In Thousands of Jordanian Dinars)

(16) LOANS

		2019		2018	
	Currency	Due within one year	long-term	Due within one year	Long-term
Arab Bank loan (1)	USD	5,168	52,463	5,168	55,153
Arab Jordanian Investment Bank	USD	531	398	531	930
Housing Bank for Trade and finance Loan (1)	USD	7,080	-	7,080	7,080
Housing Bank for Trade and finance Loan (2)	USD	826	2,065	826	2,891
Union Bank Loan	USD	2,832	-	2,832	2,832
Arab Banking Corporation revolving loan	USD	7,075	-	7,075	-
Arab Bank revolving loan (2)	USD	7,080	-	7,080	-
Capital Bank	USD	4,425	8,850	4,425	13,275
		35,017	63,776	35,017	82,161

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 an interest rate of 6 months LIBOR + 2.75% for the first 7 years of the loan period and interest rate of 6 months LIBOR +2.8% from the 8^{th} 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.

Arab Bank Loan Agreement requires that Jordan Phosphate Mining Company shall not borrow from any other entity without the Bank's prior approval for amounts above USD 50 million. As well as maintaining a specific rate of debt service not less than one and a quarter times for any financial year, and the ratio of current assets to current liabilities to not less than 1.2 times for any financial year, as well as maintaining the ratio of liabilities to net equity not more than one and a half for any year. The agreement also requires that the Group does not sell its share in the capital of the Industrial Ports Company to any other party without obtaining an approval of the bank, in addition to not distributing dividends in the event of any accrued installments on the loan and that the dividend distribution does not exceed 75% of the company's capital. The Group has committed to the debt service ratio of 1.25 times and the ratio of assets to current liabilities of 1.2 times.

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 rate of 5.75% annually fixed and without commission for a period of 6 years including a one year grace period. 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 1 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 in the amount of USD 7 million bearing an interest rate of 5.75% annually fixed and without commission. The loan period is 6 years 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 6 months LIBOR + 2.25%. The loan period is 6 years including a grace period of 1 year. The loan is payable in 5 annual installments of USD 4 million each. The first installment was due 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 + 2.75%. The loan was fully utilized during 2014 and should be fully paid within a maximum of 13 months from the utilization date.

(In Thousands of Jordanian Dinars)

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 28 February 2018, the Group signed a loan agreement with Capital Bank in the amount of USD 25,000 thousand to finance the operating liabilities of the Group bearing a fixed interest rate of 6%. The loan has a 5 years period including 1 year grace period. The loan is payable through 16 equal quarterly installments amounted to USD 1,563 thousands. The first installment was due on 28 February 2019.

Capital Bank Loan agreement requires maintaining current assets to current liabilities ratio to be not less than 1.1 times and that the ratio of liabilities to net shareholders' equity not to exceed 1.5 times. The Group complied with the ratios as at 31 December 2019.

Loans repayments schedule:

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

Year	Thousand JD's
2020	35,017
2021	10,817
2022	10,817
Thereafter 2022	42,142
	98,793

(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:

	2019				
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Balance at 1 January	391	18	2,094	324	2,827
Provision during the year (company contribution)	73	-	200	78	351
Employee's contribution	33	-	-	-	33
Payments during the year	(13)	-	(308)	(82)	(403)
Balance at 31 December	484	18	1,986	320	2,808

	2018				
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Balance at 1 January	278	18	1,797	301	2,394
Provision during the year (company contribution)	83	-	369	42	494
Employee's contribution	34	-	-	-	34
Payments during the year	(4)	-	(72)	(19)	(95)
Balance at 31 December	391	18	2,094	324	2,827

* 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 2019 represents the accumulated funds that have vested to some employees; the Company's contributions are recognized as an administrative expense when incurred.

** 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 spatiality for employees as part of end of service indemnity.

(In Thousands of Jordanian Dinars)

*** during 2011, 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. The Board of Directors decided in 2018 to grant employees who are included in this program and are still on their jobs, if they wish to terminate their services before 31 December 2018, an incentive by increasing the compensation to become JD 2,000 for each year of service, the additional provision is amounted to JD 169 thousand as of 31 December 2018.

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.

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

	2019	2018
	JD ('000)	JD ('000)
Interest cost	100	100
Cost of current service	100	100
Addition to provision	-	169
	200	369

(18) ACCOUNTS PAYABLE

	2019	2018
	JD ('000)	JD ('000)
Due to associates (Note 38)	53,273	52,459
Due to contractors	17,086	10,275
Due to foreign suppliers	14,386	29,038
Due to local suppliers	1,751	1,295
Electricity Company	2,880	4,385
Others	9,504	9,497
	98,880	106,949

(In Thousands of Jordanian Dinars)

(19) ACCRUED EXPENSES

	2019	2018
	JD ('000)	JD ('000)
Accrued contractors' expense	6,398	7,034
Inventory in transit in custody of contractor (Note 11)	6,352	13,717
Fuel, electricity and water expenses	6,258	5,675
Accrued agriculture service fees	5,984	4,940
Freight and transportation fees	3,585	794
Mining fees	1,933	-
Demurrage and unloading expense	1,443	1,363
Interest expense	1,412	1,372
Sales rebates	757	1,261
Sales agents' commissions	757	469
Accrued medical insurance for retired employees	710	-
Accrued medical insurance	509	708
Port fees	266	266
Insurance Company accruals	250	-
Accrued production bonus	449	1,879
Others	1,488	1,118
	38,551	40,596

(20) OTHER CURRENT LIABILITIES

	2019	2018
	JD ('000)	JD ('000)
Deposits and other provisions	14,855	10,931
Provision for settlements with contractors	7,000	6,000
Cash received under letters of guarantees	2,357	2,357
Contractors retentions	2,216	2,216
Payments received in advance	181	480
Other	2,797	6,666
	29,406	28,650

(In Thousands of Jordanian Dinars)

(21) DUE TO BANKS

This balance represents the utilized amount of overdraft facilities granted by local banks. The ceiling amounted to JD 34,500 thousand as of 31 December 2019 (2018: JD 34,500 thousand) for the JD accounts, and USD 71,500 thousand as of 31 December 2019 (2018: USD 71,500 thousand) for the USD accounts. Average interest rates on those overdrafts facilities ranged between 7.75% to 9.75% in 2019 (2018: between 7.5% and 9.5%) 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 presented in the consolidated income statement represents the following:

	2019	2018
	JD ('000)	JD ('000)
Current year income tax	15,806	10,736
Amount released from deferred tax asset	7,642	18
Prior years income tax	183	772
Deferred tax assets	(2,019)	(684)
	21,612	10,842

(A) Income tax provision

Movement on the provision for income tax is as follows:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	11,337	1,473
Income tax expense for the year	15,806	10,736
Prior years income tax	183	772
Fees and fines	-	177
Income tax paid	(13,033)	(1,821)
Balance at 31 December	14,293	11,337

(In Thousands of Jordanian Dinars)

(B) Reconciliation of the accounting profit to taxable profit

The details of computed income tax are as follows:

2019	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	Reconciliations between subsidiaries	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Accounting profit (loss)	74,468	(38,217)	20,494	(4,257)	1,454	(11,740)	42,202
Non-taxable profits	(51,834)	(911)	-	-	-	-	(52,745)
Non-deductible expenses	20,579	866	-	4,257	-	-	25,702
Taxable income	43,213	(38,262)	20,494	-	1,454	(11,740)	15,159
Provision for income tax	13,397	-	2,118	-	291	-	15,806
Effective income tax rate	18%	-	10%	-	20%	-	-
Enacted income tax rate	31%	5%	11%	-	20%	-	-

2018	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	Reconciliations between subsidiaries	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Accounting profit (loss)	35,061	2,000	23,087	894	2,835	(5,491)	58,386
Non-taxable profits	(3,983)	-	(23,087)	(894)	-	-	(27,964)
Non-deductible expenses	10,398	1,011	-	-	-	5,491	16,900
Taxable income	41,476	3,011	-	-	2,835	-	47,322
Provision for income tax	10,020	149	-	-	567	-	10,736
Effective income tax rate	29%	8%	-	-	20%	-	-
Enacted income tax rate	24%	5%	-	-	20%	-	-

(In Thousands of Jordanian Dinars)

(C) Deferred tax assets

Movement on the deferred tax assets as follows:

	2019 JD (‘000)	2018 JD (‘000)
Balance at 1 January	18,944	4,941
Effect of the adoption of IFRS 9	-	13,337
Balance at 1 January (adjusted)	18,944	18,278
Additions during the year	2,019	684
Released during the year	(7,642)	(18)
Balance at 31 December	13,321	18,944

The income tax provision for the year ended 31 Decembe 2019 was calculated in accordance with income tax law No. (38) for 2018 and in accordance with the Aqaba Special Economic Zone Law No. (32) for 2000 for the company's location in the Aqaba Special Economic Zone, and for the year ended 31 December 2018 in accordance with the Income and Sales Tax Law No. (34) for 2014 and in accordance with the Aqaba Special Economic Zone Law No. (32) for 2000 for the company's location in the Aqaba Special Economic Zone, noting that under the amended law the tax rate was adjusted starting from January 2019 to become 24% income tax + 7% national contribution.

Phosphate Unit

The Company submitted its’ tax declarations for the Phosphate Unit for the years 2018 ,2017, 2016 and 2012. The Income and Sales Tax Department has reviewed the records of the Phosphate Unit for the years 2016, 2012 and didn’t reach to a final settlement for the year 2016 up to the date of the consolidated financial statements. The income and Sales Tax Department claimed an additional tax amounting to JD 300 thousand and JD 544 thousand for the years 2012 and 2016 respectively. The company filed a lawsuit to reject these claims. Subsequently, during the year 2020 the final judgment on the income tax for the year 2012 was released in favor of the Group for an amount of JD 41 thousand instead of JD 300 thousand. The amount was collected in February 2020.

The Income Tax return for the year 2014 was accepted as presented based on the samples system. As for the years 2018 and 2017, 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 2018, 2017, and 2016. The Company reached a final settlement with the income tax department / Aqaba Special Economic Zone Authority for the fertilizers Unit up to 2015. The income and Sales Tax Department / Aqaba Special Economic Zone Authority has not reviewed the records for the years 2018, 2017 and 2016 up to the date of the consolidated financial statements.

(In Thousands of Jordanian Dinars)

Jordan India Fertilizer company -

The income tax provision for the year ended 31 December 2019 has been calculated in accordance with the income tax law number (38) for the year 2018, no income tax was calculated for the year 2018, since the Company is registered in the duty free and was exempted from the income tax in accordance with income tax law number (34) for 2014.

Nippon

No income tax provision was calculated for the year ended 31 December 2019 due to excess of deductible expense over taxable revenues in accordance with the income tax law number (38) for the year 2018, and no income tax was calculated for the year 2018, since the Company is registered in the duty free and it was exempted from the income tax in accordance with income tax law number (34) for 2014.

Ro'ya for transportation

The income tax provision for the year ended 31 December 2019 has been calculated in accordance with the income tax law number (38) for the year 2018 and for the year ended 31 December 2018 in accordance with income tax law number (34) the company has a reached a settlement with income tax department to until the end of 2018.

(23) SALES/ COST OF SALES

	Sales	Cost of sales	Gross profit (Loss)
	JD ('000)	JD ('000)	JD ('000)
Phosphate unit	339,317	197,301	142,016
Fertilizers unit	144,792	177,039	(32,247)
Indo Jordan	104,760	80,216	24,544
Nippon	44,642	45,823	(1,181)
Trading in raw materials	7,282	6,813	469
	640,793	507,192	133,601

	2019	2018
	JD ('000)	JD ('000)
Finished goods as at 1 January	57,714	42,416
Production costs (Note 34)	499,359	524,283
Finished goods as at 31 December	(49,881)	(57,714)
	507,192	508,985

Fertilizer Unit's production costs include the amounts of JD 1,984 thousand and JD 2,291 thousand for 2019 and 2018 respectively, which represent mining fees on rock phosphate used in the fertilizer unit production (Note 27).

(In Thousands of Jordanian Dinars)

(24) SELLING AND MARKETING EXPENSES

	2019	2018
	JD ('000)	JD ('000)
Sales commissions	1,458	1,346
Governmental fees on agriculture services	1,065	972
Export department expenses	708	968
Packaging materials	424	682
Bank charges on letters of credit	661	598
Income tax on marine freight	416	543
Demurrage and unloading expenses	336	115
Other sales and marketing expenses	2,805	3,022
	7,873	8,246

(25) ADMINISTRATIVE EXPENSES

	2019	2018
	JD ('000)	JD ('000)
Salaries and wages	8,275	8,696
Legal expenses and lawyer fees	2,473	5,230
End-of-service benefits and compensation fund contributions	1,422	3,946
Post-Retirement Health Insurance contribution	4,478	2,997
Social Security contribution	672	703
Depreciation	523	565
Scientific research and development	453	545
Employees' Health Insurance Fund contributions	365	528
Fees, taxes and stamps	469	502
Medical expenses	323	316
Employees Saving Fund contributions	237	251
Travel and per-diems	304	237
Maintenance and administrative expenses	261	195
Utilities	150	176
Hospitality	110	102
Subscriptions and exhibitions	130	109
Stationery	53	85
Post and telephone	67	69
Rent	48	67
Advertising	89	48
Insurance fees	110	162
Others	2,354	1,358
	23,366	26,887

(In Thousands of Jordanian Dinars)

(26) RUSSIEFAH MINE EXPENSES

	2019	2018
	JD ('000)	JD ('000)
Scientific research and development	871	967
Salaries and wages	138	133
Depreciation	50	98
Social Security contribution	15	14
Employee's contribution in Health Insurance Fund	5	5
Employee's contribution in Saving Fund	5	5
Medical expenses	2	4
Others	102	104
	1,188	1,330

(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 2019 and 2018 are as follows:

	2019	2018
	JD ('000)	JD ('000)
Mining fees on sold Phosphate	18,956	18,169
Mining fees on Phosphate used by the Fertilizers Unit (Note 23)	1,984	2,291
	20,940	20,460

(28) OTHER INCOME, NET

	2019	2018
	JD ('000)	JD ('000)
Settlement of insurance claims	2,492	229
Net income from sales of water and energy	3,065	3,316
Claims settlement income (expenses)	1,769	(2,794)
Income from settlement with contractors	15,157	18,500
Provision recoveries	13,295	-
Income from speed vessels loading	532	675
Dividends income	126	188
Handling income from associates	749	3,882
Other	2,396	2,655
	39,581	26,651

(In Thousands of Jordanian Dinars)

(29) FINANCE COSTS

	2019	2018
	JD ('000)	JD ('000)
Interest on loans	6,143	6,947
Bank interest – Due to Banks	5,851	6,232
Present value discount on death and compensation fund (Note 9)	-	2,533
Present value discount for asset replacement cost (Note 6)	736	752
Present value discount on employees housing loan (Note 7)	76	764
Interest on lease obligations	4,238	-
	17,044	17,228

(30) FINANCE INCOME

	2019	2018
	JD ('000)	JD ('000)
Interest income on banks' current accounts and deposits	720	317
Interest on loans receivable	1,472	2,654
	2,192	2,971

(31) EARNINGS PER SHARE

	2019	2018
Profit for the year attributable to Company's shareholders (thousand JD's)	21,867	47,276
Weighted average number of shares during the year (thousand shares)	82,500	82,500
	JD/Fils	JD/Fils
Basic earnings per share*	0/265	0/573

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

(In Thousands of Jordanian Dinars)

(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.

	Phosphate unit	Fertilizers unit	Indo-Jordan	Nippon	Other	Trading in Raw Materials	Eliminations	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
31 December 2019								
Revenues								
External sales	339,317	144,792	104,760	44,642	-	7,282	-	640,793
Inter-segment sales	79,491	3,842	6,688	-	-	32,431	(122,452)	-
Total Sales	418,808	148,634	111,448	44,642	-	39,713	(122,452)	640,793
Gross profit (loss)	142,016	(32,247)	24,544	(1,181)	-	469	-	133,601
Segment results								
Non-recurring profit	22,527	2,545	-	-	-	-	-	25,072
Profit (loss) before income tax	74,452	(38,452)	20,494	(4,257)	1,454	251	(11,740)	42,202
Profit (loss) for the year	53,363	(36,532)	18,376	(4,257)	1,131	249	(11,740)	20,590
Group share of loss of associates and joint ventures	8,520	-	-	-	-	-	-	8,520
Non-controlling interest	(1,277)	-	-	-	-	-	-	(1,277)
Capital expenditures	1,634	7,816	4,430	402	-	-	-	14,282
Depreciation	7,333	13,181	2,869	1,048	-	10	-	24,441
Depreciation of right of use assets	4,452	254	98	-	-	-	-	4,804

(In Thousands of Jordanian Dinars)

	Phosphate unit	Fertilizers unit	Indo-Jordan	Nippon	Other	Trading in Raw Materials	Eliminations	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
31 December 2018								
Revenues								
External sales	327,195	174,635	98,716	65,991	-	7,902	-	674,439
Inter-segment sales	81,991	30,288	16,134	-	-	12,720	(141,133)	-
Total Sales	409,186	204,923	114,850	65,991	-	20,622	(141,133)	674,439
Gross profit (loss)	137,468	(3,781)	25,887	4,660	-	1,220	-	165,454
Segment results								
Non-recurring profit	8,415	9,922	-	-	-	-	-	18,337
Profit (loss) before income tax	35,010	831	23,087	894	2,835	1,220	(5,491)	58,386
Profit (loss) for the year	24,897	740	23,087	894	2,268	1,149	(5,491)	47,544
Group share of loss of associates and joint ventures	1,555	-	-	-	-	-	57	1,612
Non-controlling interest	268	-	-	-	-	-	-	268
Other segment information								
Capital expenditures	552	1,562	1,868	741	-	-	-	4,723
Depreciation	8,614	13,141	2,997	1,041	10	-	-	25,803

	Phosphate unit	Fertilizers unit	Indo-Jordan	Nippon	Other	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Assets and Liabilities as at 31 December 2019						
Assets	480,577	245,091	104,216	24,813	4,975	859,672
Investment in associates and joint ventures	306,675	-	-	-	-	306,675
Liabilities	429,576	38,959	9,835	650	857	479,877
Assets and Liabilities as at 31 December 2018						
Assets	490,764	226,133	97,163	33,172	2,016	849,248
Investment in associates and joint ventures	273,088	-	-	-	-	273,088
Liabilities	385,209	44,704	4,276	3,958	1,530	439,677

(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
2019	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Asia	226,944	116,778	97,579	28,806	-	470,107
Australia	-	-	-	7,376	-	7,376
Europe	-	13,379	-	7,755	-	21,134
Africa	-	13,057	4,451	704	-	18,212
South America	10,262	891	-	-	-	11,153
Associated and joint ventures companies in Jordan	102,096	-	-	-	-	102,096
Other	15	687	2,730	1	7,282	10,715
	339,317	144,792	104,760	44,642	7,282	640,793
2018						
Asia	235,946	154,008	95,899	17,542	-	503,395
Australia	-	-	-	27,191	-	27,191
Europe	857	-	-	6,586	-	7,443
Africa	-	20,057	2,817	14,672	-	37,546
South America	620	-	-	-	-	620
Associated and joint ventures companies in Jordan	89,760	-	-	-	121	89,881
Others	12	570	-	-	7,781	8,363
	327,195	174,635	98,716	65,991	7,902	674,439

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:

	2019	2018
	JD ('000)	JD ('000)
End-of-service bonus compensation provision (Note 17)	200	369
Bonus compensation – six months for subsidiaries (Note 17)	78	42
Others***	152	370
	430	781

(In Thousands of Jordanian Dinars)

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

	2019	2018
	JD ('000)	JD ('000)
Employees' incentives provision*	193	193
Retirees' grants provision**	519	551
Others***	60	424
	772	1,168

* 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.

(In Thousands of Jordanian Dinars)

Movement on the employees' bonus provision is as follows:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	193	193
Paid during the year	-	-
Balance at 31 December	193	193

**** Retirees' grants provision**

1- 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.

2- 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% x salary subject to social security x years of service) + (25% x salary subject to social security x remaining years from the termination date until the age of seniority)).

***** Others**

The Board of Directors has decided to give an incentive for workers whose services in the Company is less than eight years as at 31 December 2018 if they wish to terminate their services in the company, by paying 5 times of their monthly salary subject to Social Security or JD 5 thousand whichever is bigger for each year of service. Movement on the provision is as follows:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	424	-
Expense during the year	152	370
Employees' contribution	-	183
Paid during the year	(516)	(129)
Balance at 31 December	60	424

Movement on the employees' grants provision is as follows:

	2019	2018
	JD ('000)	JD ('000)
Balance at 1 January	551	551
Paid during the year	(32)	-
Balance at 31 December	519	551

(In Thousands of Jordanian Dinars)

(34) PRODUCTION COSTS

	2019	2018
	JD ('000)	JD ('000)
Work in progress beginning balance	20,787	22,398
Add:		
Mining contractors	180,446	169,316
Raw materials	122,107	159,502
Raw materials purchases	6,813	6,682
Salaries and other benefits	71,962	73,054
Utilities	30,202	32,323
Spare parts and consumables	19,009	18,716
Fuel and oil	16,470	16,901
Depreciation	23,768	25,036
Others	24,001	21,142
Less: Work in progress ending balance	(16,206)	(20,787)
	499,359	524,283

(35) SALARIES AND EMPLOYEES BENEFITS

	2019	2018
	JD ('000)	JD ('000)
Salaries and allowances	57,604	60,857
End-of-service and indemnity Fund	11,909	12,573
Social security contribution	7,107	7,374
Paid end-of-service indemnity	1,413	3,873
Employees families health insurance	3,311	3,104
Employees medical expenses	3,164	3,167
Saving Fund	2,108	2,194
Employees meals subsidy	642	462
Present value of end-of-service bonus compensation	200	369
	87,458	93,973

(In Thousands of Jordanian Dinars)

(36) NEW PHOSPHATE PORT TERMINAL EXPENSES

	2019	2018
	JD ('000)	JD ('000)
Salaries, wages and other benefits	2,019	2,125
Water and electricity	1,481	1,417
Amortization (Note 6)	6,359	6,359
Property and equipment insurance	603	519
Rent and workers wages	159	867
Depreciation on right of use asset	368	-
Others	271	290
	11,260	11,577

(37) COMMITMENTS AND CONTINGENCIES

Guarantees and letters of credit

On the date of the consolidated financial statements, the Group has potential contingencies in the form of letters of credit and issued guarantees as at 31 December 2019 with an amount of JD 24,664 thousand and JD 1,278 thousand respectively (2018: JD 27,155 thousand and JD 3,220 thousand; respectively).

The Group has guaranteed the syndicated bank loan and credit facilities granted to the Jordan Abyad Fertilizers and chemicals Company (Associate Company) managed by Jordan Ahli Bank with a percentage of 130% of its share of the Company's capital amounting to 27.38%, as the Group's share until the date of 31 December 2019 totaled a JD 13,688. On 16 November 2016, Jordan Ahli Bank recorded an amount of JD 7,639 thousand to the company's account, which represents the syndicated bank loan installment and credit facilities granted and interest due on the Company, except that the company does not have active balances with Jordan Ahli Bank as at 31 December 2018 and 2017. Accordingly, an agreement between Jordan Abyad Fertilizers and Chemicals Company, and Jordan Ahli Bank has been reached to reschedule loans granted to the Company, also an agreement between the partners and the bank has been reached to consider the payment that the bank recorded on 16 November 2016 on the Jordan Phosphate company account as part of the debt that was rescheduled and due on the Jordan Abyad Fertilizers and Chemicals Company. In addition, the group has taken a provision against its share of the Company's capital according to the requirements of IFRS (9) due to the substantial uncertainty about the ability of the Jordan Abyad Fertilizers and Chemicals Company to continue its operation as a going concern entity. Knowing that by the end of year 2019, the Jordan Abyad Fertilizers and Chemicals Company was unable to pay the interest due on loans.

The Group and the other shareholders of the Jordan Indian Fertilizer Company, each in accordance with its contribution, signed a guarantee agreement in 2011 to guarantee the loans of IFC and European Bank of Investment amounting to USD 335.5 million. The Group's share as at 31 December 2019 amounted to a total of JD 48,460 thousand.

During 2018, the Group guaranteed the loan granted to the Petro Jordan Abadi – The Indonesian Project with its percentage share in the company capital which amounts to 50%. As of December 31 2019 the value of the Groups share amounted to JD 35,057 Thousand.

Litigation

The Group is a defendant in a number of lawsuits and claims in the ordinary course of business totaling approximately JD 3,457 thousand. The management of the Group believes that these lawsuits will not have a material effect on the consolidated financial statements.

During 1999, the Group withdrew the amounts of letters of guarantee that were issued by the German Company (KHD) – The main contractor on Company's beneficiation and flotation plant project in the Shidiya – First stage, this is the result of KHD's noncompliance with the terms and conditions of the agreement. During the month of January 2000, KHD filed a lawsuit against the Group's withdrawal of the amounts of the letters of guarantees. As a result, the Group filed a counter suit during the month of February 2000 against the lawsuit filed by KHD Company at the Amman Court of First Instance. 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 in Paris 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 Phosphate Mines Company, claiming several 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 these lawsuits is JD 12,564 thousand. The Group filed a counter-claim list that includes several claims to the benefit of Jordan Phosphate Mines Company in the amount of JD 27,659 thousand which represent the costs incurred by the Jordan Phosphate Mines Company in amending the errors made by KHD during the construction of the project.

In August 2017, the Company filed a lawsuit against Manjem for Mining Development (associate Company) in the amount of JD 99,046 thousand as a result of breach in execution of Phosphate Mining Contract (removal of overburden, Mining and crushing Phosphate A1, A2, A3) in area number (1) which is located in Mine number (2) Northern of Shidya Mine). In addition to compensation for damage to the Jordan Phosphate Mines Company as a result of Manjem for Mining Development Company breach which is based on technical experts' estimates. Jordan Phosphate Mines Company notified Manjem for Mining Development of the expiration of the contract due to the end of the specified period. The contract was extended for a three month period which ended on 1 September 2014. The case is pending at the Civil Case administration judge and at the stage of submitting the defendant's agent defenses and objections.

Manjem for Mining Development filed a lawsuit against the Jordan Phosphate Mines Company during November 2017 claiming compensation of damages as a result of the contract termination, the penalty clause is estimated at JD 91,461 thousand which represents 20% of the total mining contract in the amount of JD 457,306 thousand. In 2018, the court decided to bring the required expertise and calculate the value of the 20% of the contract value and decided to appoint an expert, invite him and explain to him the tasks assigned to him. According to the court's decision issued during the month of January 2020, the case was dismissed.

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 of Amman.

There is an arbitration case registered in the International Court of Arbitration, 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 in the 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 in the amount of JD 16,364 thousand.

The arbitral trial issued the final judgment, which included the obligation of Jordan Phosphate Mines Company to pay an amount of Euro 9,477 thousand in favor of AFCON Infrastructure limited in addition to a compound annual interest rate of 3.05% on the amount of Euro 6,193 thousand from 2015 until full repayment, and an ordinary interest rate of 3% on the amount of Euro 3,283 thousand is calculated annually from the date of the final judgment on September 23, 2019. Jordan Phosphate Mines Company is also obliged to return some bank guarantees issued by AFCON Infrastructure limited to ensure the proper implementation of its contractual obligations. On the other hand, AFCON Infrastructure limited was obliged to pay an amount of Euro 13,469 thousand in addition to a normal interest rate of 3% calculated annually from the date of 7 February 2017 until full payment, and obliged it to complete the requirements of the contract disputed in terms of the completion of some unfinished work within a maximum period of 6 months from the date of judgment and the contrary to that AFCONS Infrastructure limited is to compensate Jordan Phosphate Mines Company in cash and according to a specific repayment schedule.

There is an arbitration case 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 in the amount of JD 6,212 thousand.

In June 2019, the Group filed a lawsuit against Arkan Company for Construction (Associate Company) to claim an amount of JD 5,718 thousand related to the default in payment of the final settlement of the overburden removal contract, and phosphate mining (A1, A2) in the area of dragline quarries (DL1, DL2, DL3, DL4) in Shidya mine in addition to the legal interest, fees and expenses. The case is still pending at the Amman Court of First Instance.

Arkan Company for Construction has filed a lawsuit against Jordan Phosphate Mines Company in May 2019 claiming compensation for completed works that Jordan Phosphate Mines Company failed to settle in an amount of JD 5,122 thousand relating to the contract for the removal of overburden, and phosphate mining (A1, A2) in the dragline area. The case is still pending at the at the Court of First Instance of Amman. The amount was subsequently paid by the Group.

Arkan Company for Construction filed a lawsuit against Jordan Phosphate Mines Company in May 2019 claiming a compensation for material and moral damages in addition to financial claims related to the cost of vehicles that were purchased for a tender issued by Jordan Phosphate Mines Company but was not awarded to Arkan Company, in addition to the vehicles depreciation, compensation for the decrease in value and administrative expenses with a total amount of JD 17,500 thousand. The case is still pending at the Court of First Instance of Amman.

Arkan Company for Construction filed a lawsuit against Jordan Phosphate Mining Company during June 2019 on the subject of preventing a financial claim of JD 10,841 thousand relating to the contract for the removal of overburden and phosphate mining (A1, A2) in the area of draglines' quarries. The case is still pending at the Court of First Instance of Amman.

Arkan Company for Construction filed a lawsuit against Jordan Phosphate Mines Company in June 2019 with a claim of JD 2,376 thousand regarding the removal of overburden, and phosphate mining (A1, A2) contract in the area of draglines' quarries. The case is still pending at the Amman Court of First Instance.

During the months of October and November of 2019, Manajem filed two lawsuits against Jordan Phosphate Mines Company on the subject of a financial claim of JD 3,558 thousand and JD 229 thousand. The company has submitted a response list within the legal period and the cases are still pending.

Arkan Company for Construction filed a lawsuit against the Jordan Phosphate Mines Company during the month of November 2019 on the subject of a claim worth JD 30,000 thousand as a result of Phosphate Mines Company's bids offering and its failure to comply with the partnership agreement. The Company was notified by the lawsuit and in the process of preparing its responses and defend its position.

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 performed the environmental impacts study, and in the opinion of the management, there are no impacts that may result in environmental obligations, as at 31 December 2019.

(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 Kingdome 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 2019 and 2018:

	Related parties			Total	
	Associated Companies and Joint Ventures	Government of Jordan*	Others**	2019	2018
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Consolidated statement of financial position items:					
Accounts receivable***	46,925	-	10,097	57,022	87,999
Accounts payable	53,273	-	947	54,220	53,297
Loans receivable ***	12,371	-	10,797	23,168	25,327
Accrued expenses	-	-	8,399	8,399	5,383
Off consolidated statement of financial position items:					
Guaranteed loans	97,206	-	-	97,206	112,821
Consolidated statement of income items:					
Sales	102,096	-	186,713	288,809	231,326
Purchases	96,355	-	10,685	107,040	129,607
Mining fees	-	20,940	-	20,940	20,460
Port fees	-	4,163	-	4,163	4,452
Other income	15,399	-	519	15,918	23,212
Land lease	-	9,042	-	9,042	7,312

* 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 96,932 thousand and JD 101,696 thousand for the years ended 31 December 2019 and 2018 respectively.

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

*** Balances of accounts and loans receivable are shown in net after deducting expected credit loss amounted to JD 10,916 thousand and JD 2,776 thousand as of 31 December 2019 (2018: JD 22,302 thousand and JD 3,268 thousand).

(In Thousands of Jordanian Dinars)

The following is a summary of the compensation (salaries, wages and other benefits) of the key management personnel:

	2019	2018
	JD ('000)	JD ('000)
Salaries and bonuses of senior executive management	664	628
Bonuses and transportation of the Board of Directors	322	322

The value of end-of-service indemnity compensation paid to key management personnel whose service ended during 2019 amounted to JD 913 thousand (2018: JD 747 thousand).

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 leased the land which the Industrial complex was built on from the Aqaba Development corporation Company/Aqaba Special Economic Zone Authority.

- The Company has leased the land which the New Phosphate Port was built on from the Aqaba Development Corporation Company/ Aqaba Special Economic Zone Authority for (Note 6).

(39) MATERIAL PARTLY OWNED SUBSIDIARIES

The Group has only one subsidiary which has a material non non-controlling interest balance as follows:

			Non-controlling interest	
Company name	Country of incorporation	Nature of activity	2019	2018
			JD ('000)	JD ('000)
Nippon Jordan Fertilizers Company Limited	Jordan	Production and sale of fertilizers and chemical by-products	30%	30%

(In Thousands of Jordanian Dinars)

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	2019	2018
	JD ('000)	JD ('000)
Nippon Jordan Fertilizers Company Limited	5,330	6,862

Profit attributable to material non-controlling interest	2019	2018
	JD ('000)	JD ('000)
(Loss) Profit of Nippon Jordan Fertilizers Company Limited	(1,277)	268
Dividends of Nippon Jordan Fertilizers Company Limited	(255)	(780)

A. Financial position

	Nippon Jordan Fertilizers Company Limited	
	2019	2018
	JD ('000)	JD ('000)
Current assets	18,199	27,172
Non-current assets	6,175	6,822
Current liabilities	(6,393)	(11,229)
Non-current liabilities	(320)	-
Difference between book and market value at acquisition	107	107
Total equity	17,768	22,872
Non-controlling interest in equity	5,330	6,862

(In Thousands of Jordanian Dinars)

B. Profit and loss

	Nippon Jordan Fertilizers Company Limited	
	2019	2018
	JD ('000)	JD ('000)
Sales revenue	58,115	65,991
Cost of sales	(58,233)	(61,945)
Gross profit	(118)	4,046
Sales and marketing expenses	(1,008)	(1,519)
Administrative expenses	(1,603)	(1,863)
Operating profit	(2,729)	664
Interest revenue	3	255
Finance cost	(25)	(15)
Other (expenses)/ revenues	(12)	(10)
Provision for expected credit losses	(10)	-
Provision for Inventory impairment	(1,441)	-
Prior year expenses	(42)	-
Net income for the year	(4,256)	894
Other comprehensive income	-	-
Total comprehensive income	(4,256)	894
Total comprehensive income attributable to non-controlling interest	(1,277)	268

C. Statement of cash flow

	Nippon Jordan Fertilizers Company Limited	
	2019	2018
	JD ('000)	JD ('000)
Operating activities	(1,473)	1,956
Investing activities	(399)	(226)
Financing activities	(850)	(2,615)
Net decrease in cash and cash equivalents	(2,722)	(885)

(In Thousands of Jordanian Dinars)

(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:

	Level 1	Level 2	Level 3	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)
2019				
Financial assets				
Financial assets at fair value through other comprehensive income	86	-	279	365
Financial assets at fair value through profit and loss	214	-	-	214
2018				
Financial assets				
Financial assets at fair value through other comprehensive income	110	-	279	389
Financial assets at fair value through profit and loss	197	-	-	197

(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	*Increase in interest rates*	*Effect on profit*
	Basis points	*JD'(000)*
2019		
JOD	100	40
USD	100	(1,338)
Euro		

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.

Currency	Increase in interest rates	Effect on profit
	Basis points	JD'(000)
2018		
JOD	100	(227)
USD	100	(1,451)

All other effective variables held constant.

(In Thousands of Jordanian Dinars)

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.

	Change in Index	*Effect on Profit*	*Effect on Equity*
2019	*%*	*JD ('000)*	*JD ('000)*
Index			
Amman Stock Exchange	5	11	4
2018			
Index			
Amman Stock Exchange	5	10	6

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 15 customers account for 75.3% of outstanding accounts receivable as at 31 December 2019 (2018: largest 8 customers account for 69%).

(In Thousands of Jordanian Dinars)

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 manages its liquidity risk by ensuring that bank facilities are available when needed.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2019 and 2018, based on contractual payment dates and current market interest rates.

As of 31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Due to banks	2,005	88,271	-	-	90,276
Accounts payable	98,880	-	-	-	98,880
Term loans	-	36,778	45,314	28,021	110,113
Lease contracts liabilities	1,188	5,845	35,034	60,732	102,799
Total	102,073	130,894	80,348	88,753	402,068

As of 31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	JD ('000)	JD ('000)	JD ('000)	JD ('000)	JD ('000)
Due to banks	1,956	91,544	-	-	93,500
Accounts payable	106,949	-	-	-	106,949
Term loans	-	35,841	65,129	30,852	131,822
Total	108,905	127,385	65,129	30,852	332,271

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 2019 and 31 December 2018.

Capital comprises paid in capital, statutory reserve, voluntary reserve, special reserve and retained earnings, and is measured at JD 681,454 thousand as at 31 December 2019 (2018: JD 676,087 thousand).

(43) DIVIDENDS

The General assembly for the Group approved in its ordinary meeting held on 20 April 2019 to distribute dividends to its shareholders amounted to 20% of the stock par value from 2018 profits.

(44) 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 Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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.

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 1January 2019, but certain transition reliefs are available.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

(45) Subsequent events

Subsequent to year-end, the Coronavirus outbreak has impacted the global macroeconomy and caused significant disruption in the global economy and different business sectors. The Government of the Hashemite Kingdom of Jordan has taken decisions that have led to changes in the economic situation and business activities in the Kingdom. The management is in the process of completing the determination of the impact of the Corona virus on the activities of the group to take appropriate measures.