PALESTINE DEVELOPMENT AND INVESTMENT

LIMITED LIABILITY HOLDING COMPANY (PADICO)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Palestine Development and Investment Limited

Opinion

We have audited the consolidated financial statements of Palestine Development and Investment Limited and its subsidiaries (PADICO), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PADICO as at December 31, 2019, and its consolidated financial performance and its consolidated 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 PADICO in accordance with the International Code of for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 as at December 31, 2019. 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.

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.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition PADICO's revenues from contracts with customers for the year ended December 31, 2019 amounted to U.S. $ 90,154,000. PADICO's revenues are derived from a range of services and sales transactions resulting from various contractual relationships with customers. Revenue recognition was considered a key audit matter because of the nature of PADICO's business contracts, as recognition of revenue requires a high level of judgment as to the timing and value of revenue to be recognized, taking into account all relevant facts and circumstances when applying revenue recognition steps.	We examined the relevant clauses of key contracts and assessed the specific terms and how the risks and rewards and control have been transferred to the buyer in order to determine whether revenue for these contracts was appropriately recognized and disclosed in accordance with International Financial Reporting Standards. In addition, we performed substantive testing to a sample of contracts and other documents to support occurrence, the accuracy and timing of revenues recorded and disclosed in the consolidated financial statements. In addition, we assessed the related disclosures made in note (27) to the accompanying consolidated financial statements.
Expected credit losses Total gross receivables as at December 31, 2019 amounted to U.S. $ 81,365,000 before provision for expected credit losses of U.S. $ 31,516,000 representing 38% of total gross receivables. PADICO's subsidiaries offer their services to a wide range of clients on a credit basis. Due to the nature of the non-complex receivables and the fact that it does not have a significant financing component, PADICO's subsidiaries applies the simplified method of IFRS 9 to develop the expected credit loss model. This model includes the use of estimates and assumptions that reflect information about past events, such as the ages of these receivables, past disputes with customers, historical collection patterns, current circumstances and expectations for future circumstances, as well as any other information available on the counterparty's creditworthiness to estimate amounts and timing of future cash flows to settle the balance of accounts to reach their present value. We focused on this matter due to the high estimations and judgments used in the calculation of expected credit losses provision especially in what relates to the estimation of expected future cash flows and customer types.	Our audit procedures included obtaining a detailed understanding of the key sources of inputs and assumptions used in the calculation of expected credit losses. We also assessed the objectivity and consistency in applying the data and assumptions used to calculate expected credit losses. We also examined the percentage of loss used based on the number of days of maturity as well as other key factors that form the basis for calculating expected credit losses. We have also verified the validity of the exposure to default in the calculation of expected credit losses, in addition to verifying the calculations of the expected credit loss model. We also evaluated the disclosures in note (13) to the consolidated financial statements and evaluated their conformity with the disclosure requirements in accordance with IFRS 9.

Investment in associates and PADICO's Share of associates' results of operations PADICO's investment in associates amounted to U.S. $ 389,557,000 as of December 31, 2019, which represents 48% of total assets. In addition, PADICO's share of associates' results of operations for 2019 amounted to U.S. $ 33,471,000, which represents 21% of total revenue. As disclosed in the notes to the consolidated financial statements, PADICO's investment in its associates is accounted for using the equity method. Under the equity method, investments in associates is carried in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition change in the PADICO's share of the net assets of the associate. We focused on this matter due to its materiality to the consolidated financial statements, where substantial part of revenue is generated from these investments. There is high reliance on the results of operations and declared dividends of associates in achieving profits and cash flows.	We obtained the most recent audited financial statements of the associates and recomputed recorded amount of PADICO's share of the associates' results of operations. We also performed analytical procedures on the associates' financial information to support the reported amounts and disclosures. In addition, we obtained confirmations of the investments in associates. We also evaluated management's considerations of the impairment indicators of the investment. Further, we assessed the disclosure regarding investments in associates referred to in note (10) to the consolidated financial statements.
Sale of shares in Jericho Gate for Real Estate Investment At the beginning of year 2019, PADICO sold 25% of its investment in Jericho Gate for Real Estate Investment (Jericho Gate) to decrease PADICO's investment in Jericho Gate to 25%. Accordingly, PADICO lost its control of Jericho Gate and the financial statements of Jericho Gate were not consolidated with PADICO's consolidated financial statements during this year. The sale transaction resulted in a realized and an unrealized gain in an amount of U.S. $ 30,640,000 recorded in the consolidated income statement during the year. The sale transaction was considered a key audit matter as it required numerous valuations and judgements related to evaluating the remaining investment in Jericho Gate in addition to the accounting treatment applied. We focused on this matter due to its relative materiality on the consolidated financial statements where a significant portion of PADICO's revenues were generated from this sale transaction.	Our audit procedures included examining management's assessment for the fair value of Jericho Gate's assets and liabilities. Additionally, we reviewed the clauses of the sale agreement and assessed the procedures followed in determining and evaluating the remaining investment in Jericho Gate. We also examined the accounting treatment applied to the sale transaction and evaluated the related disclosures in the consolidated financial statements. The disclosures related to the sale transaction are elaborated in note (4) to the consolidated financial statements.

Other information Included in PADICO's 2019 Annual Report

Other information consists of the information included in PADICO's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. PADICO's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Board of Directors 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 misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing PADICO'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 PADICO or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing PADICO'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 misstatements, 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 misstatements 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 PADICO'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 PADICO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PADICO 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 PADICO 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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Amman – Jordan
April 13, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2019
(U.S. $ 000's)

	Notes	2019 U.S. $	2018 U.S. $
Assets			
Non-current assets			
Property, plant and equipment	6	133,334	147,043
Intangible assets	7	31,044	34,287
Investment properties	8	44,766	95,932
Projects in progress	9	14,428	12,007
Right-of-use assets	3	9,647	-
Investment in associates	10	389,557	367,850
Financial assets at fair value through other comprehensive income	11	85,358	82,085
Long-term accounts receivable	13	7,093	8,939
		715,227	748,143
Current assets			
Inventories and ready for sale properties	12	27,007	32,192
Accounts receivable and other current assets	13	42,756	38,841
Financial assets at fair value through profit or loss	14	7,631	11,678
Cash and short-term deposits	15	16,552	7,167
		93,946	89,878
Total assets		809,173	838,021
Equity and liabilities			
Equity			
Paid-in share capital	16	250,000	250,000
Share premium		16,932	16,932
Treasury shares	17	(361)	(361)
Statutory reserve	18	30,775	28,158
Voluntarily reserve	18	1,594	1,594
Fair value reserve	11	(55,100)	(45,084)
Foreign currency translation reserve		4,764	1,674
Retained earnings		146,059	129,905
Equity attributable to equity holders of the parent		394,663	382,818
Non-controlling interests	5	75,788	93,696
Total equity		470,451	476,514
Non -current liabilities			
Long-term loans and borrowings	20	100,266	116,060
Debt bonds	21	120,000	120,000
Provision for employees' indemnity	22	6,113	6,201
Long-term lease liabilities	3	8,356	-
Other non-current liabilities	23	9,635	10,877
		244,370	253,138
Current liabilities			
Credit facilities and short-term portion of long-term loans and borrowings	20	36,872	55,864
Accounts and notes payable	24	13,870	15,569
Short-term lease liabilities	3	1,394	-
Income tax provision	26	1,484	978
Other current liabilities	25	40,732	35,958
		94,352	108,369
Total liabilities		338,722	361,507
Total equity and liabilities		809,173	838,021

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

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2019
(U.S. $ 000's)

	Notes	2019 U.S. $	2018 U.S. $
Revenues			
Revenues from contracts with customers	27	90,154	80,337
Realized and unrealized gains arising from sale of shares in a subsidiary	4	30,640	-
PADICO's share of associates' results of operations	10	33,471	32,913
Gains from financial assets portfolio	28	2,221	1,741
Rent revenues		6,119	6,448
		162,605	121,439
Expenses			
Operating costs and expenses	29	(65,578)	(64,132)
General and administrative expenses	30	(14,494)	(15,016)
Finance costs	31	(15,778)	(14,669)
Depreciation and amortization	32	(11,125)	(10,150)
		55,630	17,472
Other provisions and expenses, net	33	(32,355)	(1,256)
Profit before income tax		23,275	16,216
Income tax expense	26	(3,289)	(677)
Profit for the year		19,986	15,539
Attributable to:			
Equity holders of the parent		18,700	15,013
Non-controlling interests		1,286	526
		19,986	15,539
Basic and diluted earnings per share attributable to equity holders of the parent (U.S $)	34	0.07	0.06

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2019
(U.S. $ 000's)

	2019	2018
	U.S. $	U.S. $
Profit for the year	19,986	15,539
Other comprehensive income items		
Items not to be reclassified to consolidated income statement in subsequent periods:		
Net loss of financial assets at fair value through comprehensive income	(4,856)	(2,053)
PADICO's share of associates' other comprehensive income items	(5,786)	2,401
	(10,642)	348
Items to be reclassified to consolidated income statement in subsequent periods:		
Foreign currency translation differences	4,399	(3,799)
PADICO's share of associates' other comprehensive income items	970	(945)
	5,369	(4,744)
Total other comprehensive income items for the year	(5,273)	(4,396)
Net comprehensive income for the year	14,713	11,143
Attributable to:		
Equity holders of the parent	11,774	11,982
Non-controlling interests	2,939	(839)
	14,713	11,143

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(U.S. $ 000's)

	Attributed to equity holders of the parent										
	Paid-in share capital	Share premium	Treasury shares	Statutory reserve	Voluntarily reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
2019	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance as at January 1, 2019	250,000	16,932	(361)	28,158	1,594	(45,084)	1,674	129,905	382,818	93,696	476,514
Profit for the year	-	-	-	-	-	-	-	18,700	18,700	1,286	19,986
Other comprehensive income items	-	-	-	-	-	(10,016)	3,090	-	(6,926)	1,653	(5,273)
Net comprehensive income for the year	-	-	-	-	-	(10,016)	3,090	18,700	11,774	2,939	14,713
Transferred to statutory reserve	-	-	-	2,617	-	-	-	(2,617)	-	-	-
Distributed cash dividends from subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	(1,005)	(1,005)
Purchase of shares in a subsidiary (note 2)	-	-	-	-	-	-	-	71	71	(438)	(367)
Change in non-controlling interests (note 4)	-	-	-	-	-	-	-	-	-	(19,404)	(19,404)
Balance as at December 31, 2019	250,000	16,932	(361)	30,775	1,594	(55,100)	4,764	146,059	394,663	75,788	470,451
2018											
Balance as at January 1, 2018 – before adjustments	250,000	16,932	(361)	31,934	1,594	(46,443)	4,470	162,829	420,955	99,057	520,012
Effect of adopting IFRS 9	-	-	-	(5,012)	-	1,594	-	(46,701)	(50,119)	(3,560)	(53,679)
Balance at January 1, 2018 – after adjustments	250,000	16,932	(361)	26,922	1,594	(44,849)	4,470	116,128	370,836	95,497	466,333
Profit for the year	-	-	-	-	-	-	-	15,013	15,013	526	15,539
Other comprehensive income items	-	-	-	-	-	(235)	(2,796)	-	(3,031)	(1,365)	(4,396)
Net comprehensive income for the year	-	-	-	-	-	(235)	(2,796)	15,013	11,982	(839)	11,143
Transferred to statutory reserve	-	-	-	1,236	-	-	-	(1,236)	-	-	-
Distributed cash dividends from subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	(1,622)	(1,622)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	660	660
Balance as at December 31, 2018	250,000	16,932	(361)	28,158	1,594	(45,084)	1,674	129,905	382,818	93,696	476,514

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(U.S. $ 000's)

	Notes	2019 U.S. $	2018 U.S. $
Operating Activities			
Profit before income tax		23,275	16,216
Adjustments for:			
Depreciation and amortization	32	11,125	10,150
Impairment of assets and investments	33	21,683	-
Unrealized gains arising from sale of shares in a subsidiary	4	(13,571)	-
PADICO's share of associates' results of operations		(33,471)	(32,913)
Gains from financial assets portfolio		(2,221)	(1,741)
Finance costs		15,778	14,669
Losses (gains) from sale of property, plant and equipment		464	(125)
Other non-cash items		(6,495)	2,482
		16,567	8,738
Working capital adjustments:			
Accounts receivable and other current assets		(1,179)	6,267
Inventories and ready for sale properties		2,640	1,806
Financial assets at fair value through profit or loss		(25)	(30)
Accounts and notes payable		(4,064)	(1,426)
Other current liabilities		84	(3,013)
Other non-current liabilities		(3,278)	(2,404)
Employees indemnity paid		(1,112)	(1,339)
Income tax paid		(554)	(730)
Net cash from operating activities		9,079	7,869
Investing Activities			
Financial assets at fair value through other comprehensive income		(8,058)	(59,023)
Investment in associates		-	(55)
Purchase of property, plant and equipment		(3,667)	(4,683)
Proceeds from sale of property, plant and equipment		802	1,250
Investment properties		(10)	(1,736)
Projects in progress		(7,857)	(6,201)
Change in cash due to derecognition of a subsidiary		(202)	-
Cash inflow from sale of a subsidiary		36,670	-
Cash dividends from associates		24,625	24,582
Dividends received		6,293	1,567
Net cash from (used in) investing activities		48,596	(44,299)
Financing Activities			
Distributed cash dividends paid		(3,350)	(5,066)
Credit facilities and long-term loans and borrowings		(33,766)	44,261
Change in restricted cash		(346)	(75)
Finance costs paid		(14,774)	(14,346)
Change in non-controlling interest		3,966	660
Payments of long-term lease liabilities		(1,522)	-
Net cash (used in) from financing activities		(49,792)	25,434
Net Increase (decrease) in cash and cash equivalents		7,883	(10,996)
Net foreign currency translation differences		1,156	(1,409)
Cash and cash equivalents, beginning of the year		6,785	19,190
Cash and cash equivalents, end of year	15	15,824	6,785

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

1. Corporate Information

Palestine Development and Investment Limited (PADICO) was incorporated on October 14, 1993 under the Liberian Off Shore Business Corporation Act in Monrovia, Liberia. PADICO shares are publicly traded in Palestine securities Exchange. On December 3, 2009, PADICO was registered in Palestine as a foreign company under registration No. (562801332).

The main objectives of PADICO are to develop and encourage investment in various sectors including industrial, real estate, tourism, housing and agricultural services, and to provide technical and consultancy services through the establishment of companies, joint ventures and associations with other companies.

The consolidated financial statements of PADICO as at December 31, 2019 were authorized for issuance in accordance with a resolution of the Board of Directors on March 9, 2020.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of Palestine Development and Investment Limited (PADICO) and its subsidiaries as at December 31, 2019. PADICO's ownership in its subsidiaries' subscribed capital was as follows:

			Ownership %	
	Activity type	Country of origin	2019	2018
Palestine Real Estate Investment Company (PRICO)*	Real estate	Palestine	76.75	75.71
Jericho Gate for Real Estate Investment (JG) (note 4)	Real estate	Palestine	25	50
TAICO for trade and investment company	Real estate	Jordan	100	100
Palestine Industrial Investment Company (PIIC)	Industrial	Palestine	56.72	56.72
The Palestinian Waste Recycling Company (Tadweer)**	Industrial	Palestine	100	100
Palestine Securities Exchange Company (PSE)	Financial market	Palestine	74.72	74.72
Jerusalem Development and Investment Company Ltd. (JEDICO)	Tourism	Britain	100	100
Palestine Development and Investment Company Private Shareholding	Investment	Palestine	100	100
Rawan International Investment Company	Investment	Jordan	100	100
Palestine General Trading Company Ltd.	Investment	Palestine	100	100
Palestine Company for the Transfer of Technology Ltd.	Investment	Palestine	100	100
Palestine Company for Canning and Packaging Ltd.	Investment	Palestine	100	100
Palestine Company for Basic Chemical Products Ltd.	Investment	Palestine	100	100
PADICO Services Company	Investment	Palestine	100	100
Nakheel Palestine for Agricultural investment (Nakheel Palestine) **	Agricultural	Palestine	50	-
Al-Rashid Group for Real Estate Investment and Development ***	General trading	Palestine	100	-

* During the year, PADICO purchased additional shares in PRICO. Therefore, PADICO's ownership percentage increased to 76.75%.

** During August 2019, Tadweer (a subsidiary) transferred all its shares in Nakheel Palestine for Agricultural Investments (9,500,000 shares) to PADICO. Accordingly, Nakheel became a subsidiary of PADICO instead of Tadweer.

*** During the year, PRICO (a subsidiary) established Al-Rashid Group for Real Estate Investment and Development with an authorized capital of JD 50,000. Subsequently and during the year, PRCIO sold its entire shares in Al-Rashid Group to PADICO.

The financial year of the subsidiaries is the same as the financial year of PADICO and, where necessary, PADICO makes adjustments to align the policies of the subsidiaries with the accounting policies of PADICO.

3. Accounting Policies

3.1 Basis of preparation

The consolidated financial statements of PADICO and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been presented in U.S. Dollars, and all values, except when otherwise indicated, are rounded to the nearest thousand (U.S. $ 000's).

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

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of PADICO and its subsidiaries as at December 31, 2019.

PADICO controls an investee if, and only if, PADICO has:

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

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

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

PADICO re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when PADICO obtains control over the subsidiary and ceases when PADICO loses control of the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date PADICO gains control until the date PADICO ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of PADICO and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policites in line with PADICO's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of PADICO are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If PADICO loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities and carrying value of non-controlling interest while any resultant gain or loss is recognized in consolidated income statement. Any investment retained is recognized at fair value.

3.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual financial statements for prior year except for PADICO's adoption of the following standards, amendments and interpretations effective starting from 1 January 2019. Except for IFRS 16, the adoption of these standards, amendments and interpretations has no material impact on PADICO's consolidated financial statements. PADICO did not apply early adoption to any standards issued but not yet effective.

IFRS 16 Leases

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

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

PADICO adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. PADICO elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Following is the effect of the increase on the consolidated statement of financial position as at January 1, 2019 resulting from the adoption of IFRS 16:

	2019
	U.S $ (000's)
Assets	10,656
Right-of-use assets	
Liabilities	
Lease liabilities	10,656

a) Nature of the effect of adoption of IFRS 16

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

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

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

▸ Leases previously accounted for as operating leases

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

PADICO also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

b) Amounts recognised in the consolidated statement of financial position and consolidated income statement:

Set out below, are the carrying amounts of PADICO's right-of-use assets and lease liabilities and the movements during the year:

	Lands	Buildings	Motor vehicles	Total	Liabilities
	U.S $ (000's)	U.S $ (000's)	U.S $ (000's)	U.S $ (000's)	U.S $ (000's)
As at 1 January 2019	4,591	5,657	408	10,656	10,656
Amortization *	(237)	(703)	(67)	(1,007)	-
Finance costs	-	-	-	-	611
Payments	-	-	-	-	(1,522)
Currency variance	-	(2)	-	(2)	5
Total	4,354	4,952	341	9,647	9,750

* Amortization for an amount of U.S $ 117,668 was allocated to palm trees as of December 31, 2019 (note 6).

Lease liabilities details are as follows:

	U.S $ (000's)
Short-tern	1,394
Long-term	8,356
Total	9,750

Set out below are the new accounting policies of PADICO upon adoption of IFRS16:

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

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

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

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

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

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

Significant judgement in determining the lease term of contracts with renewal options
PADICO determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. PADICO has the option, under some of its leases to lease the assets for additional terms. PADICO applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

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

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

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 determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

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.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

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

Standards Issued but Not Yet Effective

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

IFRS 17 Insurance Contracts

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

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. PADCIO does not expect to be affected from the application of this standard.

Amendments to IFRS 3: Definition of a Business

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

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

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

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the PADICO's consolidated financial statements.

3.4 Significant accounting judgments, estimates and assumptions

The preparation of PADICO's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Other disclosures that reflect the degree of risks that PADICO is subject to include:

- Risk Management Objectives and Policies (note 38)
- Capital Management (note 38)

The key areas involving a higher degree of judgment or complexity done by PADICO and its subsidiaries are described below:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Provision for impairment of financial assets (provision of expected credit losses)

When determining the impairment of financial assets, PADICO's management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

Impairment of inventories

PADICO's subsidiaries estimate the net realizable value of their inventories at the date of the consolidated financial statements based on their past experience, and adjust the carrying amounts, if needed.

Impairment of ready for sale properties

PADICO's subsidiaries estimate the net realizable value of their properties available for sale at the date of the consolidated financial statements based on their past experience, and adjust the carrying amounts, if needed.

Taxes

PADICO and its subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and market volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of tangible and intangible assets

PADICO's management reassesses the useful lives of tangible and intangible assets, and adjusts it, if applicable, at each financial year end.

Investment properties

PADICO's management relies on real estate experts to reassess investment properties.

Impairment of goodwill

The determination whether goodwill is impaired requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Such estimation requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Judgements related to revenues from contacts with customers

Contracts signed with developers include sale of land and related infrastructure services. PADICO has concluded that it has two separate performance obligations by selling land to developers and providing them with infrastructure services related to the land. Therefore, the sale amount is distributed between the land and related infrastructure services.

Determining the lease term for contracts with renewal and termination option

PADICO and its subsidiaries define the lease term as the irrevocable lease period, along with any periods covered by an option to extend the lease if it is reasonably certain that it will be practiced, or any periods covered by the option to terminate the lease, if it is reasonably certain not to exercise it.

3.5 Significant accounting policies

Revenue from contracts with customers

Sale of goods

Revenue from the sale of goods is recognised at a certain point in time at which the control of the goods sold is transferred to the customer.

Variable consideration:
If the consideration in a contract includes a variable amount, PADICO estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception

Right of return:
When the contract gives the customer the right to return the goods within a specified time period, the seller assesses the value of the expected sales returns using the potential weighted average method.

According to IFRS 15, The corresponding price received from the customer is variable because the contract allows the customer to return the goods. PADICO and its subsidiaries apply the requirements in IFRS (15) to estimate the variable return price that must be deferred to determine it and include it in the selling price.

Service Revenue
Revenue from trading commissions, transfer of securities (and subsequent cash settlement proceeds) and share-based fees are recognized when the service is rendered and at a certain point in time.

Revenue from annual listing fees for listed companies, annual fees for market brokerage companies and subscription fees for market services are generally recognized over a period of time by reference to the rate of completion of services rendered at the date of the consolidated financial statements.

The prices of services provided by the market are determined by reference to the list of fees, commissions, fines and penalties approved by the Palestinian Capital Market Authority.

Sale of ready for sale properties

The property is considered to be sold at a certain point in time at which time the control over the property sold to the customer is transferred to the customer when the property is delivered for the contracts involving unconditional exchange. In the case of contracts involving conditional exchange, the sale is made only when all the conditions included in the contract are met.

Construction contracts revenue

Contract revenue is recognized over a period of time by reference to completion rate of completed work to total project income including any changes.

Bus stations revenue

Revenue from operating bus stations is recognised based on the accrual basis of accounting which is usually when the different operating services are delivered.

Rooms services revenues

Room revenues are recognized over a period of time by reference to the rate of completion of the services rendered at the date of the consolidated financial statements.

Food and beverage revenues

Revenues of food and beverage are recognized at certain point in time when sold.

Other Revenues

Interest income

Revenue is recognised as interest accrued using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Gains or losses on trading of investments in financial assets are recognized when the trading process is completed. Dividend revenue is recognised when the shareholders right to receive the dividends is established.

Rent revenues

Lease contracts where the risks and rewards of ownership are not transferred from the lessor to the lessee are classified as operating leases. The cost incurred in operating leases is added to the carrying amount of the leased asset and recognized as rent revenue over the term of the lease.

Operating lease revenues and services are recognized over the lease term. The amount of the rent and services paid by the tenants for periods beyond the date of the consolidated financial statements is recorded as revenue received in advance, while the amount of the rent and services that have not been paid as of the date of the consolidated financial statements are recorded as accrued or unpaid income.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Current versus non-current classification

PADICO presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

PADICO classifies all other liabilities as non-current.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other finance costs are expensed in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

PADICO and its subsidiaries provide for income taxes in accordance with applicate tax regulations where PADICO and its subsidiaries operate and generate taxable income and IAS (12) which requires recognizing the temporary differences, at the date of financial statements between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred taxes.

Deferred tax is provided on temporary differences at the consolidated statement of financial position between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date

Income tax expense represents the accrued income tax which is calculated based on taxable income. Taxable income may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income or expenses may be taxable or deductible in the following years.

A reconciliation is made between deferred tax assets and deferred tax liabilities and the net amount is recognized in the consolidated financial statements only when the legally binding rights are available and when they are settled on a settlement basis or the asset is realized, and the liability settled simultaneously.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives (years)
Buildings and constructions	10-50
Machinery and equipment	14-20
Furniture and Office equipment	4-7
Motor vehicles	7
Computers	5
Leasehold improvements	7
Irrigation systems and land preparation	10-14
Fruitful palm trees	19

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Fair value measurement

PADICO measures financials instruments and non-financial assets, such as investments properties at fair value at each consolidated financial statement date. PADICO also discloses the fair value of the held to maturity financial assets in the notes to the consolidated financial statements which include the following:

- Disclosure of evaluations estimates and assumptions (note 3 and 7)
- Disclosure of fair value measurement hierarchy for assets (note 36)
- Investment properties (note 8)

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

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

The principal or the most advantageous market must be accessible to PADICO.

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

PADICO uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 — Quoted market prices in active markets
- 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

External appraisers are involved for valuation of significant assets such as investment properties. PADICO decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

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

Cash dividends paid

PADICO recognizes a liability to make cash distributions to equity holders of the parent when the distribution is authorized by general assembly. A corresponding amount is recognized directly in equity.

Business combinations and 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 interest in the acquiree. For each business combination, PADICO measures the non-controlling interest in the acquiree at fair value. Acquisition costs incurred are expensed through consolidated income statement.

When PADICO 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the consideration transferred over PADICO's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as income in the consolidated income statement.

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 PADICO'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 forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Projects in progress

Projects in progress comprise costs incurred on incomplete projects, which include design cost, construction, direct wages, cost of land and portion of the indirect costs and finance costs. After completion, all projects' costs are capitalized and transferred to property, plant and equipment, ready for sale properties or investment properties depends on the management directions.

The carrying values of projects in progress are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the projects are written down to their recoverable amount.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated income statement.

The useful lives of intangible assets are assessed as either finite or infinite.

Intangible assets with finites lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets include a trademark resulted from the purchase of a subsidiary in which it has indefinite life, therefore, it is not amortized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets are amortized using the straight-line method over the useful lives as follows:

	Useful lives (years)
The right to use Al-Bireh central station	22
The right to lease the industrial zone-Gaza	20
The right to lease coast land – Chalet project-Gaza	31
The right to lease the industrial and agricultural zone – Jericho	45
The right to lease Al-Awqaf Commerical Complex-AL-Bireh	9

Investment properties classification

Investment properties are classified as follow:

- Investment properties that include lands and buildings (offices and stores) that kept for rental and capital appreciation, rather than to be used for the business activities nor to resell it in the ordinary course of business.
- Inventory property that acquired or being constructed for sale in the ordinary course of business which primary includes residential real estate that constructed to be sold before or at the completion of construction.

Investment properties

Investment properties are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties. Land is not depreciated.

The carrying value of investment properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, investment properties are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner occupied property becomes an investment property, PADICO accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Inventories and ready for sale properties

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

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

- Raw materials: purchase cost on weighted average cost basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity
- Ready for sale properties costs include construction costs, research, design, finance costs and land in addition to indirect costs

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.

Mature and immature biological assets (Poultry ranch) are stated at costs less any impairment losses.

Investments in associates

PADICO's investment in its associates is accounted for using the equity method. An associate is an entity in which PADICO has significant influence. Significant influence is the power to participate in the financial and operational policy decisions of the investee but not control over those policies.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in PADICO's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement and the consolidated statement of comprehensive income reflect the share of the results of operations of the associates. Unrealised gains and losses resulting from transactions between PADICO and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates are prepared for the same reporting period as PADICO. Where necessary, adjustments are made to bring the accounting policies in line with those of PADICO.

After application of the equity method, PADICO determines whether it is necessary to recognise an additional impairment loss on PADICO's investment in its associates. PADICO determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case PADICO calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associates, PADICO measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated income statement.

Investments in financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

<u>Financial assets at amortised cost and the effective interest method</u>

Debt instruments are measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL– see below). They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

Accounts receivables are debt instruments at amortized cost. Accounts receivables are stated at original invoice amount less a provision for any uncollectible amounts. When determining the impairment of financial assets, management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

Subsequent to initial recognition, PADICO is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest rate is the interest rate used to discount future cash flows over the life of the debt instrument, or less in certain cases, in order to equal the carrying value at initial recognition.

PADICO may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in the consolidated income statement.

Dividends income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when PADICO's right to receive the dividends is established.

Investments in equity instruments are classified as at FVTPL, unless PADICO designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Subsequent to initial recognition, PADICO is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Financial assets at FVTOCI

At initial recognition, PADICO makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated income statement when PADICO's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognized for financial instruments that are not measured at FVTPL. No impairment loss is recognized on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- Debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- Other financial instruments for which the credit risk has not increased significantly since their initial recognition.

PADICO and its subsidiaries has applied the simplified method of the standard to record expected credit losses (ECL) on account receivables and calculated the expected credit losses over the entire life of the receivables. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

In the expected credit loss calculation model, when necessary, PADICO incorporates future information used as inputs, such as the increase in GDP and unemployment rates.

Provisions for credit-impairment are recognized in the consolidated income statement and are reflected in an allowance account against loans and debt instruments.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties.

Financial assets which have been re-scheduled or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets that have been re-scheduled, are subject to on-going review to determine whether they remain impaired or can be considered due.

Derecognition of financial assets

PADICO derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If PADICO neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, PADICO recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If PADICO retains substantially all the risks and rewards of ownership of a transferred financial asset, PADICO continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Interest bearing loans and borrowings

At initial recognition, loans & borrowings are recognized at fair value net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the Effective Interest Rate (EIR). The EIR amortisation is included in finance cost in the consolidated income statement.

Debt bonds

After the initial recognition at fair value, debt bonds are subsequently measured at amortized cost using the effective interest rate method. All costs incurred by PADICO for issuing the bonds are amortized over a period of five years.

Accounts payable and accruals

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

Cash and short-term deposits

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when the bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Treasury shares

Treasury shares are stated at cost. Any gains or losses resulting from reissuing of these shares are recognised in the consolidated statement of changes in equity.

Foreign currency

PADICO consolidated financial statements are presented in U.S. $, which is also the parent company's functional currency. PADICO's subsidiaries determine their own functional currency. Items included in the financial statements of each entity are measured using subsidiaries' functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by PADICO's subsidiaries at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement with the exception for financial assets designated as at FVTOCI were any foreign exchange differences are recognised in other comprehensive income.

PADICO subsidiaries

The assets and liabilities of PADICO's subsidiaries with functional currency other than U.S. $ are translated into U.S. $ at the rate of exchange prevailing at the reporting date and their income statements at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income.

Earnings per share
Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares less treasury shares.

4. Business Combination

4.1 Disposal of a subsidiary during the year

In January 2019, PADICO sold 50% of its investment in Jericho Gate for Real Estate Investment (a subsidiary) to Palestine Telecommunication Company (associate company). Consequently, PADICO's investment in Jericho Gate decreased to 25% and it lost its control of the subsidiary. Accordingly, Jericho Gate's financial statements were not consolidated with PADICO's consolidated financial statements for the year of 2019. The deal amounted to JOD 26 million (U.S. $ 37 million). This resulted in a gain of U.S. $ 17,069,000 recorded in the consolidated income statement.

PADICO's management believes that it still has representation in Jericho Gate's Board of Directors and the ability to influence PADICO's financial and operating policies. Therefore, the remaining investment in Jericho Gate has been classified as investment in associate. PADICO's remaining investment in Jericho Gate has been revalued, and unrealized gains in an amount of U.S. $ 13,571,000 have been recorded in the consolidated income statement.

Following is the fair value of assets and liabilities of Jericho Gate at the date of disposal:

	Fair values at the date of disposal
Assets	U.S. $ (000's)
Property, plant and equipment	315
Properties under development	116,216
Accounts receivables	3,553
Other current assets	1,031
Cash and cash equivalents	202
	121,317
Liabilities	
Loans and credit facilities	1,020
Deferred tax liabilities	9,864
Provision for employees' indemnity	54
Accounts and notes payable	750
Deferred revenues	1,615
Income tax provision	193
	13,496
Net Assets	107,821
PADICO's share of the fair value of net assets (25%)	26,955
Carrying value of PADICO's remaining investment in Jericho Gate (25%)	(13,384)
Change in fair value of PADICO's remaining investment recognized in the consolidated income statement	**13,571**

Following is the movement on the non-controlling interest account during the year:

	December 31,2019
	U.S. $ (000's)
Beginning balance for the year	93,696
Non-controlling interest share of results of operations for the year	1,286
Non-controlling interest share of other comprehensive income items	1,653
Non-controlling interest share of distributed cash dividends	(1,005)
Change in non-controlling interest	3,966
Disposal of non-controlling interest – Jericho Gate	(23,808)
Ending balance for the year	75,788

4.2 Disposal of a subsidiary during 2018

At the beginning of the year 2018, PIIC (a subsidiary of PADICO) sold its entire share in Ithmaar for Plastic Industries Company (Ithmaar). Accordingly, Ithmaar's financial statements were not consolidated with the consolidated financial statements of PIIC for the year ended December 31, 2018.

PIIC has derecognized the carrying amount of Ithmaar's assets and liabilities and the carrying amount of non-controlling interests in accordance with IFRS 10 on the date of loss of control at the beginning of 2018, resulting in losses of US $ 146,000 recorded in the consolidated income statement.

5. Material Partly-owned Subsidiary

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	2019	2018
		%	
Palestine Real Estate Investment Company	Palestine	23.25	24.29
Palestine Industrial Investment Company	Palestine	43.28	43.28
Palestine Securities Exchange Company	Palestine	25.28	25.28
Jericho Gate for Real Estate Investment (note 4)	Palestine	-	50

Accumulated balances of material non-controlling interests:	2019	2018
	U.S 000's	
Palestine Real Estate Investment Company	12,315	14,937
Palestine Industrial Investment Company	37,376	31,315
Palestine Securities Exchange Company	2,028	2,055
Jericho Gate for Real Estate Investment (note 4)	-	23,808
(losses) Profits allocated to material non-controlling interests:		
Palestine Real Estate Investment Company	(2,350)	(514)
Palestine Industrial Investment Company	3,419	2,102
Palestine Securities Exchange Company	53	(4)
Jericho Gate for Real Estate Investment (Note 4)	-	(210)
Other comprehensive income to material non-controlling interests:		
Palestine Real Estate Investment Company	(16)	(2)
Palestine Industrial Investment Company	1,647	(1,326)
Palestine Securities Exchange Company	21	(5)
Change of material subsidiaries non-controlling interests:		
Palestine Real Estate Investment Company	(257)	303
Palestine Industrial Investment Company	1,897	197
Jericho Gate for Real Estate Investment (note 4)	(23,808)	-

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized Statement of Financial Position as at December 31, 2019:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment Company
Current assets	29,827	36,906	7,454	-
Non-current assets	87,914	82,265	6,052	-
Current liabilities	(29,303)	(19,727)	(317)	-
Non-current liabilities	(26,851)	(24,592)	(1,067)	-
Total equity	61,587	74,852	12,122	-
Attributable to non-controlling interests in PADICO	12,315	37,376	2,028	-

Summarized Statement of Financial Position as at December 31, 2018:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment Company
Current assets	35,970	29,880	7,580	3,343
Non-current assets	93,588	74,632	5,595	52,211
Current liabilities	(29,111)	(15,928)	(395)	(3,527)
Non-current liabilities	(31,548)	(24,214)	(941)	(105)
Total equity	68,899	64,370	11,839	51,922
Attributable to non-controlling interests in PADICO	14,937	31,315	2,055	23,808

Summarized Statement of Profit or Loss for the year ended December 31, 2019

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment Company
Revenues	7,219	62,873	1,915	-
Operating expenses and costs	(7,159)	(48,907)	(1,962)	-
General, administrative and marketing expenses	(1,628)	(6,272)	-	-
Finance costs	(1,788)	(1,569)	-	-
Other (expenses) revenues	(6,210)	1,855	706	-
(loss) profit before tax	(9,566)	7,980	659	-
Income tax recovery (expense)	10	(796)	(63)	-
(loss) profit for the year	(9,556)	7,184	596	-
Other comprehensive income items	(67)	3,433	85	-
Net comprehensive income for the year	(9,623)	10,617	681	-
Attributable to non-controlling interests in PADICO	(2,350)	3,419	53	-

Summarized Statement of Profit or Loss for the year ended December 31, 2018

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment Company
Revenues	4,343	57,891	2,331	383
Operating expenses and costs	(6,553)	(49,742)	(2,432)	(235)
General, administrative and marketing expense	(1,886)	(5,643)	-	(530)
Finance costs	(2,060)	(1,176)	-	(1)
Other revenues	135	3,988	617	59
(loss) profit before tax	(6,021)	5,318	516	(324)
Income tax expense	463	(384)	(96)	-
(loss) profit for the year	(5,558)	4,934	420	(324)
Other comprehensive income items	(10)	(2,723)	(54)	-
Net comprehensive income for the year	(5,568)	2,211	366	(324)
Attributable to non-controlling interests in PADICO	(514)	2,102	(4)	(210)

Summarized Cash flow information for year ended December 31, 2019:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Jericho Gate for Real Estate Investment Company
Operating activities	4,859	7,246	61	-
Investing activities	(4,691)	(2,305)	355	-
Financing activities	(768)	442	(552)	-
Net (decrease) increase in cash and cash equivalents	(600)	5,383	(136)	-

Summarized Cash flow information for year ended December 31, 2018:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Jericho Gate for Real Estate Investment Company
Operating activities	5,639	3,528	700	1,175
Investing activities	(1,609)	(3,958)	(1,134)	(2,086)
Financing activities	(3,614)	(2,209)	(599)	1,007
Net increase (decrease) in cash and cash equivalents	416	(2,639)	(1,033)	96

6. Property, Plant and Equipment

	U.S. $ 000's									
December 31, 2019	Lands	Buildings and constructions	Machinery and equipment	Furniture and Office equipment	Motor vehicles	Computers	Leasehold improvements	Irrigation systems and land preparation	Palm Trees	Total
Cost										
Balance as at January 1, 2019	19,854	99,404	42,254	11,706	3,735	3,265	13,417	3,916	26,022	223,573
Additions	142	326	1,469	289	337	48	107	100	1,861	4,679
Transferred from projects in progress (Note 9)	1,313	3,425	816	2	98	-	-	-	-	5,654
Disposals	-	-	(137)	-	(451)	(2)	(1,774)	-	-	(2,364)
Disposal of a subsidiary (note 4)	-	-	(60)	(288)	(44)	-	(10)	(121)	-	(523)
Foreign currency translation differences	536	2,100	2,053	90	222	66	-	-	-	5,067
Balance as at December 31, 2019	21,845	105,255	46,395	11,799	3,897	3,377	11,740	3,895	27,883	236,086
Accumulated Depreciation and impairment										
Balance as at January 1, 2019	-	29,430	22,431	8,821	2,417	2,622	7,312	1,798	1,699	76,530
Depreciation charge for the year	-	2,697	2,469	457	423	147	917	356	899	8,365
Disposals	-	-	(117)	-	(384)	(2)	(595)	-	-	(1,098)
Disposal of subsidiary (note 4)	-	-	(40)	(159)	(15)	-	(4)	(99)	-	(317)
Impairment of property plant and equipment (note 33)	-	16,538	517	-	-	-	-	-	-	17,055
Foreign currency translation differences	-	858	1,083	69	156	51	-	-	-	2,217
Balance as at December 31, 2019	-	49,523	26,343	9,188	2,597	2,818	7,630	2,055	2,598	102,752
Net book value										
As at December 31, 2019	21,845	55,732	20,052	2,611	1,300	559	4,110	1,840	25,285	133,334

Based on long-term loan agreements, PADICO's subsidiaries mortgaged lands and real estates and their associated properties as collateral to local and regional banks. The book value of the assets amounted to U.S. $ 34,135,273 (Note 20) as at December 31, 2019. Depreciation for an amount of U.S. $ 373,710 was allocated to palm trees as at December 31, 2019.

Property, Plant and Equipment (Continued)

	U.S. $ 000's									
December 31, 2018	Lands	Buildings and constructions	Machinery and equipment	Furniture and Office equipment	Motor vehicles	Computers	Leasehold improvements	Irrigation systems and land preparation	Palm Trees	Total
Cost										
Balance as at January 1, 2018	20,520	102,766	42,437	12,089	4,046	3,661	13,615	4,186	23,955	227,275
Additions	-	1,052	1,399	126	269	362	87	80	1,728	5,103
Transferred from projects in progress (Note 9)	-	61	1,396	-	-	-	-	-	-	1,457
Disposals	-	(567)	(852)	(354)	(375)	(667)	(283)	-	-	(3,098)
Transferred to Investment proprieties note (8)	(211)	(2,147)	-	(74)	-	(15)	-	-	-	(2,447)
Disposal of a subsidiary	-	(58)	(371)	(1)	(9)	(17)	-	-	-	(456)
Foreign currency translation differences	(455)	(1,703)	(1,755)	(80)	(196)	(59)	(2)	(350)	339	(4,261)
Balance as at December 31, 2018	19,854	99,404	42,254	11,706	3,735	3,265	13,417	3,916	26,022	223,573
Accumulated Depreciation										
Balance as at January 1, 2018	-	29,035	21,722	8,777	2,472	3,220	6,366	1,467	1,188	74,247
Depreciation charge for the year	-	2,703	2,486	522	388	130	1,169	357	633	8,388
Disposals	-	(40)	(822)	(343)	(326)	(666)	(208)	-	-	(2,405)
Transferred to investment properties (note 8)	-	(1,159)	-	(74)	-	(15)	-	-	-	(1,248)
Disposal of a subsidiary	-	(2)	(20)	-	(1)	(1)	-	-	-	(24)
Foreign currency translation differences	-	(1,107)	(935)	(61)	(116)	(46)	(15)	(26)	(122)	(2,428)
Balance as at December 31, 2018	-	29,430	22,431	8,821	2,417	2,622	7,312	1,798	1,699	76,530
Net book value										
As at December 31, 2018	19,854	69,974	19,823	2,885	1,318	643	6,105	2,118	24,323	147,043

Based on long-term loan agreements, PADICO's subsidiaries mortgaged lands and real estates and their associated properties as collateral to local and regional banks. The book value of the assets amounted to U.S. $ 33,698,753 (Note 20) as at December 31, 2018. Depreciation for an amount of U.S. $ 420,000 was allocated to palm trees as at December 31, 2018.

7. Intangible Assets

	U.S. $ 000's				
	Goodwill (A)	Trademark (B)	Right-of-use (commercial complex) (C)	Right-of-use (bus stations) (D)	Total
Cost					
Balance as at January 1, 2019	3,516	3,888	29,676	8,180	45,260
Transferred from projects in progress (Note 9)	-	-	175	-	175
Balance as at December 31, 2019	3,516	3,888	29,851	8,180	45,435
Amortization					
Balance as at January 1, 2019	-	-	3,522	7,451	10,973
Amortization for the year	-	-	1,196	219	1,415
Impairment of intangibles	-	-	2,003	-	2,003
Balance as at December 31, 2019	-	-	6,721	7,670	14,391
Net book value					
As at December 31, 2019	3,516	3,888	23,130	510	31,044
As at December 31, 2018	3,516	3,888	26,154	729	34,287

(A) Goodwill

This item represents goodwill from purchase of shares of Palestine Securities Exchange (a subsidiary of PADICO) and the shares of Palestine Company for the Establishment and Management of Industrial Zones - PIEDCO Gaza (a subsidiary of PIEDCO) resulting from the difference between the purchase cost and PADICO's share of the net fair value of the assets and liabilities at the date of purchase.

(B) Trademark

This item represents intangible assets that were recognized and recorded after completing the purchase price allocation of Al Pinar Business combination, the entire amount of which is attributed to PINAR's Trademark.

(C) Right-of-use (commercial complex)

In 2016, PRICO (a subsidiary) signed an investment agreement with the Ministry of Awkaf and Religious Affairs for the purpose of establishing a commercial complex and benefiting from it for a period of 9 years beginning on June 1, 2016 and ending on May 31, 2025. During the year 2017, PADICO completed the construction and processing of the commercial complex with an amount U.S $ 3,011,000, therefore it was reclassified to intangible assets (leasing rights). This project is amortized over a period of 9 years.

During the year and prior years, The Jericho Agro-Industrial Park - JAIP (a subsidiary of PRICO) completed the construction and preparation of the first phase of the agricultural industrial city project in Jericho and therefore it was transferred to intangible assets account (leasing rights). The project is amortized over a period of 45 years.

On November 2, 1995, PRICO (a subsidiary) signed a lease contract with the Palestinian National Authority to rent a piece of land for a period of 49 years for tourism investment purposes. During the year 2015, PADICO completed the construction of the project (Blue beach hotel) with an amount of U.S. $ 17,892,722 and transferred it to leasing rights. The project cost is amortized over the remaining term of the lease, which expires on October 20, 2044. During the year, the Company conducted an analysis of impairment on its leasing right from Blue beach project resulted in an impairment loss in an amount U.S $ 2,003,000 recorded in the consolidated income statement.

This item also includes the costs incurred by PIEDCO-Gaza for the right-to lease the industrial zone in Gaza from the Palestinian National Authority. The cost of leasing the industrial area is amortized over 20 years from 1 January 1999.

(D) Right-to-use (bus stations)

During 2000, PRICO (a subsidiary) completed the construction and full operation of both Al Bireh Central Bus Station and Bethlehem Touristic Bus station. Under the terms of concession agreements with Al Bireh and Bethlehem Municipalities', PRICO financed the constructions on a basis of Build Operate and Transfer (BOT) on land owned by the municipalities, in return, PRICO would have the right to operate the Al Bireh and Bethlehem stations for 24 (including two years of implementation) and 15 years (extended to two additional years), respectively. At the end of the concession period, PRICO would transfer the stations, including all rights, to the municipalities. These stations include bus and car parking as well as a company of stores, offices and leisure facilities. Intangible assets represent the right to charge fees for public services provided under the terms of the confession agreements. During the year 2017, PRICO transferred Bethlehem station to Bethlehem municipality after the end of the investment period in April 2017.

Impairment testing of goodwill and trademark

Goodwill acquired through business combinations has been allocated to cash generating units, which are also the reportable business segments of PADICO, for impairment testing as follows:

	U.S. $ 000's	
	2019	2018
Financial market segment	1,445	1,445
Real estate segment	2,071	2,071
Industrial segment	3,888	3,888
	7,404	7,404

Key assumptions used in the calculation of the value in use

The calculations of the value in use are most sensitive to the discount rate used and growth rate used to extrapolate cash flows beyond the budget period:

Discount rate

Discount rate reflects management's estimates of business-related risks, taking into account the time value as well as the risks specific to assets not included in the cash flow estimates. The calculation of the discount rate is based on factors related to PADICO and the business sector and is derived from the weighted average cost of capital. The calculation of the weighted average cost of capital is based on the cost of lending and the cost of capital. The cost of capital is calculated based on the expected return on investment and the calculation of the borrowing cost is based on the interest-bearing borrowings of PADICO to which PADICO committed to repay. The risks to the segment are included with beta transactions separately. Beta transactions are evaluated annually using available market information.

Growth rate estimates

Growth rates are based on the value of the business segment's operations after the explicit budget period. In determining appropriate growth rates, regard has been given to the competitive forces that are expected to prevail after the explicit budget period.

With regard to the assessment to the "value in use" of all business segments, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the business segments to materially exceed its value in use.

Financial market segment

The recoverable amount of the financial market segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 18.4%. Cash flows beyond the 5-year period are extrapolated using a 2% growth rate.

Real estate segment

The recoverable amount of the real estate segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 16.30%. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate.

Industrial Segment

The recoverable amount of the industrial segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15%. Cash flows beyond the 5-year period are extrapolated using a 2.7% growth rate.

8. Investment Properties

Investments properties as at December 31, 2019 and 2018 includes the following:

	U.S. $ 000's	
	2019	2018
Lands*	22,805	73,655
Buildings**	21,961	22,277
	44,766	95,932

* This item includes PADICO and its subsidiaries' investments in lands held for the purpose of increasing its value. Therefore, they were classified as investment properties.

** This item includes the investment of Marafeq Investment Company (a subsidiary of PRICO) in Plaza Park Centre for Car Parking. During 2007, an agreement was signed between Al-Marafiq for Construction and Operation Company (a subsidiary) and Municipality of Amman to establish a commercial complex including a building and parking area in the Sweifieh area in Amman on the Build Operation Transfer (B.O.T) basis on land owned by the Municipality of Amman in return for the rental and operation of the building and parking for 25 years, not including the implementation period, after which, the building and parking will be delivered to the Municipality of Amman. On 23 January 2017, Al-Marafiq Company signed an annex to the agreement with the Greater Amman Municipality, stipulating an increase in the investment period to 30 years starting on October 1, 2010.

The fair value of the lands and buildings as at December 31, 2019 amounted to U.S. $ 52,597,669 and as at December 31, 2018 amounted to U.S. $ 208,543,567. (which included investment properties for Jericho Gate which were derecognized during 2019 (note 4)).

The carrying value of investment properties which were mortgaged for the benefit of banks as collateral against loans to PRICO and PIIC is approximately U.S. $ 7,121,819 (Note 20).

Following is the movement on the investment properties

	U.S. $ 000's	
	2019	2018
Balance, beginning of the year	95,932	95,443
Additions	10	1,971
Transferred from (to) inventory and ready for sale properties (note 12)	1,032	(1,664)
Transferred from property, plant and equipment (note 6)	-	1,199
Sales	-	(236)
Disposal of a subsidiary (note 4)	(50,454)	-
Amortization	(829)	(781)
Impairment of investment properties	(925)	-
Balance, end of year	44,766	95,932

9.Projects in Progress

	U.S. $ 000's	
	2019	2018
Balance, beginning of the year	12,007	9,915
Additions	7,857	6,201
Transferred to intangible assets (note 7)	(175)	(2,097)
Transferred to property, plant and equipment (note 6)	(5,654)	(1,457)
Foreign currency	393	(555)
Balance, end of year	14,428	12,007

During the year, The Jericho Agro-Industrial Park - JAIP (a subsidiary of PRICO) completed the construction and preparation work related to a section of the Agro-industrial city project in Jericho. Therefore, it was transferred to intangible assets (leasing rights).

Following are the projects in progress as at December 31, 2019 and 2018:

		U.S. $ 000's	
		Cost	
Project Name	**Company**	2019	2018
Solar system project	PRICO for operations and maintenance	5,186	787
Al-Sharafat project	TAICO for trade and Investment Company	4,970	4,694
Factory and headquarters construction project	Al Pinar General Trading	2,752	1,594
Factory and headquarters construction project	Al-Rabiya for Feed and Grains	590	-
Raising chicken project	Palestine Poultry Company PLC	503	-
Purchasing and implementing computerized systems	Palestine Securities Exchange	250	247
Jericho project to develop an Agro-Industrial park	Jericho Agro-Industrial Park	-	57
Dairy cows' farm project	Palestine Poultry Company PLC	-	4,135
Others	Other Companies	177	493
		14,428	12,007

The remaining costs to complete these projects are expected to reach a total of U.S. $ 37,892,007 and the projects are expected to be completed in 2 - 6 years.

10. Investment in Associates

This item represents investments in associates as follows:

	Country of origin	Ownership %		U.S. $ 000's Carrying Amount	
		2019	2018	2019	2018
Palestine Telecommunications Company (Listed)	Palestine	31.41	31.41	335,135	341,279
Jericho Gate for Real Estate Investment (Not listed) (note 4)	Palestine	25.00	–	25,645	–
Vegetable Oil Industries Company (Listed)	Palestine	32.80	32.80	19,287	17,069
Golden Wheat Mills Company (Listed)	Palestine	19.41	19.41	3,914	3,674
Jordan Vegetable Oil Industry Company (Listed)	Jordan	17.00	17.00	2,000	1,950
PAL Aqar for Real Estate Company (listed)	Palestine	25.02	25.02	449	456
Palestine Power Generating Company (Not listed)	Palestine	20.00	20.00	3,127	3,236
Mawaqef investment company (Not listed)	Jordan	49.00	49.00	–	–
Al-Kubra for waste company	Palestine	25.00	25.00	–	186
				389,557	367,850

- PADICO mortgaged part of its investments in associates to the benefit of local and regional banks. The carrying value of the mortgaged shares as at December 31, 2019 amounted to U.S. $ 124,193,945 (note 20). In addition, a portion of the shares in associates were mortgaged to the debt bonds holders. The carrying amount of the mortgaged shares as of December 31, 2019 amounted to U.S. $ 177,759,230 (note 21).
- Although PADICO's ownership percentage in Golden Wheat Mills Company and Jordan Vegetable Oil Industry Company is less than 20%, PADICO has representation in these associates' board of directors that can influence the financial and operating policies of these companies. Accordingly, PADICO investments in these companies are classified as investment in associates.
- The market value of PADICO's listed associates amounted to U.S. $ 275,017,691 as at December 31, 2019.

Following is a movement on investment in associates during 2019 and 2018:

	2019	2018
	U.S. $ 000's	U.S. $ 000's
Balance, beginning of the year – before adjustments	367,850	400,187
Effect of adopting IFRS 9	–	(42,179)
Balance, beginning of the year – after adjustments	367,850	358,008
Share in associates' results of operation	33,471	32,913
Cash dividends from associates	(24,625)	(24,582)
Share in associates' cumulative change in fair value of financial assets	(5,786)	2,401
Share in associates' foreign currency translation	970	(945)
Transferred from investments in subsidiaries (note 4)	13,384	-
Unrealized gains due to revaluation (note 4)	13,571	-
Disposal of gains from associates	(9,092)	-
Purchases of associates shares	-	55
Impairment on investments in associates	(186)	–
Balance, end of the year	389,557	367,850

The following tables summarize the financial information related to PADICO's investment in associates:

	December 31, 2019							
	U.S. $ 000's							
	Palestine Telecommunications Company	Jericho Gate for Real Estate Investment	Vegetable Oil Industries Company	Golden Wheat Mills Company	Jordan Vegetable Oil Industry Company	Palestine Power Generating Company	Others	Total
Associates' statement of financial position:								
Non-current Assets	991,738	61,948	62,664	12,455	3,813	13,970	6,335	1,152,923
Current Assets	247,559	13,525	9,293	15,026	7,250	2,436	3,219	298,308
Non-current Liabilities	(163,406)	(13,474)	(12,494)	(726)	-	(364)	(1,279)	(191,743)
Current Liabilities	(378,862)	(3,815)	(4,844)	(3,058)	(1,593)	(412)	(3,313)	(395,897)
Equity	697,029	58,184	54,619	23,697	9,470	15,630	4,962	863,591
Equity attributable to Parent	218,937	14,546	17,915	4,600	1,610	3,127	1,638	262,373
Embedded Goodwill	116,198	11,099	1,372	(686)	390	-	(1,189)	127,184
Carrying amount of investment	335,135	25,645	19,287	3,914	2,000	3,127	449	389,557
Revenues and Results of Operations:								
Revenues	442,122	20,489	18,971	11,938	7,291	125	2,195	503,131
Results of Operations	90,103	6,261	9,229	1,150	1,556	(542)	(360)	107,397
PADICO's Share of Results of Operations	28,509	1,565	3,024	223	265	(108)	(7)	33,471
PADICO's Share of change of fair value of financial assets	(5,124)	-	(642)	2	(22)	-	-	(5,786)
PADICO's share of foreign currency translation differences	11	-	959	-	-	-	-	970

	December 31, 2018						
	U.S. $ 000's						
	Palestine Telecommunications Company	Vegetable Oil Industries Company	Golden Wheat Mills Company	Jordan Vegetable Oil Industry Company	Palestine Power Generating Company	Others	Total
Associates' statement of financial position:							
Non-current Assets	934,908	59,112	12,722	3,868	11,660	5,724	1,027,994
Current Assets	275,216	10,918	16,553	6,987	4,893	4,020	318,587
Non-current Liabilities	(177,496)	(17,411)	(639)	–	(186)	(2,220)	(197,952)
Current Liabilities	(351,380)	(4,771)	(6,075)	(1,679)	(295)	(3,836)	(368,036)
Equity	681,248	47,848	22,561	9,176	16,072	3,688	780,593
Equity attributable to Parent	231,980	15,692	4,379	1,560	3,214	1,238	240,063
Embedded Goodwill	127,299	1,377	(705)	390	22	(596)	127,787
Carrying amount of investment	341,279	17,069	3,674	1,950	3,236	642	367,850
Revenues and Results of Operations:							
Revenues	466,039	19,771	12,618	7,618	165	2,165	508,376
Results of Operations	94,627	9,004	104	1,171	(507)	(35)	104,364
PADICO's Share of Results of Operations	29,931	2,953	19	199	(101)	(88)	32,913
PADICO's Share of change of fair value of financial assets	1,749	652	(6)	6	-	-	2,401
PADICO's share of foreign currency translation differences	-	(945)	-	-	-	-	(945)
PADICO's share of the effect of adopting IFRS 9	(42,039)	(68)	(25)	-	-	(47)	(42,179)

11. Financial Assets at Fair Value Through Other Comprehensive Income

	U.S. $000's	
	2019	2018
Quoted equities in financial markets	68,499	65,840
Unquoted equities in financial markets*	16,859	16,245
	85,358	82,085

* PADICO believes that these investments are of a strategic nature and are therefore classified as financial assets at fair value through other comprehensive income.

Based on some long-term loan agreements, part of the financial assets was mortgaged by PADICO for local and regional banks. The carrying value of properties mortgaged is amounted to U.S $ 9,145,450 as at 31 December 2019 (note 20).

Following is the movement on the fair value reserve:

	U.S. $000's	
	2019	2018
Balance, beginning of year – before adjustments	(45,084)	(46,443)
Effect of adopting IFRS 9	-	1,594
Balance, beginning of year – after adjustments	(45,084)	(44,849)
Net losses in fair value of financial assets	(10,016)	(235)
Balance, end of year	(55,100)	(45,084)

12. Inventories and Ready for Sale Properties

	U.S. $000's	
	2019	2018
Land and ready for sale properties*	16,723	21,300
Feed mill, eggs, poultry, dates and diary products	6,725	7,126
Biological assets – mature and producing	1,110	1,216
Biological assets – immature	992	863
Carton sheets and cans	678	712
Operational goods for hotels	251	399
Plastic stock	72	–
Sundry	456	576
	27,007	32,192

* Based on some loans' agreements signed by PRICO, part of the ready for sale properties of Al Ghadeer and PRICO House (2) projects were mortgaged. The carrying amount of properties mortgaged amounted to U.S $ 10,444,018 as at 31 December 2019 (note 20).

13. Accounts receivables and other current assets

	U.S. $000's	
	2019	2018
Trade receivables	40,328	38,680
Checks under collection	24,353	24,920
Due from Value Added Tax	6,281	6,263
Prepayments to suppliers, contractors and brokerage firms	4,603	2,165
Due from associates and sister companies	3,768	1,941
Prepaid expenses	510	655
Other receivables	1,522	1,404
	81,365	76,028
Provision for expected credit losses*	(31,516)	(28,248)
	49,849	47,780
Long term accounts receivable	(7,093)	(8,939)
	42,756	38,841

* Following is the movement on the provision for expected credit losses during the years 2019 and 2018:

	U.S.$000's	
	2019	2018
Balance, beginning of year – before adjustments	28,248	15,929
Effect of adopting IFRS 9	-	11,500
Balance, beginning of year – after adjustments	28,248	27,429
Additions during the year (note 33)	3,254	2,398
Recoveries during the year (note 33)	(67)	(1,151)
Write-offs	(426)	–
Currency variance	507	(428)
Balance, end of year	31,516	28,248

PADICO management does not obtain collaterals against some receivables. As for notes and accounts receivable resulting from sale of real estate, PADICO does not transfer ownership of the sold properties unless the selling price is wholly recovered.

14. Financial assets at Fair Value Through Profit or Loss

This item represents the following:

	U.S. $ 000's	
	2019	2018
Investment funds	1,114	3,829
Investments portfolio in local and regional equities	6,517	7,849
	7,631	11,678

15. Cash and Short-Term Deposits

	U.S. $ 000's	
	2019	2018
Cash on hand and current accounts at banks	9,889	6,441
Term deposits at banks	6,663	726
	16,552	7,167

Term deposits at banks as at December 31, 2019 include deposits with an original maturity of three months or less. The average interest rates on deposits in U.S. $ ranges between 3.5% and 4%.

Term deposits at banks include restricted cash of U.S. $ 728,000 and U.S. $ 382,000 as a collateral against certain credit facilities and debit bonds granted to PADICO and its subsidiaries as at December 31, 2019 and 2018 (note 20 and 21).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	U.S. $ 000's	
	2019	2018
Cash on hand and current accounts at banks	9,889	6,441
Term deposits at banks	6,663	726
	16,552	7,167
Restricted cash (note 20)	(728)	(382)
	15,824	6,785

16. Paid-in Share Capital

Paid-in share capital as at December 31, 2019 and 2018 as follows:

	U.S. $ 000's	
	2019	2018
Authorized capital	300,000	300,000
Subscribed and paid in capital	250,000	250,000

PADICO authorized paid-in capital compromises from 300 million share. The par value per share is U.S. $ 1.

17. Treasury Shares

This item represents the net cost of the treasury shares as a result of consolidating the financial statements of PADICO and its subsidiaries.

18. Reserves

Statutory reserve

The statutory reserve amounted to U.S. $ 30,775,000 and U.S. $ 28,158,0000 as at December 31, 2019 and 2018, respectively. PADICO's By-Laws require a deduction of 5% before consolidation of the net annual profit to be appropriated to statutory reserve account until such reserve balance reaches 40% of the authorized share capital. The reserve is not available for distribution to the shareholders.

Furthermore, in accordance with the companies' Articles of Association and the Companies' Law in Palestine, a deduction of 10% of the net annual profit is to be appropriated to a statutory reserve account. The reserve is not available for distribution to the shareholders.

Voluntary reserve

Voluntarily reserve amounted to U.S. $ 1,594,000 as at December 31, 2019 and 2018. This reserve is available for distribution to the shareholders.

19.Distributed Cash Dividends

Cash dividends distributed from subsidiaries in 2019

PIIC's (a subsidiary) General Assembly decided in its meeting held on April 17, 2019 a cash dividend distribution of JD 0.06 per share, which amounted to U.S. $ 1,587,000. Non-controlling interest's share of the dividends was U.S. $ 687,000.

PSE's (a subsidiary) General Assembly decided in its meeting held on April 9, 2019 a cash dividend distribution of USD 0.04 per share, which amounted to U.S. $ 400,000. Non-controlling interest's share of the dividends was U.S. $ 101,000.

Palestine Poultry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on April 17, 2019 a cash dividend distribution of JD 0.10 per share, which amounted to U.S. $ 1,896,000. Non-controlling interest's share of the dividends was U.S. $ 217,000.

Cash dividends distributed from subsidiaries in 2018

PIIC's (a subsidiary) General Assembly decided in its meeting held on April 25, 2018 a cash dividend distribution of JD 0.10 per share, which amounted to U.S. $ 2,644,500. Non-controlling interest's share of the dividends was U.S. $ 1,144,000.

PSE's (a subsidiary) General Assembly decided in its meeting held on April 17, 2018 a cash dividend distribution of JD 0.06 per share, which amounted to U.S. $ 600,000. Non-controlling interest's share of the dividends was U.S. $ 152,000.

Palestine Poultry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on April 25, 2018 a cash dividend distribution of U.S $ 0.18 per share, which amounted to U.S. $ 2,843,366. Non-controlling interest's share of the dividends was U.S. $ 326,000.

20. Long-term Loans, Credit Facilities and Islamic Financing

	U.S. $000's	
	2019	2018
Long term loans from banks and financial institutions	113,828	121,495
Long term loans from related parties	2,632	2,197
Overdraft accounts	3,950	29,180
Murabaha and Istusna'a contracts	16,728	19,052
	137,138	171,924
Credit facilities, financing and current portion of long-term loans	(36,872)	(55,864)
	100,266	116,060

Loans, credit facilities and Islamic financing maturities are as follows:

		U.S. $000's
Mature in	2020	36,872
Mature in	2021	32,620
Mature in	2022	17,667
Mature in	2023	16,516
Matures later		33,463
		137,138

Long-term loans granted from banks and financial institutions

- PADICO and its subsidiaries signed several long-term loan agreements with local and regional banks in U.S. Dollars and Jordanian Dinars. These loans are subject to a variable interest rates between 2% and 4.15% in addition to LIBOR, and to a fixed interest rate between 4% and 8.75%. These loans are to be settled within a six-years period. The balance of outstanding loans amounted to U.S. $ 78,474,000 and U.S. $ 88,053,000 as at December 31, 2019 and 2018, respectively.

- On April 4, 2017, Nakheel Palestine (a subsidiary) signed a financing agreement with the French Agency "Financial Institution Working for the Private Sector and Sustainable Development" (Proparco) for an amount of U.S. $ 10,000,000 to finance the purchase of Al-Sultan Fresh Fruits Company shares. The loan is subject for a variable interest rate of 4.4% in addition to LIBOR rates thereafter will be annual interest rate is fixed at 6.098%. The loan to be settled in 15 semi-annual installments starting June 15, 2020. The balance of outstanding loans amounted to U.S. $ 10,000,000 as at 31 December 2019 and 2018.

- During the year and previous years, PIIC and its subsidiaries signed loan agreements with local and regional banks in U.S. Dollars at variable interest rates of 2.5% and 4% in addition to LIBOR rates, and fixed interest rates ranging from 3.75% and 5%. These loans were obtained for the purpose of financing the investment activities and financing needs of these companies. These loans are also repayable under monthly, quarterly and semi-annual installments. The balance of existing loans amounted to U.S. $ 25,354,000 and U.S. $ 23,422,000 as at 31 December 2019 and 2018, respectively.

Long-term loans granted from related parties

- During the past years, JEDICO's subsidiaries (a subsidiary) signed loan agreements with some shareholders to cover their financial needs for an amount of U.S. $ 1,125,000 as at December 31, 2019 and $ 2,197,000 as at December 31, 2018. These loans are subject to an annual interest rate between 5% and 7.5% and are settled in quarterly installments.

- During the year, Nakheel Palestine (a subsidiary) signed loan agreements with some major shareholders for the purpose of covering the financial needs of the company. The value of the loans amounted to U.S $ 1,300,000 as of December 31, 2019. These loans are subject for a variable interest rate of 4.4% in addition to LIBOR rates and are paid in one installment after two years from the date of signing the agreements.

- During the year, JAIP (a subsidiary of PRICO) signed loan agreements with some major shareholders for the purpose of covering the financial needs of the company. The value of loans amounted to U.S $ 207,000 as of December 31, 2019. The loans are subject for a variable interest rate of 6.5% and are also payable under quarterly installments.

Overdrafts

- PADICO and some of its subsidiaries have received overdraft accounts and facilities for clearing checks deducted from local and regional banks in US Dollars, Jordanian Dinars and Israeli Shekels. The total amount as at December 31, 2019 was U.S. $ 11,076,000 and the balance utilized from these facilities amounted to U.S. $ 3,950,000. These facilities are subject to variable interest rates ranging from 4.5% to 8.5%.

Murabaha and Istusna'a

- During the previous years, PADICO was granted Murabaha financing from banks and local financial institutions with a total ceiling amounting to U.S. $ 15,000,000 as at December 31, 2018. These Murabaha agreements are subject to an annual profit margin of 5%.
- In addition, PRICO signed an Istusna'a agreement during 2014 with one of the local banks for an amount of U.S $ 3 million subject to an annual fixed profit margin of 4.5%. The installments are paid after the completion of the preparation phase and the passage of an additional grace period for the project.
- During previous years, Nakheel Palestine (a subsidiary) has signed Murabaha agreements with a local financial institution at an annual rate between 3% and 5%. The payment of the agreement is made over a period of 6 years starting in 2017.
- During 2018, the National Carton Industry Co. (a subsidiary of PIIC) signed a short-term Murabaha agreement with a local financial institution in an amount of U.S. $ 500,000 for the purpose of purchasing raw materials. This Murabaha agreement is subject to an annual fixed profit margin of 4.5% and to be settled in three installments after a grace period of 3 months. The utilized balance of these facilities amounted to U.S. $ 16,728,000 and U.S. $ 19,052,000 as at December 31, 2019 and 2018, resspectively.

These loans and facilities were obtained by mortgaging assets with a book value of U.S. $228,917,554, a check guarantee of U.S. $ 321,000 and cash margins of U.S. $ 728,000 as at 31 December 2019. The following table shows the mortgaged assets as of 31 December 2019:

Item	Book value of collaterals	Note
Property, plant and equipment	34,135,273	Note (6)
Investment properties	7,121,819	Note (8)
Investments in associates	124,193,945	Note (10)
Financial assets at fair value through other comprehensive income	9,145,450	Note (11)
Inventory and ready for sale properties	10,444,018	Note (12)
Investments in subsidiaries	43,877,049	-
Total	228,917,554	

21.Debt Bonds

During August 2016, PADICO issued 240 debt bonds with a nominal amount of U.S. $ 500,000. The bonds were underwritten in full with a fixed annual interest rate of 5% for the first 36 months, and an annual interest rate of 3% plus six months LIBOR for the remaining 24 months with a minimum of 5%. The interest is to be paid at the end of each six months starting February 15, 2017 and the bonds principle is to be paid in one installment after five years from the issuing date of August 2021. These debt bonds were issued to repay the amount of the previous debt bonds of U.S. $ 85 Million that matured on September 15, 2016 as well as finance PADICO's future projects and activities. Accordingly, PADICO mortgaged shares in subsidiaries and associates, total book value of the mortgaged shares amounted to U.S. $ 213,814,884 as at the date of the consolidated financial statements.

22.Provision for Employees' Indemnity

	U.S. $000's	
	2019	2018
Balance, beginning of the year	6,201	6,452
Additions during the year	1,053	1,261
Recoveries during the year	(149)	-
Disposal of a subsidiary (note 4)	(93)	-
Payments during the year	(1,112)	(1,339)
Foreign currency	213	(173)
Balance, end of year	6,113	6,201

23.Other Non-current liabilities

	U.S. $000's	
	2019	2018
Deferred rent revenues	6,734	6,297
Deferred tax liabilities (note 26)	2,036	-
Long term postdated checks	309	3,922
Deferred grants revenues	556	658
	9,635	10,877

24.Accounts and Notes Payable

	U.S. $000's	
	2019	2018
Trade payables	7,285	10,609
Outstanding checks	6,585	4,960
	13,870	15,569

25.Other Current Liabilities

	U.S. $000's	
	2019	2018
Accrued interests and expenses	7,192	7,829
Accrued cash dividends	6,413	6,681
Deferred revenues	6,074	6,357
Legal provision	656	225
Contractors' retentions	635	622
Due to related parties	588	2,203
Employees' provident fund	446	535
Provision for vacation	354	272
Other liabilities and provisions	18,374	11,234
	40,732	35,958

26.Provision for Income Tax

	U.S. $000's	
	2019	2018
Balance, beginning of the year	978	1,031
Provision for the year	1,253	677
Payments during the year	(554)	(730)
Disposal of a subsidiary (note 4)	(193)	-
Balance, end of the year	1,484	978

Following are the details for the income tax expense for the years ended December 31, 2019 and 2018:

	U.S. $000's	
	2019	2018
Provision for the year *	1,253	677
Deferred tax **	2,036	-
	3,289	677

* The provision for the year represents subsidiaries' provisions for their results of operations for the year 2019. The subsidiaries are working on reaching a final tax settlement with the income tax authority on their results of operations for several taxable years. Until the date of the consolidated financial statements, PADICO did not obtain a final tax settlement on its results of operations in Palestine for the year 2018. PADICO submitted its tax returns for the year 2018 and the company's tax advisor is pursing issuing a final tax settlement with the tax departments.

** During the year, PADICO sold 50% of its investment in Jericho Gate for Real Estate Investment as shown in note (4). The remaining investment in the company was revalued and classified as an investment in associate and unrealized gains in an amount of U.S $ 13,571,000 has been recorded in the consolidated income statement. Also, a deferred tax liability in an amount of U.S $ 2,036,000 has been recorded as a result of the unrealized gains.

Following is a reconciliation summary between taxable income and accounting income:

	U.S. $000's	
	2019	2018
Accounting income before tax	23,275	16,216
Non-taxable profits	(46,915)	(29,819)
Nondeductible expenses	44,464	18,059
Taxable income	20,824	4,456
Accrued income tax	3,124	668
PADICO's provision for income tax	3,289	677

27. Revenues from contracts with customers

	U.S. $000's	
	2019	2018
Sales of mills, eggs, poultry, dates and dairy products	68,181	59,407
Operating revenues from hotels, restaurants and tourist facilities	12,961	11,323
Sales of carton sheets and cans	3,409	3,779
Revenues of properties and land	2,942	2,506
Securities exchange fees and commissions	1,846	2,139
Cars and busses parking revenues	751	781
Revenues from real estate development rights	-	383
Others	64	19
	90,154	80,337

Most of PADICO's revenues are recognized a certain point in time at which time the control over the asset is transferred to the customer.

28. Gains from Financial Assets Portfolio

	U.S. $000's	
	2019	2018
Distributed dividends of financial assets at fair value through other comprehensive income	5,608	981
Distributed dividends of financial assets at fair value through profit or loss	685	586
Change in fair value of financial assets at fair value through profit or loss	(4,072)	174
	2,221	1,741

29. Operating Expenses and Costs

	U.S. $000's	
	2019	2018
Cost of mills, eggs, poultry, dates and dairy products	47,015	46,722
Operation cost of hotels, restaurants and tourist facilities	9,746	8,646
Cost of carton sheets and cans sold	2,853	3,408
Cost of properties and land sold	2,308	2,147
Cost of dairy cows' farm	796	-
Cost of real estate development rights	-	235
Cost of plastic bottles and pipes sold	-	4
Other operating expenses	2,860	2,970
	65,578	64,132

30. General and Administrative Expenses

	U.S. $000's	
	2019	2018
Salaries and related benefits	6,737	6,001
Selling, advertising and public relations expenses	2,831	2,685
Consultancy and professional fees	1,142	1,188
Subscriptions, fees and licenses	810	911
Board of directors' fees and expenses	687	592
Rent and general services	450	1,415
Travel and transportation	409	669
Insurances	362	368
Telephone, fax and courier	218	208
Donations and sponsorships	149	167
Conferences, meetings and hospitality	138	158
Stationery and printings	83	82
Others	478	572
	14,494	15,016

31. Finance Costs

	U.S. $000's	
	2019	2018
Finance costs related to loans, credit facilities and debt bonds	15,167	14,669
Finance costs related to lease liabilities (note 3)	611	-
	15,778	14,669

32. Depreciation and Amortization

	U.S. $000's	
	2019	2018
Property plant and equipment	8,365	8,388
Right-of-use assets	1,007	-
Investment properties	829	781
Intangible assets	1,415	1,401
	11,616	10,570
Depreciation and amortization allocated to palm trees (notes 3 and 6)	(491)	(420)
	11,125	10,150

33.Other Provisions and Expenses, net

	U.S. $000's	
	2019	2018
Impairment on tourism investments (note 6) *	(16,187)	-
Provision for expected credit losses, net (note 13)	(3,187)	(1,247)
Impairment of intangible assets (note 7)	(2,003)	-
Impairment of inventory and ready for sale properties	(1,514)	(147)
Provision on financial claims from others	(1,362)	-
Impairment of investment properties (note 8)	(925)	-
Impairment of property, plant and equipment (note 6)	(868)	-
(Losses) gains from sale of property, plant and equipment	(464)	125
Lawsuits provision and settlements	(277)	-
Impairment of investments in associates (note 10)	(186)	-
Interest revenues	364	192
Foreign currency revaluations	535	368
Others	(6,281)	(547)
	(32,355)	(1,256)

* During the year, PADICO made impairment studies on its various investments in the tourism sector. As a result of the indicators of the political and economic situations and the current financial performance of these investments, the Board of Directors of PADICO decided to take provisions and impairments to reduce the value of the assets related to these investments.

34. Basic and Diluted Earnings Per Share

	U.S. $000's	
	2019	2018
Profit for the year attributable to equity holders of PADICO (U.S. $ 000's)	18,700	15,013
Weighted average for subscribed capital during the year (Shares 000's)	250,000	250,000
Less: Treasury shares (shares 000's)	(150)	(150)
	249,850	249,850
Basic and diluted earnings per share (U.S. $ 000's)	0.07	0.06

35. Related Parties

Related parties represent associates, major shareholders, Board of Directors members and key management personnel of PADICO, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by PADICO's Board of Directors.

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

	Nature of Relationship	U.S. $000's 2019	U.S. $000's 2018
Consolidated statement of financial position balances:			
Accounts receivable and other current assets	Associates and sister companies	3,768	1,941
Other current liabilities	Associates and sister companies	588	2,203
Accrued cash dividends	Major Shareholders	6,413	6,681
Accrued expenses	Shareholders and Members of the Board of Directors	1,257	1,255
Loans, financing and credit facilities	Banks - Members of the Board of Directors	52,743	84,755
Long term loans	Major Shareholders	2,633	2,197
Debt Bonds	Banks - Members of the Board of Directors	43,000	43,000

Transactions with related parties included in the consolidated income statement are as follows:

	Nature of Relationship	U.S. $000's 2019	U.S. $000's 2018
Realized and unrealized gains from sale of a subsidiary (note 4)	Associate company	30,640	-
Finance costs	Banks - Members of the Board of Directors and Major Shareholders	5,824	6,854
Key management personnel and Board of Directors' compensations:			
Salaries and related expenses		2,252	2,731
End of service expense		117	202
Board of Directors' fees and expenses		689	592

36. Fair Value Measurement

The following table provides the fair value measurement hierarchy of PADICO's assets and liabilities. Following are quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2019:

			Fair value Measurement using		
	Date of Valuation	Total	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. $000's			
Financial assets measured at fair value					
Financial assets at fair value through other comprehensive income (note 11):					
Quoted	December 31, 2019	68,499	68,499	-	-
Unquoted	December 31, 2019	16,859	-	5,312	11,547
Financial assets at fair value through profit or loss (note 14):	December 31, 2019	7,631	6,517	1,114	-
Financial assets for which fair value is disclosed					
Investment properties (note 8)	December 31, 2019	52,598	-	-	52,598

Following are quantitative disclosures fair value measurement hierarchy for assets as at December 31, 2018:

			Fair value Measurement using		
	Date of Valuation	Total	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. $000's			
Financial assets measured at fair value					
Financial assets at fair value through other comprehensive income (note 11):					
Quoted	December 31, 2018	65,840	65,840	-	-
Unquoted	December 31, 2018	16,245	-	4,722	11,523
Financial assets at fair value througl profit or loss (note 14):	December 31, 2018	11,678	7,849	3,829	-
Financial assets for which fair value is disclosed					
Investment properties (note 8)	December 31, 2018	208,544	-	-	208,544

PADICO uses the following sequence to identify and disclose fair values:

- 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 directly or indirectly unobservable.

PADICO did not make any transfers between the levels mentioned above during the years 2019 and 2018.

37. Fair Values of Financial Instruments

Below is a comparison by class of the carrying amounts and fair values of PADICO's financial instruments as at December 31, 2019 and 2018:

	U.S. $000's			
	Carrying amount		**Fair value**	
	2019	2018	2019	2018
Financial assets				
Accounts receivable and other current assets	44,736	44,960	44,736	44,960
Financial assets at fair value through profit or loss	7,631	11,678	7,631	11,678
Cash and short-term deposits	16,552	7,167	16,552	7,167
Financial assets at fair value through other comprehensive income				
Quoted	68,499	65,840	68,499	65,840
Unquoted	16,859	16,245	16,859	16,245
	154,277	145,890	154,277	145,890
Financial liabilities				
Debt Bonds	120,000	120,000	120,000	120,000
Loans and credit facilities	137,138	171,924	137,138	171,924
Lease liabilities	9,750	-	9,750	-
Accounts and notes payable	13,870	15,569	13,870	15,569
Other financial liabilities	18,844	20,879	18,844	20,879
	299,602	328,372	299,602	328,372

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair values of accounts receivable (except for long term accounts receivable), cash and short-term deposits, credit facilities, accounts and notes payable and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of long-term accounts receivable is estimated by discounting future cash flows using rates currently available for receivables and credit facilities on similar terms.

– Fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets is determined by reference to quoted prices at the date of the consolidated financial statements.

– The fair values of unquoted financial assets at fair value through other comprehensive income were determined using appropriate valuation techniques.

– The fair value of loans, debt bonds and lease liabilities were estimated by discounting future cash flows using rates currently available for debt on similar terms.

38.Risk Management

Financial liabilities of PADICO and its subsidiaries comprise long and short-term loans and borrowings, debt bonds, credit facilities, lease liabilities, accounts payable, notes payable and other financial liabilities. The main purpose of these financial liabilities is to raise capital for operations of PADICO and its subsidiaries. In addition, PADICO and its subsidiaries have various financial assets such as accounts receivable, cash and short-term deposits, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss which arise directly from PADICO's operations.

The main risks arising from PADICO's financial instruments are interest rate risk, credit risk, liquidity risk, equity price risk, and foreign currency risk. PADICO's Board of Directors reviews and approves policies for managing these risks, which are summarized below:

Interest rate risk

PADICO's exposure to the risk of changes in interest rates relates primarily to PADICO's loans and borrowings, debt bonds, credit facilities, and short-term deposits with floating interest rates.

The following table demonstrates the sensitivity of PADICO's consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant. The effect of decreases in the interest rate is expected to be equal and opposite to the effect of the increase shown:

	Increase in interest rate	Effect on profit before tax
2019	(basis points)	U.S. $000's
Currency		
U.S.$	20	(369)

	Increase in interest rate	Effect on profit before tax
2018	(basis points)	U.S. $000's
Currency		
U.S.$	20	(159)

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. PADICO is exposed to credit risk from its operating activities (primarily account receivables) and from its financing and investing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivables:

Customer credit risk is managed by each business segment unit subject to PADICO's policies relating to customer credit risk management. PADICO's Subsidiaries have a broad-based number of clients. The credit risk associated with accounts receivable is widely distributed among a large number of individual customers. PADICO's subsidiaries limit credit risk by obtaining in-kind guarantees from certain customers and following up collection of receivables by monitoring receivables and in collaboration with legal advisors.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into groups and are assessed for impairment collectively. The calculation involves certain percentages derived from group of inputs, including historical collection patterns, type of customer, services provided, aging of accounts receivable reports, and default definition through the number of days past due, in addition to considering future factors.

The maximum exposure is the carrying amount as disclosed in note (13). In addition, PADICO and its subsidiaries sell most of their ready for sale properties through installments that mature over several years. PADICO's real estate companies limit the credit risk by not transferring the ownership of the sold properties to the customers until all the receivables are paid.

Other financial assets

With respect to credit risk arising from the other financial assets of PADICO, including Cash and bank deposits. PADICO's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

Liquidity risk

PADICO and its subsidiaries limit its liquidity risk by ensuring credit facilities are available and monitoring the collections of accounts receivables and other current assets.

The table below summarizes the maturity profile of PADICO's undiscounted consolidated financial liabilities as at December 31, 2019 and 2018, based on their maturity.

	U.S. $000's					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
December 31, 2019						
Loans, credit facilities, and debt bonds	3,376	16,544	34,001	241,090	3,921	298,932
Lease liabilities	-	66	1,618	4,897	8,991	15,572
Accounts payable, notes payable and other current liabilities	14,808	8,880	6,492	771	-	30,951
	18,184	25,490	42,111	246,758	12,912	345,455
December 31, 2018						
Loans, credit facilities, and debt bonds	4,744	34,994	31,506	266,633	4,777	342,654
Accounts payable, notes payable and other current liabilities	16,809	7,615	8,102	3,922	-	36,448
	21,553	42,609	39,608	270,555	4,777	379,102

Equity price risk

The following table demonstrates the sensitivity of the consolidated income statement and consolidated statement of comprehensive income to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown below:

		U.S. $000's	
2019	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	67
Shares listed in Amman Stock Exchange	10	643	6,669
Investment portfolios	10	117	111
Shares not listed in financial markets	10	3	1,686
Others	10	-	3

		U.S. $000's	
2018	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	71
Shares listed in Amman Stock Exchange	10	695	6,328
Investment portfolios	10	109	183
Shares not listed in financial markets	10	284	1,624
Others	10	80	3

Foreign Currency Risk

The following table demonstrates the sensitivity of the consolidated income statement to a reasonably possible change in the U.S. $ exchange rate, with all other variables held constant. The Jordanian Dinar (JOD) is linked to U.S. $ therefore, no effect, resulting from the fluctuations in JOD rate, is expected on the consolidated income statement. The effect of decrease in foreign currency exchange rate is expected to be equal and opposite to effect of increase shown below:

	Increase in New Israeli Shekel to U.S. $	Effect on consolidated income statement	Increase in other currencies to U.S. $	Effect on consolidated income statement
	%	U.S. $000's	%	U.S. $000's
2019				
U.S.$	20	457	20	34
2018				
U.S.$	20	278	20	22

Capital management

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

PADICO 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 two years ended December 31, 2019 and 2018.

PADICO's capital structure is comprised of paid in capital, share premium, other reserves, retained earnings, and non-controlling interest after the deduction of treasury stocks, with a total of U.S. $ 470,451,000 as at December 31, 2019 and U.S. $ 476,514,000 as at December 31, 2018.

39.Concentration of Risk in Geographic Area

PADICO and its subsidiaries are carrying major part of their activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance.

40. Commitments and Contingent Liabilities

- The unpaid portion of investment of PADICO and its subsidiaries in financial assets at fair value through profit or loss amounted to U.S. $ 40,309 and U.S. $ 90,670 as at December 31, 2019 and 2018 respectively.
- During the previous years, PRICO (a subsidiary) signed a partnership and investment agreements with Governmental Authorities (Ramallah Municipality, Ministry of Awaqf and Ministry of Public Works and Housing) under which investment projects are developed and established during the different periods of investments. The current annual contractual commitments related to those agreements amounted to U.S. $ 332,984. This amount is subject to change as a result of the completion of current investment contracts and entering into new partnerships and signing new contracts.

- The contractual commitments resulting from contracts and agreements signed with suppliers in relation to PADICO's and its subsidiaries projects amounted to U.S. $ 5,754,535, as at the date of the consolidated financial statements. This amount represents the difference between the total contract value and the completed amount as at the date of the consolidated financial statements.
- There have been several lawsuits against PADICO's subsidiaries with an amount of U.S. $ 27,609,147 which are within the normal course of business. PADICO's management and their legal advisors believe that provisions recorded against those lawsuits are sufficient for expected results.
- PADICO and its subsidiaries have entered into commercial property leases on its investment property portfolio and intangible assets. These non-cancellable leases have remaining terms between 6 and 11 years.

Following is a schedule showing the minimum value of non-cancellable lease values:

	U.S. $000's	
	2019	2018
Within one year	4,407	4,407
After one year but less than five years	16,598	16,598
More than five years	80,607	84,640
	101,612	105,645

41. Segment Reporting

PADICO's reporting segments as PADICO's risks and rates of return are affected predominantly by differences in the products and services provided. PADICO and its subsidiaries segments are real estate, industrial and agricultural, tourism, securities markets, in addition to the investment sector.

The following table presents revenue and profit information and certain asset and liability information regarding PADICO's business segments:

December 31, 2019	Investment sector	Real estate sector	Industrial and agricultural sector	Securities market sector	Tourism sector	Eliminations	Consolidated
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Revenues							
External revenues	63,072	8,793	75,646	2,133	12,961	-	162,605
Inter-segment revenues	35	65	-	419	-	(519)	-
Segment revenues	63,107	8,858	75,646	2,552	12,961	(519)	162,605
Other information							
Depreciation and amortization	(179)	(3,830)	(4,432)	(281)	(3,296)	893	(11,125)
Finance costs	(10,480)	(2,124)	(2,794)	(26)	(748)	394	(15,778)
Impairments (note 33)	-	(4,442)	(1,054)	-	(16,187)	-	(21,683)
Profit (loss) before income tax	45,185	(11,597)	8,752	723	(19,912)	124	23,275
Capital expenditures (notes 6,7,8,9)	29	4,890	6,752	125	750	-	12,546
Share of associates' results of operations	30,230	(7)	3,248	-	-	-	33,471
Assets and liabilities							
Assets	616,280	129,045	161,520	13,504	55,587	(166,763)	809,173
Liabilities	209,735	65,489	75,748	1,382	16,618	(30,250)	338,722
Investment in associate companies	369,113	449	23,549	-	-	(3,554)	389,557

Segment Reporting (Continued)

December 31, 2018	Investment sector U.S. $	Real estate sector U.S. $	Industrial and agricultural sector U.S. $	Securities market sector U.S. $	Tourism sector U.S. $	Eliminations U.S. $	Consolidated U.S. $
Revenues							
External revenues	30,599	9,109	67,874	2,279	11,323	-	121,184
Inter-segment revenues	97	59	-	455	-	(611)	-
Segment revenues	30,696	9,168	67,874	2,734	11,323	(611)	121,184
Other information							
Depreciation and amortization	(172)	(2,935)	(3,815)	(196)	(3,096)	64	(10,150)
Finance costs	(10,300)	(2,060)	(2,274)	-	(637)	602	(14,669)
Profit (loss) before income tax	16,650	(7,922)	4,460	516	(2,403)	4,915	16,216
Capital expenditures (notes 6,7,8,9)	4	3,882	9,158	665	371	(805)	13,275
Share of associates' results of operations	30,029	(88)	2,972	-	-	-	32,913
Assets and liabilities							
Assets	616,757	196,453	144,585	13,176	72,800	(205,750)	838,021
Liabilities	227,874	79,569	70,428	1,335	16,338	(34,037)	361,507
Investment in associate companies	346,796	456	21,277	-	-	(679)	367,850

42. Comparative Figures

Certain comparative figures of the prior year consolidated financial statements were reclassified to conform to the current year presentation for the year ended December 31, 2019. These reclassifications had no effect on the net income and equity of prior years.

43. Subsequent events

Subsequent to the date of the consolidated financial statements, and as a result of the continued effect of the Corona Virus (COVID 19) on the global economy and the different business sectors, and the accompanying measures and restrictions taken by the Palestinian Government, neighboring countries and the rest of the world; it is possible that PADICO's operating activities will be affected by these global changes that currently influence the different commodities markets and the supply chain industries, in addition to tourism and hotels due to the restrictions imposed and travel restraints in place, including quarantine for travelers, and the cancellation of conferences and hotel reservations.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these consolidated financial statements. These developments could impact PADICO's future financial results, cash flows and financial condition. PADICO's management is in the process of assessing the impact of the Corona Virus on PADICO operations to take appropriate actions.