

JORDAN PHOSPHATE MINES COMPANY PSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018



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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 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 2018, 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 2018, 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.

<p>1. Revenue recognition Refer to note 23 on the consolidated financial statements</p>	
<p>Key audit matter</p> <p>Revenue from sale of goods is recognized at a point in time when control over the asset is transferred to the customer upon delivery of goods. Revenue recognition is considered a key audit matter because it is material.</p>	<p>How the key audit matter was addressed in the audit</p> <p>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.</p> <p>We have selected a sample 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.</p> <p>The details of revenues are set out in note 23 to the accompanying consolidated financial statements.</p>

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

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

Key audit matter

The Company has investments in associates and Joint ventures in addition to the granted loans to these entities. The total amount of investments including loans is JD 376,790 thousand representing 34% of the Group's assets; accordingly, this was considered a key audit matter.

How the key audit matter was addressed in the audit

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

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

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

Other information included in the Company's 2018 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
24 March 2019

JORDAN PHOSPHATE MINES COMPANY PSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	234,843	228,979
Projects in progress	4	4,861	31,480
Investments in associates and joint ventures	5	273,088	271,996
Intangible assets	6	149,227	155,586
Deferred tax assets	22	18,944	4,941
Employees' housing loans	7	4,850	5,520
Financial assets at fair value through other comprehensive income	8	389	413
Long term loans receivable	9	22,510	16,033
Long term accounts receivable	12	16,376	5,076
Other current assets	13	1,313	1,313
Production and development stripping cost	9	16,622	19,393
		<u>743,023</u>	<u>740,730</u>
Current assets			
Inventories, spare parts and supplies	11	193,008	161,235
Accounts receivable	12	119,214	141,716
Other current assets	13	39,407	27,820
Short term loans receivable	9	2,817	-
Financial assets at fair value through profit and loss		197	194
Cash on hand and at banks	14	24,670	5,968
		<u>379,313</u>	<u>336,933</u>
TOTAL ASSETS		<u>1,122,336</u>	<u>1,077,663</u>
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		(290)	(266)
Retained earnings		368,587	363,544
Equity attributable to Company's shareholders		<u>675,797</u>	<u>670,778</u>
Non – controlling interests	39	6,862	7,374
Total Equity		<u>682,659</u>	<u>678,152</u>
Non-current liabilities			
Long-term loans	16	82,161	72,791
Compensation and end-of-service indemnity provision	17	2,827	2,394
Assets deferral provision	6	15,295	14,543
Other long term credit balances		30,000	-
		<u>130,283</u>	<u>89,728</u>
Current liabilities			
Accounts payable	18	106,949	106,541
Accrued expenses	19	39,775	40,116
Other current liabilities	20	29,471	22,662
Due to banks	21	85,677	92,136
Employees incentives and retirees grants provision	33	1,168	744
Current portion of long-term loans	16	35,017	46,111
Income tax provision	22	11,337	1,473
		<u>309,394</u>	<u>309,783</u>
Total Liabilities		<u>439,677</u>	<u>399,511</u>
TOTAL EQUITY AND LIABILITIES		<u>1,122,336</u>	<u>1,077,663</u>

The attached notes from 1 to 43 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PSC
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

	Notes	2018	2017
Net sales	23	674,439	586,666
Cost of sales	23	(508,985)	(496,099)
Gross profit		165,454	90,567
Selling and marketing expenses	24	(8,246)	(8,332)
New phosphate port terminal expenses	36	(11,577)	(11,405)
Aqaba port fees		(4,452)	(5,090)
Transportation expenses		(48,967)	(57,185)
Administrative expenses	25	(26,887)	(25,198)
Russiefah mine expenses	26	(1,330)	(1,660)
Mining fees costs	27	(18,169)	(18,266)
Provision for slow-moving spare parts	11	(1,591)	(594)
Other provisions	33	(781)	(283)
Provision for expected credit loss	12	-	(270)
Other income, net	28	26,651	9,343
Foreign currency exchange differences		966	756
Operating loss		71,071	(27,617)
Finance costs	29	(17,228)	(11,452)
Finance income	30	2,971	1,706
Group's share of profit (loss) from associates and joint ventures	5	1,612	(6,093)
Other fees		(43)	-
Gain from revaluation of financial assets at fair value through profit and loss		3	12
Goodwill impairment loss	6	-	(1,000)
Profit (loss) before income tax		58,386	(44,444)
Income tax expense	22	(10,842)	(2,209)
Profit (loss) for the year		47,544	(46,653)
Profit (loss) Attributable to:			
Equity holders		47,276	(47,532)
Non – controlling interests	39	268	879
Profit (loss) for the year		47,544	(46,653)
		JD/Fils	JD/Fils
Basic and diluted profit (loss) per share attributable to the equity holders	31	0/573	(0/576)

The attached notes from 1 to 43 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PSC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Profit (loss) for the year		47,544	(46,653)
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	<u>(24)</u>	<u>(39)</u>
Total comprehensive income for the year		<u>47,520</u>	<u>(46,692)</u>
Total comprehensive income attributable to:			
Equity holders		47,252	(47,571)
Non – controlling interests		<u>268</u>	<u>879</u>
Total comprehensive income for the year		<u>47,520</u>	<u>(46,692)</u>

The attached notes from 1 to 43 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

	Paid-in capital	Reserves			Fair value reserve	Retained earnings		Non - controlling interest	Total equity
		Statutory	Voluntary	Special		Unrealized*	Realized**		
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 (Note 2)	-	-	-	-	-	-	(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
For the year ended 31 December 2017									
Balance at 1 January 2017	82,500	75,000	75,000	75,000	(227)	25,953	385,123	6,495	724,844
Loss for the year	-	-	-	-	-	12	(47,544)	879	(46,653)
Total comprehensive income items	-	-	-	-	(39)	-	-	-	(39)
Total comprehensive income for the year	-	-	-	-	(39)	12	(47,544)	879	(46,692)
Balance at 31 December 2017	82,500	75,000	75,000	75,000	(266)	25,965	337,579	7,374	678,152

* 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 19,445 thousands which are restricted, it includes JD 18,944 thousands which represents deferred tax assets, an amount of JD 290 thousands restricted against the negative balance of fair value reserve for financial assets at fair value through other comprehensive income as of 31 December 2018, and an amount of JD 211 thousands is restricted against the negative balance of fair value through profit or loss as of 31 December 2018.

The attached notes from 1 to 43 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PSC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES</u>			
Profit (loss) for the year before income tax		58,386	(44,444)
Adjustments for:			
Depreciation	3	25,803	27,687
Amortization of new phosphate port terminal	6	6,359	6,359
Goodwill impairment loss		-	1,000
Amortization of production stripping costs	10	11,183	17,983
Employees compensation fund and end-of-service indemnity		13,354	15,165
Finance costs		13,179	10,219
Finance income		(2,971)	(1,706)
Mining fees costs		20,460	20,391
Group's share of (profit) loss from associates and joint ventures		(1,612)	6,093
Provision for slow-moving spare parts		1,591	594
Provision for expected credit loss		-	270
Other non-cash items		2,929	4,040
Working capital changes:			
Accounts receivable		(11,100)	(18,303)
Employees' housing loans		(94)	(504)
Other current assets		(11,587)	(2,329)
Inventories, spare parts and supplies		(33,364)	38,065
Production stripping costs		(8,412)	(7,316)
Accounts payable		408	27,326
Accrued expenses		4,998	(10,474)
Other current liabilities		26,783	(5,767)
Employees' compensation, end-of-service indemnity and death fund paid		(36,453)	(23,158)
Mining fees paid		(26,798)	(24,120)
Income tax paid	22	(1,821)	(3,687)
Net cash flows from operating activities		<u>51,221</u>	<u>33,384</u>
<u>INVESTING ACTIVITIES</u>			
Property, plant and equipment and payments on projects in progress – net		(4,723)	(10,823)
Cash refund from contractors		4,198	-
Loans receivable		(15,000)	(9,252)
Investment in associates and joint ventures		(12,500)	(12,500)
Dividends received		16,330	14,260
Interest received		317	573
Net cash flows used in investing activities		<u>(11,378)</u>	<u>(17,742)</u>
<u>FINANCING ACTIVITIES</u>			
Proceeds from loans		33,772	23,151
Repayments of loans		(35,496)	(26,869)
Dividends of subsidiaries		(780)	-
Finance costs paid		(12,178)	(10,325)
Net cash flows used in financing activities		<u>(14,682)</u>	<u>(14,043)</u>
Net increase in cash and cash equivalents		25,161	1,599
Cash and cash equivalents at 1 January		(86,168)	(87,767)
Cash and cash equivalents at 31 December	14	<u>(61,007)</u>	<u>(86,168)</u>

The attached notes from 1 to 43 form an integral part of these consolidated financial statements

JORDAN PHOSPHATE MINES COMPANY PSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

(1) GENERAL

Jordan Phosphate Mines Company was established in 1949, and became a public shareholding company in 1953. The Company's objectives are to mine and market phosphate rock, produce fertilizers and invest in the establishment of related industries. All other business activities of the Company are located in Jordan. The fertilizers production unit is located in the Industrial Complex in Aqaba. The phosphate rock is extracted, to a large extent, from the mines of Al-Abiad, Al-Hasa, 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 20 March 2019 and they are subject to the approval of the Company's General Assembly.

(2-1) BASIS OF PREPARATION

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

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

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

JORDAN PHOSPHATE MINES COMPANY PSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

(2-2) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

JORDAN PHOSPHATE MINES COMPANY PSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018
(In Thousands of Jordanian Dinars)

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investors with significant influence on the Group:

Indian Potash Limited, Government Contribution Management Company, 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 issued shares, respectively.

(2-3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 was as detailed below:

(a) Sale of goods:

The Group contracts with customers for the sale of goods generally include performance obligations. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Variable consideration:

Some contracts for the sale of goods provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Rights of return:

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products.

(b) Rendering of services

Under IFRS 15, the Group concluded that revenue from services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the equipment will continue to be recognised at a point in time, upon delivery of the equipment.

(c) Advances received from customers

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Group presented these advances as deferred revenue in the statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer is more than one year, the Group shall adjust the promised amount of consideration for the effects of the time value of money.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the period from discontinued operations, investments in associate and a joint venture, share of profit of an associate and a joint venture, income tax expense, and retained earnings, were adjusted as necessary. Furthermore, exchange differences on translation of foreign operations were also adjusted.

The amendments do not have any impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to opening Retained earnings.

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The effect of the change in accounting policy on the items of the statement of financial position as at 1 January 2018 is as follows:

	IAS 39	IFRS 9	Change
	Thousand JD	Thousand JD	Thousand JD
Assets			
Loans receivable	16,033	12,765	(3,268)
Deferred tax assets	4,941	18,278	13,337
Long term accounts receivable	5,076	-	(5,076)
Total non-current assets	26,050	31,043	4,993
Accounts receivable	141,716	124,490	(17,226)
Total assets	167,766	155,533	(12,233)
Liabilities			
Other current liabilities (Off balance sheet items – bank guarantees)	-	30,000	30,000
Total liabilities	-	30,000	30,000
Equity			
Retained earnings	363,544	321,311	(42,233)
Total Equity	678,152	635,919	(42,233)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into or out of investment property.

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

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

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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 capitalised as non-current assets at cost and is amortized using the units of production method at each location when the following conditions are met:

It is probable that the future economic benefit improved access to the phosphate associated with the stripping activity will flow to the entity.

The entity can identify the amount and type of phosphate for which has been improved; and

- The cost relating to the stripping activity associated with the component can be measured reliably.

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

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

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 losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. Details of income tax provision and deferred tax are disclosed in (Note 22).

Indemnity and end-of-service provisions

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

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(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):

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

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

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

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

Projects in progress

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

Investments in associates and joint ventures

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

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

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

The Group's investments in its associate and joint venture are accounted for using the equity method.

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

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

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

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

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

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

Intangible assets

- New phosphate port terminal

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

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

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

- **Goodwill**

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

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

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

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

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

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

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

Asset deferral cost

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

Financial assets at fair value through other comprehensive income

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

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

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

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Loans receivable

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

Inventories and spare parts

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

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

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 Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company'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 Company calculated its contribution of 25% of gross monthly salaries subject to social security and transfers this contribution to the Fund's bank account. The Fund is independent from the Company (financially and administratively), accordingly, the Company is not legally obligated in case the Fund was not able to pay its obligations. The contribution is recognized as an expense in the consolidated statement of income.

Accounts payable and accruals

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

Provisions

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

Revenue and expense recognition

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

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

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

Other revenues are recognized on an accrual basis.

Mining Fees

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

Operating Lease

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

Income tax

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

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

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

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

Impairment of non-financial assets

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

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.

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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.

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(3) PROPERTY, PLANT AND EQUIPMENT

2018	Land	Buildings	Roads & Yards	Machinery & equipment	Water & electricity networks	Furniture & office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts and reserves	Software and programs	Total
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 (Note 4)	-	8	-	28,613	51	-	-	-	-	-	-	-	28,672
Cash refunds from contractors	-	-	-	(4,198)	-	-	-	-	-	-	-	-	(4,198)
Adjustments	-	-	-	32	-	-	-	-	-	333	(169)	-	196
Disposals	-	-	-	-	-	(248)	(24)	(27)	(256)	-	-	-	(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.

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2017	Land	Buildings	Roads & Yards	Machinery & equipment	Water & electricity networks	Furniture & office equipment	Medical equipment	Communication equipment	Computers	Vehicles	Spare parts reserves	Software and programs	Total
Cost:													
At 1 January 2017	1,299	130,027	25,404	475,552	82,329	6,440	1,017	1,324	3,785	14,122	44,772	1,913	787,984
Additions	-	49	-	112	49	68	73	2	14	125	5,694	-	6,186
Transfers from projects in progress	-	194	-	3,182	221	23	-	-	-	-	-	-	3,620
Adjustments	-	-	-	(173)	245	-	-	64	70	33	100	-	339
Disposals	-	(269)	(93)	(12,258)	-	(186)	-	(16)	(109)	(441)	(327)	-	(13,699)
At 31 December 2017	1,299	130,001	25,311	466,415	82,844	6,345	1,090	1,374	3,760	13,839	50,239	1,913	784,430
Accumulated Depreciation:													
At 1 January 2017	-	79,333	13,266	367,545	33,850	3,990	857	1,297	3,482	11,292	23,963	1,912	540,787
Depreciation for the year	-	5,347	3,758	11,516	2,628	401	26	21	157	891	2,944	-	27,687
Adjustments	-	33	(8)	2	-	-	(2)	18	(162)	-	184	-	65
Related to disposals	-	(264)	(17)	(12,161)	-	(169)	-	(15)	(102)	(338)	(22)	-	(13,088)
At 31 December 2017	-	84,449	16,999	366,902	36,476	4,222	881	1,321	3,375	11,845	27,069	1,912	555,451
Net book value													
At 31 December 2017	1,299	45,552	8,312	99,513	46,368	2,123	209	53	385	1,994	23,170	1	228,979

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

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Depreciation in the consolidated statement of income is as follows:

	<u>2018</u>	<u>2017</u>
Cost of sales	25,036	26,769
Administrative expenses	565	608
Selling and marketing expenses	94	89
Russiefah mine expenses	98	113
Others	10	108
	<u>25,803</u>	<u>27,687</u>

(4) PROJECTS IN PROGRESS

Movement on the projects in progress is as follows:

	<u>Balance at 1 January 2018</u>	<u>Additions</u>	<u>Transferred to property plant & equipment</u>	<u>Transferred to expenses and others</u>	<u>Balance at 31 December 2018</u>
Aqaba Industrial Complex Projects	27,572	32	(27,459)	-	145
Shidiya Mine Projects	119	14	-	-	133
Indo-Jordan Chemicals Company Projects	2,914	1,609	(1,099)	-	3,424
Head Office, Hasa & Abiad mines	618	101	(51)	-	668
Nippon Jordan Fertilizers Company Projects	257	308	(63)	(11)	491
	<u>31,480</u>	<u>2,064</u>	<u>(28,672)</u>	<u>(11)</u>	<u>4,861</u>

The estimated cost to complete the projects in progress as of 31 December 2018 amounted to JD 200 thousand for JPMC related projects, JD 3,090 thousand for Indo-Jordan's related projects and JD 303 thousand for Nippon's related projects.

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(5) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	<u>2018</u>	<u>2017</u>
Investment in associates (A)	204,296	211,387
Joint ventures (B)	68,792	60,609
	<u>273,088</u>	<u>271,996</u>

A. INVESTMENTS IN ASSOCIATES:

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

	Country of incorporation	Nature of activity	Ownership %	<u>2018</u>	<u>2017</u>
Manajim for Mining Development Company "Manajim"	Jordan	Mining services	46	30,849	37,057
Jordan Abyad Fertilizer Company "JAFCCO"	Jordan	Fertilizers production	27,38	-	-
Jordan India Fertilizer Company "JIFCO"	Jordan	Phosphoric acid production	48	163,022	156,935
Kaltime Jordan Abdi Company	Indonesia	Phosphoric acid production	40	454	540
Arkan Company for Construction "Arkan"	Jordan	Mining contracting	46	9,971	16,855
				<u>204,296</u>	<u>211,387</u>

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Movements on the investment in associates were as follows:

	<u>2018</u>	<u>2017</u>
At 1 January	211,387	228,567
The Group's share of current year profit (loss)	5,889	(4,629)
Dividends received from Manajim for Mining development	(12,880)	(7,820)
Dividends received from Arkan constructions services	(3,450)	(6,440)
Addition (elimination) of Group's share of JIFCO income related to transactions between the Group and associate	(817)	603
Addition of Group's share of JAFCCO's income related to transactions between the Group and associate	-	26
Group share of JAFCCO accumulated losses in excess of the investment value	<u>4,167</u>	<u>1,080</u>
At 31 December	<u>204,296</u>	<u>211,387</u>

Group's share of associate companies' results:

	<u>2018</u>	<u>2017</u>
Group's share of profit (loss) for the year	5,889	(4,629)
Addition (Elimination) of Group's share of associate's income related to transactions between the Group and associate	57	466
	<u>5,946</u>	<u>(4,163)</u>

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

	2018					
	Manajim for Mining Development	Jordan Abyad Fertilizers and Chemicals Company	Jordan India Fertilizers Company	Arkan Company for Construction	Kaltime Jordan Abdi Company	Total
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)
Profit (loss) for the year before income tax	14,328	(8,693)	13,484	95	(101)	19,113
Income tax expense	(2,824)	-	-	(4)	-	(2,828)
Profit (loss) for the year	11,504	(8,693)	13,484	91	(101)	16,285
Percentage of ownership	46%	27.38%	48%	46%	40%	
Group's share from current year income	5,292	(2,380)	6,472	42	(40)	9,386
Group's share from prior years income*	-	(1,787)	432	(73)	(46)	(1,474)
Group's share of hedging	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

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

* Prior year adjustments represent the differences between draft financial statements and final audited financial statements of the associate companies.

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B. JOINT VENTURES:

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

	Country of incorporation	Nature of activity	Ownership %	2018	2017
Indonesian project – Petro Jordan Abadi Company	Indonesia	Phosphoric Acid production	50	957	6,664
Jordan Industrial Ports Company	Jordan	Shipping services	50	67,835	53,945
				<u>68,792</u>	<u>60,609</u>

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

	2018	2017
Balance at 1 January	60,609	44,899
Group's share of (loss) for the year	(4,334)	(1,930)
Increase in investment in Industrial Ports Company**	12,500	17,500
Addition Group's share of Petra Jordan Abdali income related to transactions between the Group and joint venture	17	140
Balance at 31 December	<u>68,792</u>	<u>60,609</u>

** Industrial Ports Company increased its paid in capital during 2018 by JD 25,000 thousand to reach JD 130,000 thousand. JPMC's share of the increase amounted to JD 12,500 thousand.

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

	2018		Total
	Indonesian project – Petro Jordan Abadi Company	Jordan Industrial Ports Company	
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
Group's share from joint ventures and profits			
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
(Loss) profit for the year	(9,042)	3,051	(5,991)
Percentage of ownership	50%	50%	
Group's share of the year results	(4,521)	1,526	(2,995)
Group's share of prior year results***	(1,203)	(136)	(1,339)
Group's share of (loss) profit from joint ventures	(5,724)	1,390	(4,334)

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

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

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(6) INTANGIBLE ASSETS

The details of this item are as follows:

	<u>2018</u>	<u>2017</u>
Fertilizers unit goodwill*	15,680	15,680
New phosphate port**	<u>133,547</u>	<u>139,906</u>
	<u>149,227</u>	<u>155,586</u>

*** FERTILIZERS UNIT GOODWILL:**

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

Goodwill represents the excess of the cost of purchase over the Group's interest in the net fair value of the JFIC identifiable assets and liabilities that have been recorded 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 15.9% the projections were prepared based on the production capacity and the expected prices of raw material and finished goods as published by specialized international organization. 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 2018 were used to build up the projected 5 years future sales.

Projected costs: The costs incurred during 2018 except for raw material prices, were used to build up the projected 5 years cost.

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

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

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

**** NEW PHOSPHATE PORT:**

During 2014, the Company capitalized the new Phosphate Port Project as intangible assets in accordance with IFRIC 12 (Service Concession Arrangements), where the total cost of the project represents the license to use and operate the new port for a period of 26 years, after that the port will be handed over to Aqaba Development Corporation / Aqaba Special Economic Zone Authority. The Company started to amortize the intangible assets related to the new phosphate port terminal from the first of January 2014. The amortization expense for the year ended 31 December 2018 amounted to JD 6,359 thousand (2017: JD 6,359 thousand) was recorded within new phosphate port terminal expenses (Note 36).

Movement on new phosphate port is as follows.

	<u>2018</u>	<u>2017</u>
Balance at 1 January	139,906	146,265
Amortization for the year	<u>(6,359)</u>	<u>(6,359)</u>
Balance at 31 December	<u><u>133,547</u></u>	<u><u>139,906</u></u>

The asset deferral provision when the license to use and operate the new port expires is JD 15,295 thousand as 31 December 2018 (2017: JD 14,543 thousand). The obligation is measured at the present value of estimated future cash flows using an average interest rate of 6.5%.

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The movement on the asset deferred provision is as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	14,543	13,775
Present value discount (note 29)	752	768
Balance at 31 December	<u>15,295</u>	<u>14,543</u>

(7) EMPLOYEES' HOUSING LOANS

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

	<u>2018</u>	<u>2017</u>
Balance at 1 January	5,520	5,481
Net movement during the year	94	504
Present value discount (note 29)	(764)	(465)
Balance at 31 December	<u>4,850</u>	<u>5,520</u>

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

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

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

	<u>2018</u>	<u>2017</u>
Quoted shares	110	134
Unquoted shares	279	279
	<u>389</u>	<u>413</u>

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(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 are subject to annual interest rates between 0% and 8.25%.

		2018	2018	2017
		Loan	Loan	Loan payments
		payments	payments	Long-term
Currency		Short-term	Long-term	Long-term
Jordan India Fertilizers Company	USD	-	6,536	6,536
Jordan Abyad Fertilizers and Chemicals Company – net *	USD	-	3,564	3,564
Jordan Abyad Fertilizers and Chemicals Company – net*	JD	-	6,028	5,933
Compensation and death fund**	JD	2,817	9,650	-
		2,817	25,778	16,033
Provision for expected credit loss		-	(3,268)	-
		2,817	22,510	16,033

* 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 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.

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(10) PRODUCTION AND DEVELOPMENT STRIPPING COSTS

Movement on the production stripping cost is as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	19,393	30,060
Additions for the year	8,412	7,316
Amortization for the year	(11,240)	(18,449)
Addition of Group's share of associate's income related to transactions between the Group and associates	57	466
Balance at 31 December	<u>16,622</u>	<u>19,393</u>

(11) INVENTORIES, SPARE PARTS AND SUPPLIES

	<u>2018</u>	<u>2017</u>
Finished goods	57,714	42,416
Work in progress (Note 34)	20,787	22,398
Raw materials	26,955	16,408
Inventory held by contractors	13,717	8,128
Spare parts and supplies	98,729	95,188
	217,902	184,538
Provision for slow moving spare parts*	(24,894)	(23,303)
	<u>193,008</u>	<u>161,235</u>

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

	<u>2018</u>	<u>2017</u>
Balance at 1 January	23,303	22,709
Provision for the year	1,591	594
Balance at 31 December	<u>24,894</u>	<u>23,303</u>

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(12) ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Trade receivables	79,108	66,622
Due from associated companies (Note 38)	90,842	92,532
Other	9,173	8,869
	<u>179,123</u>	<u>168,023</u>
Provision of expected credit loss	(43,533)	(21,231)
	<u>135,590</u>	<u>146,792</u>

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

	<u>2018</u>	<u>2017</u>
Balance at 1 January	21,231	20,961
Impact of adoption of IFRS 9	22,302	-
Beginning balance (Adjusted)	<u>43,533</u>	<u>20,961</u>
Provision for the year	-	270
Balance at 31 December	<u>43,533</u>	<u>21,231</u>

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 Company will pay the outstanding debit after payment of the full amount of loan due in 2027.

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

	<u>Neither past due nor impaired</u>			<u>Total</u>
	<u>Less than 90 days</u>	<u>90 – 180 days</u>	<u>More than 180 days</u>	
2018	67,050	-	68,540	135,590
2017	54,260	-	92,532	146,792

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.

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(13) OTHER CURRENT ASSETS

	<u>2018</u>	<u>2017</u>
Payments on letters of credit	12,829	12,091
Contractors deposits	9,759	-
Advance payments on sales tax	2,369	7,514
Prepaid expenses	6,013	5,585
Accrued interest revenue*	5,943	3,592
Prepaid death and compensation fund expenses	2,984	-
Others	823	351
	<u>40,720</u>	<u>29,133</u>

* Included in this item an amount of JD 1,313 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 statement of financial position as at 31 December 2018 (2017: JD 1,313 thousand).

(14) CASH AND CASH EQUIVALENTS

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

	<u>2018</u>	<u>2017</u>
Cash at banks*	24,609	5,908
Cash on hand	61	60
Cash on hand and at banks	24,670	5,968
Less: Bank overdrafts (Note 21)	(85,677)	(92,136)
Cash and cash equivalents	<u>(61,007)</u>	<u>(86,168)</u>

* Cash at banks include current accounts in US Dollars bearing annual interest rate of maximum 1.25% for the years ended 31 December 2018 and 2017.

Cash at banks include short-term deposits accounts in Jordanian Dinars bearing annual interest rate between 3% and 4.5% for the year ended 31 December 2018 (2017: Between 3% and %5%).

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(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.

(16) LOANS

	Currency	2018		2017	
		Due within one year	long-term	Due within one year	Long-term
International Finance Corporation	USD	-	-	11,625	-
Arab Bank loan (1)	USD	5,168	55,153	5,168	47,790
Arab Jordanian Investment Bank	USD	531	930	531	1,460
Housing Bank for Trade and finance Loan (1)	USD	7,080	7,080	7,080	14,160
Housing Bank for Trade and finance Loan (2)	USD	826	2,891	826	3,717
Union Bank Loan	USD	2,832	2,832	2,832	5,664
Arab Banking Corporation revolving loan	USD	7,075	-	7,075	-
Arab Bank revolving loan (2)	USD	7,080	-	7,080	-
Capital Bank (1)	USD	4,425	13,275	-	-
Capital Bank (2)	USD	-	-	3,894	-
		<u>35,017</u>	<u>82,161</u>	<u>46,111</u>	<u>72,791</u>

International Finance Corporation (IFC) Loan

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

Arab Bank Loan (1)

Jordan Phosphate Mining Company signed a USD 96 Million loan agreement with Arab Bank. On 5 January 2016, the first part of the loan agreement with the amount of USD 50 Million was signed between the group and Arab Bank. On 21 July 2016, the second part of the loan agreement with the amount of USD 46 Million was signed between the Group and the Arab Bank to finance 100% of Jordan Phosphate Mining Company's share in Jordan Industrial Ports Company to develop and update the industrial port in Aqaba. The loan holds a LIBOR interest rate of 6 months + 2.75% for the first 7 years of the loan period and LIBOR price of 6 months +2.8% from the 8th year until the end of loan period, the loan has a 15 years period including 2 years grace period. The loan is payable through equal semiannual installments amounted to USD 3.65 Million. The first installment is due on 15 January 2018, and the last installment is payable on 15 July 2030. The first part of the loan was utilized during the first quarter of 2016. Additionally an amount of USD 24.8 Million was utilized from the second part of the loan during the fourth quarter of 2017. An amount of USD 17.7 Million was utilized during 2018 from the second part of the loan.

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 15 July 2020. The Bank is entitled to claim for guarantees if the average price per phosphate ton decreased by less than USD 60.

Housing Bank for Trade and Finance Loan (2)

On 6 April 2017, the Group signed a loan agreement with Housing Bank 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's 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 payable on 6 October 2016 and the last installment will be due on 6 October 2020.

Arab Banking Corporation Revolving Loan

On 22 May 2014, the Group signed a revolving loan agreement with Arab Banking Corporation with a ceiling of USD 10 Million to finance the working capital, at an annual interest rate of one month LIBOR + 2.75%. The loan was fully utilized during 2014 and should be fully paid within a maximum of 13 months from the utilization date.

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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 (1)

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 is 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 2018.

Capital Bank Loan (2)

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

Loans repayments schedule:

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

<u>Year</u>	<u>Amount in</u>
2019	35,017
2020	20,862
Thereafter	61,299
	<u>117,178</u>

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

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

	2018				Total
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	
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	<u>391</u>	<u>18</u>	<u>2,094</u>	<u>324</u>	<u>2,827</u>
	2017				
	Compensation Fund*	Engineers Specialty Allowances**	End of Service Bonus Compensation***	Six months Bonus compensation	Total
Balance at 1 January	183	18	10,822	315	11,338
Provision during the year (company contribution)	65	-	200	83	348
Employee's contribution	37	-	-	-	37
Payments during the year	(7)	-	(25)	(97)	(129)
Transfers	-	-	(9,200)	-	(9,200)
Balance at 31 December	<u>278</u>	<u>18</u>	<u>1,797</u>	<u>301</u>	<u>2,394</u>

* 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 2018 represents the accumulated funds that have vested to some employees; the Company's contributions are recognized as an administrative expense when incurred.

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** During 1999 the Company calculated the engineers specialty allowances provision, per a value form count of cassation that includes a final verdict to previous Company's employee that makes the Company pay a premium for spartiality for employees as part of end of service indemnity.

*** 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:

	<u>2018</u>	<u>2017</u>
Interest cost	100	100
Cost of current service	100	100
Addition to provision	169	-
	<u>369</u>	<u>200</u>

(18) ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
Due to associates (Note 38)	52,459	45,610
Due to contractors	10,275	20,408
Due to foreign suppliers	29,038	16,326
Due to local suppliers	1,295	5,711
Electricity company	4,385	3,473
Other	9,497	15,013
	<u>106,949</u>	<u>106,541</u>

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(19) ACCRUED EXPENSES

	<u>2018</u>	<u>2017</u>
Inventory in transit in custody of contractor (Note 11)	13,717	8,128
Accrued contractors expense	7,034	6,665
Fuel, electricity and water expenses	5,675	2,691
Accrued agriculture service fees	4,940	3,967
Accrued production bonus	1,879	-
Interest expense	1,372	371
Demurrage and unloading expense	1,363	1,313
Sales rebates	1,261	1,516
Freight and transportation fees	794	4,314
Accrued medical insurance	708	1,312
Sales agents' commissions	469	870
Port fees	266	1,185
Accrued rent	-	139
Mining fees	-	5,116
Other	297	2,529
	<u>39,775</u>	<u>40,116</u>

(20) OTHER CURRENT LIABILITIES

	<u>2018</u>	<u>2017</u>
Deposits and other provisions	10,931	7,924
Settlement with contractors provision	6,000	-
Cash received under letters of guarantees	2,357	2,357
Contractor retention	2,216	2,216
Payments received in advance	480	2,090
Death and compensation fund*	-	5,081
Other	7,487	2,994
	<u>29,471</u>	<u>22,662</u>

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

	2018	2017
Balance at 1 January	5,081	2,982
Company's contribution	12,490	14,817
Employees contribution	674	921
Transferred from compensation and end-of-service provision (Note 17)	-	9,200
Transferred from other provisions and adjustment	-	(124)
Prepaid fund expenses (Note 13)	2,984	-
Loan receivable**	15,000	-
Paid during the year	(36,229)	(22,715)
Balance at 31 December	-	5,081

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

The Fund resources consist of the following:

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

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

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

** The Group has agreed to grant the fund a one time only Loan receivable of JD 15,000 thousand to the Death and Compensation Fund to settle its obligations. The loan will be settled in five annual installments where the first installment is due on 1 December 2019 and the last installment on 1 December 2023 (note 9).

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(21) DUE TO BANKS

This balance represents the utilized amount of overdraft facilities granted by local banks. The utilized balance exceeded the ceiling of JD 34,500 thousand as of 31 December 2018 (2017: JD 34,500 thousand) for the JD accounts, and USD 71,500 thousand as of 31 December 2018 (2017: USD 71,500 thousand) for the USD accounts. Average interest rates on those overdrafts facilities ranged between 7.5% to 9.5% in 2018 (2017: between 7.25% and 9%) for the JD accounts, and LIBOR plus 1% to 3.25% for the USD accounts with a maximum of 5.5%.

(22) INCOME TAX

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

	<u>2018</u>	<u>2017</u>
Current year income tax	10,736	474
Amount released from deferred tax asset	18	1,721
Prior year income tax	772	139
Deferred tax assets	(684)	(125)
	<u>10,842</u>	<u>2,209</u>

(A) Income tax provision

Movement on the provision for income tax is as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	1,473	520
Income tax expense for the year	10,736	474
Prior year's income tax	772	139
Prior year provision adjustments	-	4,027
Fees and fines	177	-
Income tax paid	(1,821)	(3,687)
Balance at 31 December	<u>11,337</u>	<u>1,473</u>

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(B) Reconciliation of the accounting profit to taxable profit

The details of computed income tax is as follows:

	2018						
	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	Reconciliations	
						between subsidiaries	Total
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%	-	-
	2017						
	Phosphate	Fertilizer	Indo Jordan*	Nippon Jordan*	Al Ro'ya	Reconciliations	
						between subsidiaries	Total
(Loss) accounting profit	(20,205)	(21,292)	(8,041)	2,931	2,295	(132)	(44,444)
Non-taxable profits	(6,344)	(3,301)	8,041	(2,931)	-	-	(4,535)
Non-deductible expenses	15,748	602	-	-	-	132	16,482
Taxable income	(10,801)	(23,991)	-	-	2,295	-	(32,497)
Provision for income tax	-	-	-	-	474	-	474
Effective income tax rate	-	-	-	-	21%	-	-
Enacted income tax rate	24%	5%	-	-	20%	-	-

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

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(C) Deferred tax assets

Movement in the provision for income tax was as follows:

	2018	2017
Balance at 1 January	4,941	6,537
Effect of the adoption of IFRS 9	13,337	-
Balance at 1 January (adjusted)	18,278	6,537
Additions during the year	684	125
Released during the year	(18)	(1,721)
Balance at 31 December	18,944	4,941

The income tax provision for the year ended at 31 December 2018 and 2017 has been calculated in accordance with the Income Tax Law No. (34) of the year 2014 and in accordance with the Aqaba Special Economic Authority Law (32) of the year 2000 for the Fertilizers Unit. The tax rate has been amended from January 2019 to 24% + 7% national contribution in accordance with the Jordanian income tax law No. (34) of the year 2014 amended by law No (38) of the year 2018.

Phosphate Unit

The Company submitted its' tax declarations for the Phosphate Unit for the years 2017, 2016 and 2012. The Income and Sales Tax Department has reviewed the records of the Phosphate Unit for the years 2016, 2012 and reached to a final settlement up to the year 2016. The income and Sales Tax Department claimed a tax of JD 300 and 544 thousand for the years 2012,2016 respectively however, the company filed a lawsuit to reach for a final settlement.

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

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(23) SALES/ COST OF SALES

	<u>Sales</u>	<u>Cost of sales</u>	<u>Gross profit</u>
Phosphate unit	327,195	189,727	137,468
Fertilizers unit	174,635	178,416	(3,781)
Indo Jordan	98,716	72,829	25,887
Nippon	65,991	61,331	4,660
Trading in raw materials	7,902	6,682	1,220
	<u>674,439</u>	<u>508,985</u>	<u>165,454</u>
		<u>2018</u>	<u>2017</u>
Finished goods as at 1 January		42,416	54,081
Production costs (Note 34)		524,283	484,434
Finished goods as at 31 December		(57,714)	(42,416)
		<u>508,985</u>	<u>496,099</u>

Fertilizer Unit's production costs include the amounts of JD 2,291 thousand and JD 2,125 thousand for 2018 and 2017 respectively, which represent mining fees on rock phosphate used in the fertilizer unit production (Note 27).

(24) SELLING AND MARKETING EXPENSES

	<u>2018</u>	<u>2017</u>
Sales commissions	1,346	2,283
Governmental fees on agriculture services	972	977
Export department expenses	968	1,145
Packaging materials	682	765
Bank charges on letters of credit	598	498
Income tax on marine freight	543	432
Demurrage and unloading expenses	115	15
Other sales and marketing expenses	3,022	2,217
	<u>8,246</u>	<u>8,332</u>

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(25) ADMINISTRATIVE EXPENSES

	<u>2018</u>	<u>2017</u>
Salaries and wages	8,696	9,144
Legal expenses and lawyer fees	5,230	1,901
End-of-service benefits and compensation fund contributions	3,946	5,129
Post-Retirement Health Insurance contributions	2,997	2,028
Employer's Social Security contributions	703	935
Depreciation	565	608
Scientific research and development	545	992
Employees' Health Insurance Fund contributions	528	424
Fees, taxes and stamps	502	283
Medical expenses	316	485
Employees Saving Fund contributions	251	344
Travel and per-diems	237	218
Maintenance and administrative expenses	195	319
Utilities	176	207
Hospitality	102	151
Subscriptions and exhibitions	109	109
Stationery	85	106
Post and telephone	69	93
Rent	67	76
Advertising	48	43
Insurance fees	162	41
Paid vacations and end-of-service benefits	-	120
Other	1,358	1,442
	<u>26,887</u>	<u>25,198</u>

(26) RUSSIEFAH MINE EXPENSES

	<u>2018</u>	<u>2017</u>
Scientific research and development	967	1,179
Salaries and wages	133	217
Depreciation	98	113
Employer's Social Security contributions	14	21
Employees Health Insurance Fund contributions	5	16
Medical expenses	5	10
Employees Saving Fund contributions	4	8
Other	104	96
	<u>1,330</u>	<u>1,660</u>

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(27) MINING FEES

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

Mining fees incurred for the years 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Mining fees on sold Phosphate	18,169	18,266
Mining fees on Phosphate used by the Fertilizers Unit (Note 23)	2,291	2,125
	<u>20,460</u>	<u>20,391</u>

(28) OTHER INCOME, NET

	<u>2018</u>	<u>2017</u>
Settlement of insurance claims	229	1,520
Net income from sales of water and energy	3,316	4,335
Claim settlement expenses *	15,706	(3,100)
Early vessels revenue	675	794
Dividends income	188	112
Handling income from associates	3,882	4,238
Other	2,655	1,444
	<u>26,651</u>	<u>9,343</u>

* This balance includes an amount of JD 9,922 thousand, which is a part of the value of the settlement with one of the project contractors carried out in the industrial complex before 2012.

(29) FINANCE COSTS

	<u>2018</u>	<u>2017</u>
Interest on loans	6,947	4,754
Bank interest – Due to Banks	6,232	5,465
Present value discount on death and compensation fund (Note 9)	2,533	-
Present value discount for asset replacement cost (Note 6)	752	768
Present value discount on employees housing loan (Note 7)	764	465
	<u>17,228</u>	<u>11,452</u>

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(30) FINANCE INCOME

	<u>2018</u>	<u>2017</u>
Interest income on banks' current accounts and deposits	317	572
Interest on loans receivable	2,654	1,134
	<u>2,971</u>	<u>1,706</u>

(31) EARNINGS PER SHARE

	<u>2018</u>	<u>2017</u>
Profit (loss) for the year attributable to Company's shareholders (thousand JD's)	47,276	(47,532)
Weighted average number of shares during the year (thousand shares)	<u>82,500</u>	<u>82,500</u>
	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic earnings (losses) per share*	<u>0/573</u>	<u>(0/576)</u>

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

(32) SEGMENT INFORMATION

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

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

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

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

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

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

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	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Trading in Raw Materials	Eliminations	Total
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

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	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Other	Trading in Raw Materials	Eliminations	Total
31 December 2017								
Revenues								
External sales	335,507	101,883	70,358	71,830	-	7,088	-	586,666
Inter-segment sales	72,309	39,573	5,731	844	-	14,535	(132,992)	-
Total Sales	407,816	141,456	76,089	72,674	-	21,623	(132,992)	586,666
Gross profit	108,552	(19,927)	(5,274)	6,295	-	921	-	90,567
Segment results								
Non-recurring losses	(4,027)	-	-	-	-	-	-	(4,027)
(Loss) profit before income tax	(20,185)	(22,232)	(8,041)	2,931	2,295	921	(133)	(44,444)
(Loss) profit for the year	(21,633)	(22,432)	(8,041)	2,931	1,782	873	(133)	(46,653)
Group share of loss of associates and joint ventures	(6,559)	-	-	-	-	-	466	(6,093)
Non-controlling interest	-	-	-	879	-	-	-	879
Other segment information								
Capital expenditures	897	6,172	3,561	193	-	-	-	10,823
Depreciation	10,072	10,252	6,233	1,022	108	-	-	27,687

	Phosphate unit	Fertilizers unit	Indo-Jordan	Nippon	Other	Total
<u>Assets and Liabilities as at 31 December 2018</u>						
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
<u>Assets and Liabilities as at 31 December 2017</u>						
Assets	497,324	207,601	75,388	24,228	1,126	805,667
Investment in associates and joint ventures	271,996	-	-	-	-	271,996
Liabilities	348,176	37,409	11,844	744	1,338	399,511

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Geographical segments

Following is a summary of sales by geographical areas:

	Phosphate unit	Fertilizers unit	Indo- Jordan	Nippon	Raw Materials	Total
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
Other	12	570	-	-	7,781	8,363
	<u>327,195</u>	<u>174,635</u>	<u>98,716</u>	<u>65,991</u>	<u>7,902</u>	<u>674,439</u>
2017						
Asia	239,607	89,136	65,479	46,233	-	440,455
Europe	8,882	6,135	-	19,332	-	34,349
Africa	-	5,987	1,131	6,117	-	13,235
Associated and joint ventures companies in Jordan	87,013	-	-	-	-	87,013
Others	5	625	3,748	148	7,088	11,614
	<u>335,507</u>	<u>101,883</u>	<u>70,358</u>	<u>71,830</u>	<u>7,088</u>	<u>586,666</u>

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:

	2018	2017
End-of-service bonus compensation provision (Note 17)	369	200
Bonus compensation – six months for subsidiaries (Note 17)	42	83
Others***	370	-
	<u>781</u>	<u>283</u>

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

	2018	2017
Employees' incentives provision*	193	193
Retirees' grants provision**	551	551
Others***	424	-
	1,168	744

* 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.

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Movement on the employees' bonus provision is as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	193	489
Paid during the year	-	(296)
Balance at 31 December	<u>193</u>	<u>193</u>

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

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

((50% 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)).

*** 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:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	-	-
Expense during the year	370	-
Employees' contribution	183	-
Paid during the year	(129)	-
Balance at 31 December	<u>424</u>	<u>-</u>

Movement on the employees' grants provision is as follows:

	<u>2018</u>	<u>2017</u>
Balance at 1 January	551	569
Paid during the year	-	(18)
Balance at 31 December	<u>551</u>	<u>551</u>

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(34) PRODUCTION COSTS

	<u>2018</u>	<u>2017</u>
Work in progress beginning balance	22,398	35,775
Add:		
Mining contractors	169,316	176,120
Raw materials	159,502	92,071
Raw materials purchases	6,682	6,167
Salaries and other benefits	73,054	82,931
Utilities	32,323	28,977
Spare parts and consumables	18,716	21,984
Fuel and oil	16,901	9,972
Depreciation	25,036	26,769
Other	21,142	26,066
Less: Work in progress ending balance	<u>(20,787)</u>	<u>(22,398)</u>
	<u>524,283</u>	<u>484,434</u>

(35) SALARIES AND EMPLOYEES BENEFITS

	<u>2018</u>	<u>2017</u>
Salaries and allowances	60,857	69,020
End-of-service and indemnity Fund	12,573	14,882
Social security	7,374	8,545
Paid end-of-service indemnity	3,873	4,978
Employees families health insurance	3,104	3,371
Employees medical expenses	3,167	3,284
Saving Fund	2,194	2,228
Employees meals subsidy	462	991
Present value of end-of-service bonus compensation	<u>369</u>	<u>200</u>
	<u>93,973</u>	<u>107,499</u>

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(36) NEW PHOSPHATE PORT TERMINAL EXPENSES

	<u>2018</u>	<u>2017</u>
Salaries, wages and other benefits	2,125	2,665
Water and electricity	1,417	1,258
Amortization (Note 6)	6,359	6,359
Property and equipment insurance	519	500
Rent	867	333
Other	290	290
	<u>11,577</u>	<u>11,405</u>

(37) COMMITMENTS AND CONTINGENCIES

Guarantees and letters of credit

As of 31 December 2018, the outstanding letters of credit and letters of guarantee were JD 27,155 thousand and JD 3,220 thousand respectively (2017: JD 33,137 thousand and JD 2,835 thousand; respectively).

The Group has guaranteed 27.38% (Group's share of investment) of the syndicated loans and credit facilities managed by Jordan Ahli Bank, given to Jordan Abyad Fertilizers and Chemicals Company (Affiliate Company), amounting to JD 13,688 thousand as of 31 December 2018. On 16 November 2016, Jordan Ahli Bank credited JD 7,639 thousand to the Company's account, which represents the Company's share of the syndicated loan installment, the credit facilities granted and the accrued interest on Jordan Abyad Fertilizers and Chemicals Company. The company do not have any accounts at Al-Ahli Bank as of 31 December 2017 and 31 December 2018.

An agreement was signed between Jordan Abyad Fertilizers and Chemicals Company and Jordan Ahil Bank, to reschedule loan installments, the shareholders and the bank agreed to consider the installment that credited to the Jordan Phosphate Mine Company by Jordan Ahil Bank on 16 November 2017 as part of debt that scheduled and due on Jordan Abyad Fertilizers and Chemicals Company. The Group has recorded a provision of its share of the capital of the Company as per IFRS 9 requirements as stated in note (2).

The Group and the other shareholders of the Jordanian 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 2018 amounted to a total of JD 62,304 thousand.

The Group has guaranteed 50% of a guarantee issued to Aqaba development Company form Jordanian Industrial Ports Company (affiliate Company) as of 31 December 2018 amounting to JD 36,829 Thousand.

Operating Leases

During 2008, the Group had renewed the agreement with Aqaba Development Company by entering into an operating lease agreement for an area of 3,043 square meters for a period of forty nine years with an annual lease of JD 570 thousand. At the beginning of 2017, the leased area was reduced to 3,022 square meters under the same conditions. The annual rent reached JD 567 thousand, which changes every five years according to the inflation rate announced by the Central Bank of Jordan. The value of the land leased on the new phosphate port project amounts to JD 432 thousand, which varies each year according to the inflation rate announced by the Central Bank of Jordan. The value of the lease of the mine lands amounted to JD 5,846 thousand as of 31 December 2018.

Litigation

The Group is a defendant in a number of lawsuits and claims in the ordinary course of business of approximately JD 2,334 thousand. The management of the Group believes that these lawsuits will not have a material effect on the financial statements.

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

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

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

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

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

Manjem for Mining Development filed a lawsuit against Jordan Phosphate Mines Company in November 2017 in respect of compensation of damages as a result of the contact termination, the penalty is estimated at JD 91,461 thousand which represents 20% of the mining contact amounted to JD 457,306 thousand approximately. In 2018, the court decided to conduct the required experience and calculate the value of the 20% of the contract value and decided to appoint an expert and ask him to carry out the task entrusted to him.

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

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

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

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

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

There are disputed amounts between Jordan Phosphate Mines Company and Arkan Company for Construction on the removal of inter-waste and phosphate mining contract in the area of draglines cutters with an amount of JD 7,397 thousand as at 31 December 2018.

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Obligations related to rehabilitation of mines and factories

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

(38) RELATED PARTY TRANSACTIONS

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

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

The following is a summary of related parties' transactions for the years ended 31 December 2018 and 2017:

	Related parties			Total	
	Associated Companies and Joint Ventures	Government of Jordan*	Others**	2018	2017
<u>Consolidated statement of financial position items:</u>					
Accounts receivable	90,842	-	19,459	110,301	99,346
Accounts payable	52,459	-	838	53,297	56,124
Debit loans	12,860	-	-	12,860	16,033
Accrued expenses	-	5,383	-	5,383	10,392
<u>Off consolidated statement of financial position items:</u>					
Guaranteed loans	112,821	-	-	112,821	129,197
<u>Consolidated statement of income items:</u>					
Sales	89,881	-	141,445	231,326	210,560
Purchases	127,367	-	2,240	129,607	158,581
Mining fees	-	20,460	-	20,460	20,391
Port fees	-	4,452	-	4,452	5,090
Other income	23,002	-	210	23,212	22,052
Land lease	-	7,312	-	7,312	6,493

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The following transactions have been entered into with related parties:

- * The Group purchases goods and services from companies /institutions owned by the Government of Jordan (Major shareholders). The total amounts paid to these companies / institutions amounted to JD 101,696 thousand and JD 102,105 thousand for the years ended 31 December 2018 and 2017 respectively.
- ** Others include balances and transactions with Jordan Phosphate Mines Company partners in associated companies and projects.

Compensation of the key management personnel was as follows:

	<u>2018</u>	<u>2017</u>
Benefits (Salaries, wages, and other benefits) of senior executive management	628	787
Board of Directors reward	<u>322</u>	<u>369</u>

End-of-service indemnity paid to key management personnel for the year 2018 amounted to JD 747 thousand (2017: JD 673 thousands).

Main transactions with the Government of Jordan:

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

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

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(39) MATERIAL PARTY-OWNED SUBSIDIARIES

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

Company name	Country of incorporation	Nature of activity	Non-controlling interest	
			2018	2017
Nippon Jordan Fertilizers Company Limited	Jordan	Production and sale of fertilizers and chemical by-products	30%	30%

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

Accumulated balances of material non-controlling interest	<u>2018</u>	<u>2017</u>
Nippon Jordan Fertilizers Company Limited	<u>6,862</u>	<u>7,374</u>

Profit attributable to material non-controlling interest	<u>2018</u>	<u>2017</u>
Profit of Nippon Jordan Fertilizers Company Limited	<u>268</u>	<u>879</u>
Dividends of Nippon Jordan Fertilizers Company Limited	<u>(780)</u>	<u>-</u>

A. Summarized statement of financial position

	Nippon Jordan Fertilizers Company Limited	
	<u>2018</u>	<u>2017</u>
Current assets	27,172	18,082
Non-current assets	6,822	7,122
Current liabilities	(11,229)	(430)
Non-current liabilities	-	(301)
Difference between book and market value at acquisition	<u>107</u>	<u>107</u>
Total equity	<u>22,872</u>	<u>24,580</u>
Non-controlling interest in equity	<u>6,862</u>	<u>7,374</u>

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B. Summarized statement of profit and loss

	Nippon Jordan Fertilizers Company Limited	
	2018	2017
Sales revenue	65,991	72,674
Cost of sales	(61,945)	(67,049)
Gross profit	4,046	5,625
Sales and marketing expenses	(1,519)	(1,451)
Administrative expenses	(1,863)	(1,809)
Operating profit	664	2,365
Interest revenue	255	536
Finance cost	(15)	(8)
Other (expense) revenue	(10)	38
Net income for the year	894	2,931
Other comprehensive income	-	-
Total comprehensive income	894	2,931
Total comprehensive income attributable to non-controlling interest	268	879

C. Summarized statement of cash flow

	Nippon Jordan Fertilizers Company Limited	
	2018	2017
Operating activities	1,956	(5,723)
Investing activities	(226)	448
Financing activities	(2,615)	(8)
Net decrease in cash and cash equivalents	(885)	(5,283)

(40) FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and financial liabilities.

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	JD ('000)	JD ('000)	JD ('000)	JD ('000)
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
2017				
Financial assets				
Financial assets at fair value through other comprehensive income	134	-	279	413
Financial assets at fair value through profit and loss	194	-	-	194

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(41) RISK MANAGEMENT

Interest rate risk

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

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

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

Currency	<i>Increase in</i>	<i>Effect on profit</i>
	<i>interest rates</i>	<i>JD'(000)</i>
	<i>Basis points</i>	
2018		
JOD	100	(227)
USD	100	(1,451)
Euro	100	-
2017		
JOD	100	(292)
USD	100	(1,616)
Euro	100	-

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

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Share price risk

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

	<i>Change in Index</i>	<i>Effect on Profit</i>	<i>Effect on Equity</i>
	%	JD ('000)	JD ('000)
2018			
Index			
Amman Stock Exchange	5	10	6
2017			
Index			
Amman Stock Exchange	5	10	7

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

Credit risk

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

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

The Group sells its products to a large number of phosphate and fertilizers customers. Its largest 8 customers account for 69% of outstanding accounts receivable at 31 December 2018 (2017: largest 8 customers 60.7%).

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D) Liquidity risk

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

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

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2018 and 2017, based on contractual payment dates and current market interest rates.

As of 31 December 2018	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Due to banks	1,956	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

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

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 2018 and 31 December 2017.

Capital comprises paid in capital, statutory reserve, voluntary reserve, special reserve and retained earnings, and is measured at JD 676,087 thousand as at 31 December 2018 (2017: JD 671,044 thousand).

(43) 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 16 Leases

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

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

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

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

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16.

The Group expect the effect of adopting IFRS 16 to 66,170 on the total assets and 66,170 on the total liabilities.

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 1 January 2019, but certain transition reliefs are available.

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.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

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.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.