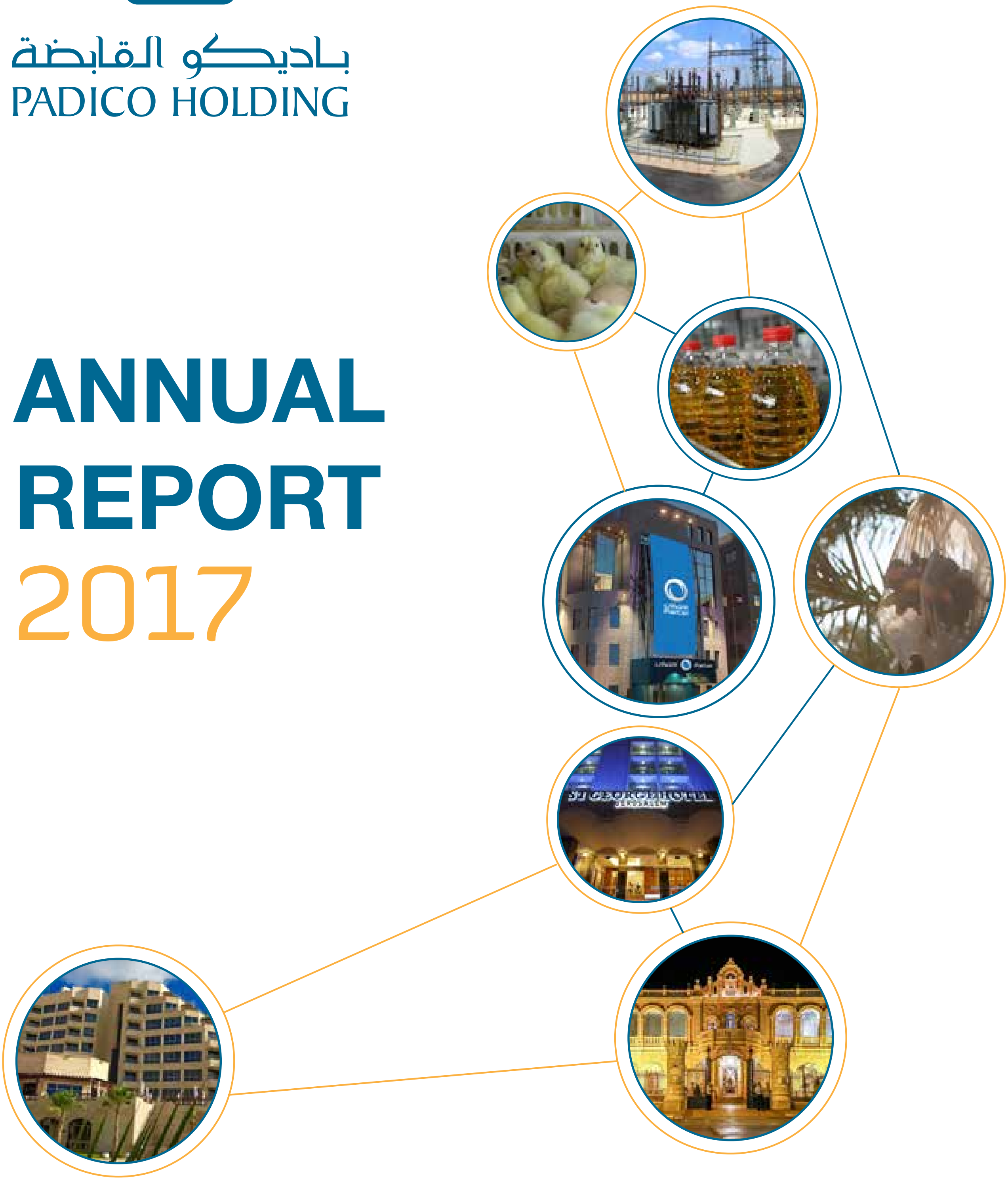
باديكو القابضة
PADICO HOLDING

ANNUAL REPORT 2017



ANNUAL REPORT
2017

PADICO HOLDING

Palestine Development and Investment, Ltd.
Foreign, limited, public shareholding limited Liability Company, registered in the Republic of Liberia Under the Liberian Business Law of 1977

23 Years of success

Contents

About PADICO HOLDING

PADICO HOLDING Company was established in 1993 as a foreign limited liability holding company registered in Liberia at the initiative of prominent Palestinian and Arab businesspersons with the aim of contributing to the building and development of the Palestinian economy by establishing development projects in vital economic sectors.

The company's capital is 250 million shares with a nominal value of one US dollar per share, and its shares have been traded on the Palestine Exchange since 1997.

The number of shareholders in the company has gradually increased from 710 in 1998 to about 7394 in 2017. PADICO shareholders include investors from North Africa, and the Middle East including Palestine and Jordan.

Our Values and Mission

PADICO HOLDING believes in the importance of its role and contribution in building the Palestinian economy. It has several leading companies that contribute to the economic development of Palestine by implementing investment projects in various economic sectors, creating jobs and launching creative economic initiatives in partnership with public sector institutions. Moreover, attracting local and international investors and encouraging them to invest in Palestine.

PADICO HOLDING is committed to its ethical and societal role towards the company's society and local community. It is an international company with a set of values, principles, standards of governance and best management practices. As a national company, PADICO HOLDING commits to a group of strategies and ethics in all practices and activities. It also aims to improve the internal working environment, adopt responsible investment projects and continue to commit to supporting community and development initiatives and projects.

Our Advantage

PADICO HOLDING is a leading investment company with a long-term development orientation. The company has demonstrated its ability to enter into large-scale, promising and promising investment projects over the past years. Its members have international expertise in various sectors of the economy and entrepreneurship, contributing to the enhancement of its vision and direction and the development of a flexible strategy based on diversification of investment to ensure accumulated returns that support both sustainable and active development objectives.

In spite of all challenges, the prudent plans of the board of directors have contributed to maintaining the investment orientation of the company. PADICO HOLDING is strategy based on investment diversification. This has enabled the company to achieve continuous returns over the past years despite difficult circumstances.

Our Strategy

PADICO HOLDING is committed to developing the Palestinian economy through a group of subsidiaries and affiliates that invest in key sectors constant with the company's overall strategy, including real estate, communications, tourism, industry, agriculture, the environment and financial services. PADICO HOLDING's ability to generate profits depends mainly on the performance of its subsidiaries and affiliates. PADICO HOLDING's strategy to diversify investment in several sectors and geographical areas has enabled it to become a leading investment and development company in Palestine. PADICO HOLDING is unique in nature compared to other Palestinian companies and international companies; its board members have international expertise in various economic sectors. The company is characterized by its ability to enter into large-scale investment projects with a guaranteed return. The diversified investment strategy has provided an opportunity for increased returns over the past years despite the difficult circumstances, which have made it a model for investment in Palestine.

PADICO HOLDING

Twenty-three years of investment in Palestine

At the beginning of every year, PADICO HOLDING proudly grasps the opportunity to celebrate the previous year's remarkable achievements which would not have been possible without the invaluable faith and sincere admiration of our stakeholder and the trust which they have instilled in us. As we embark on a third decade of PADICO, two decade, we renew our gratitude and commitment to a leading and pioneer company striving for a bright and better future for our country and our people. Serving as a deep cornerstone and key factor in building national economy in the future State of Palestine and in contributing to shape a future oriented towards decent life, several job opportunities and full citizenship.

Board of Directors

Munib R. Masri
Chairman

Nidal M. Sukhtian
Vice Chairman

Ammar A. Aker
Board Member

Kameel A. Saad Edeen
Board Member

Sabih T. Masri
Board Member

Bashar F. Masri
Board Member

Jamal S. Hourani
Board Member

Yazid A. Mufti
Board Member

Nabil G. Sarraf
Board Member

Zahi W. Khouri
Board Member

Omar A. Bitar
Board Member

Iyad N. “Darwish Hajji”
Board Member

Governance

PADICO HOLDING governance is considered an integral part of its management principles. It is a strategic necessity to ensure that the company is moving in the right direction, anticipating future horizons, optimizing the use of resources, and distributing the functions and powers among the board members and the Board of Directors and the executive management. It is a fundamental principle that ensures the company's compliance with international standards, including a sound working environment, a code of conduct that controls the working environment, and regulates the company's relationship with its external environment, which is a social extension. PADICO HOLDING's restructuring of investments has contributed to the promotion of best practices and good governance, and in improving the efficiency and effectiveness of the systems in which it operates.

The company is committed to periodical publishes of its quarterly and annual financial reports. In addition to quarterly and annual disclosures, and press releases which highlights its latest events such as social responsibility programs, sustainability programs and environmental protection. The Company is also committed to issuing annual reports in accordance with the requirements of the Capital Market Authority of Palestine and the Palestinian Stock Exchange.

In 2012, PADICO HOLDING completed a study conducted by the International Finance Corporation (IFC), and the investment arm of the World Bank Group, to develop the governance principles of PADICO HOLDING. This aims to enhance its compliance with international standards and regulations and to benefit from international experience in the areas of governance. The study included a comprehensive review of the company's governance and transparency, and recommendations for its development. PADICO HOLDING currently relies on the recommendations of the study as a reference for strengthening the principles of corporate governance and best practices within the company. Including the role of the board of directors in terms of structure, functions and competencies, the relationship with shareholders and the community, or the standards of periodic reports and disclosures, in addition to standards that meet the environmental requirements of the company's projects.

The Role of the Board of Directors and its Committees and Mechanism

The Functions of the Board of Directors

The Board of Directors of PADICO HOLDING consists of thirteen members. Its functions to follow up the progress of the company's business, strategy and future plans. It also aims to review the political and economic conditions and variables that affect the next phase, in addition to approving budgets, financial and investment regulations and policies and approving the financial statements.

The company is committed to the principles of governance by making decisions by majority. The minimum number of members of the Board of Directors is 100,000 shares, and neither the Chairman nor the members of the Board of Directors have executive positions either in the Company or in its subsidiaries. Over the past few years, the Board of Directors has formed a number of internal committees, including standing committees, and temporary committees with specific tasks and mandates linked to a timetable. During the year 2017, the Board held a total of six formal meetings, several meetings and special workshops to discuss the company's affairs.

Board of Directors' Committees

The Board of Directors has established the following committees:

The Executive Committee, members of the committee:

Bashar F. Masri (chairman)

Nabil G. Sarraf

Ammar A. Aker

The Audit Committee, members of the committee:

Yazid A. Mufti (chairman)

Kameel A. Saad Edeen

Ziad M. Turk

Legal Advisors:

Sanad Law Group association with Eversheds – International

Haytham Al Zubi – Palestine

External Auditors:

Ernst & Young

Main Banks:

Arab Bank | Cairo Amman Bank

Executive Management:

Ziad M. Al Turk	Secretary General
Nihad T. Kamal	Secretary of the Executive Council
Amjad Y. Hassoun	Chief of Financial Management
Nimer Abdel Wahed	Real Estate Consultant
Saeed Y. Dwikat	Chief Development Officer
Jihad A. Zammari	Internal Audit Manager
Rasha K. Metwalli	Administrative Manager
Samer M. Safadi	Head of Shareholders Management Unit
Ziad Y. Tafesh	Head of Technical Support Unit

Sustainability and Responsible Investments

PADICO HOLDING is committed to carrying out its business in accordance with the principles of sustainability and transparency. It works to disseminate these principles to society through its responsible investments in energy and the environment and through its community commitment. This has enhanced the consistency of practical practices that the company has applied in its various activities with human rights standards, workers' rights, the environment, and the application of good practice in business and the ethics of the profession.

Investor Relations and Communication with Shareholders

PADICO HOLDING, demonstrates keenness through the Shareholders Affairs Unit and the Sustainability and Investor Relations Department to maintain proactive and effective communication and coordination with all investors and shareholders. It tries to keep them abreast of all the details that help them understand the future prospects of their investments and recognize the company's achievements and activities.

The company also employs various means of communication, including telephone calls, corporate website, e-mail address, annual report, quarterly newsletters, media, and social networks

PADICO HOLDING will hold its annual general assembly meeting between April and May. The meeting will be a platform for discussing the company's status, results of operations and plans. The items on the agenda will also be discussed, including the approval of the financial statements for the financial year ended, the Board of Directors' accounts and approval of dividend distribution recommendation. The company sends an invitation to its shareholders to attend the meeting one month in advance by sending invitations by mail and through the advertisement in local newspapers and On the company's website.

Financial Disclosures

PADICO HOLDING discloses its financial statements through its quarterly reports, the annual report, and during the meetings of its General Assembly. Financial data presented to the Palestine Capital Market Authority (PCMA) and the Palestine Exchange (PEX) pursuant to the regulations in force in Palestine. Financial statements and reports are regularly posted to PADICO's website; when necessary, financial statements are disclosed in a press conference.

Internal Auditing

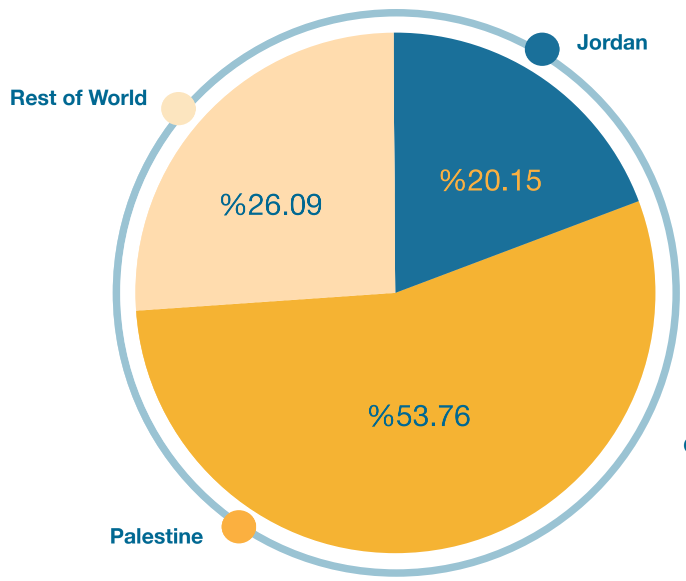
PADICO HOLDING emphasizes the importance of internal auditing. The Internal Audit Department which has full autonomy, reports directly to the audit committee of PADICO HOLDING Board of Directors. International standards applied for audits of financial reports of PADICO HOLDING and all its subsidiaries. The relationship of the Internal Audit Department with the affiliate and subsidiary companies regulated by resolutions early approved by the Board of Directors and the Internal Audit Charter.

Shareholder

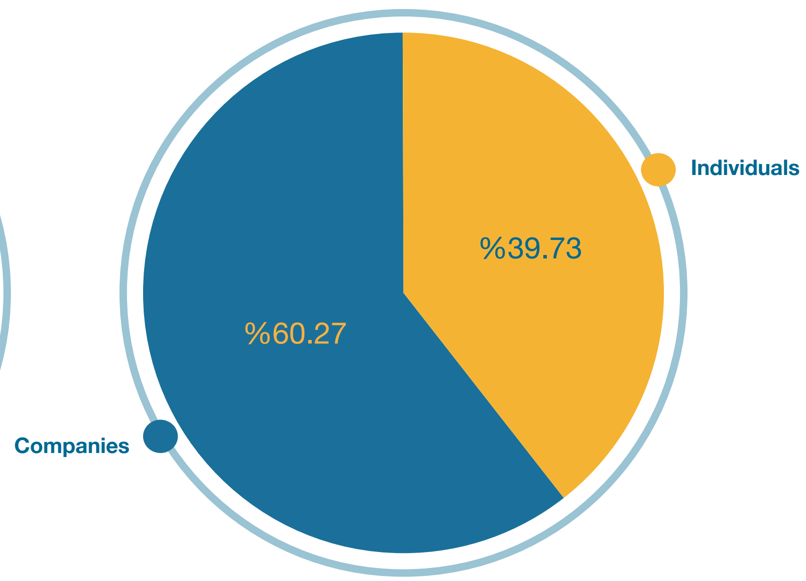
Shareholders Structure

At the end of 2017, PADICO HOLDINGS had 7394 shareholders, distributed as follows:

Type of Shareholders	Number of Shareholders	Number of Shares	Shareholders equity ratio
Individuals	7,289	99,314,067	39.73%
Companies	105	150,685,933	60.27%
Total	**7,394**	**250,000,000**	**100.00%**



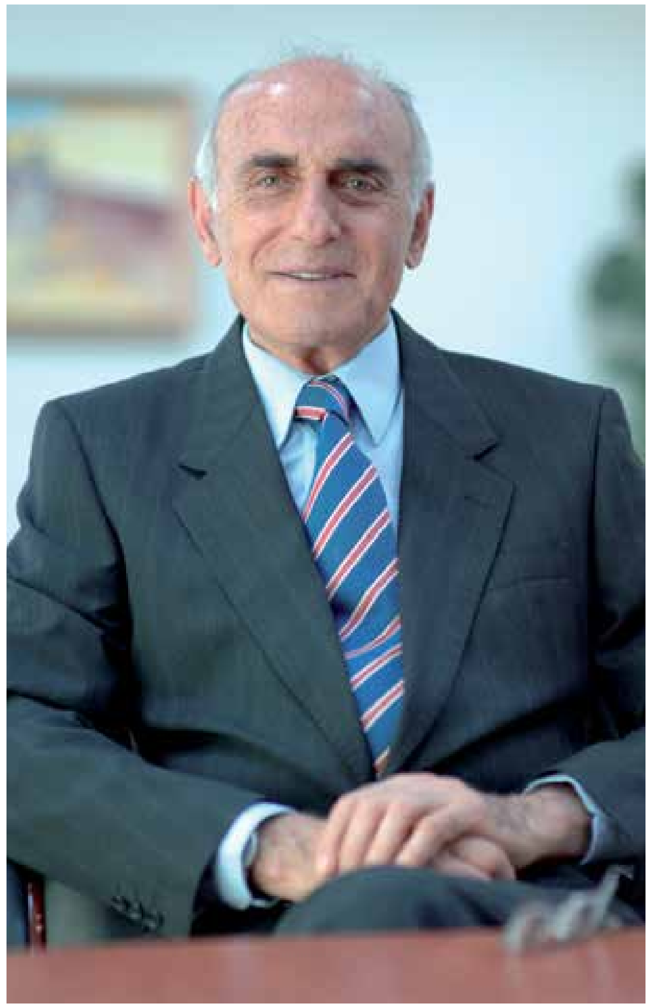
Nationality of Shareholders



Shareholders Structure

Nationality of Shareholders	Number of Shareholders	Number of Shares	Shareholders equity ratio
Palestine	6,579	134,411,635	53.76%
Jordan	612	50,362,879	20.15%
Rest of World	203	65,225,486	26.09%
Total	**7,394**	**250,000,000**	**100.00%**

Shareholders	Capital ratio
Paltel Group	%16.91
Sabih Masri Group	%12.63
Saraj for Investment Funds Group	%12.57
Massar International Funds Group	%8.63
Munib Masri Group	%5.25
Nidal Sukhtian Group	%2.23
Sideeq Abu Sido	%1.33
Abdula Mohsen Hassan Qattan	%1.17
National Beverages Company	%1.08
Maha Mousa Mustafa Abdul Fatah	%1.03
Sheikh Mohammad bin Hamad Al-Thani and relevant entities	%1.02
Arab Bank	%1.00
General Social Security Corporation	%0.96
Palestine Investment &Development	%0.86
Al-Sa'eed Company Limited	%0.74
Saudi Olayan Investment Company	%0.72
Nabel Emel Ibrahim Hadad	%0.65
Adel Sa'eed Ibrahim Al-Qassem	%0.58
Dubai National Investment Company	%0.56
Riyad Tawfiq Al-Sadeq	%0.56
The National Bank	%0.52
Arab Jordan Investment Bank	%0.52
Ibrahim Emel Ibrahim Hadad	%0.49
Etihad Bank – Jordan	%0.48



The Chairman Message

Dear Shareholders,

We are pleased to share with you PADICO HOLDING Annual Report for 2017 to review together the company's business history and investments in the past year, and to keep up with the challenges and achievements that have come despite many political and economic uncertainties that we witnessed that year. That would not have been possible without your confidence and faith in PADICO HOLDING as a quality investment destination, and a solid pillar of the Palestinian economy. It has been a leading icon of the private sector to invest in Palestine for over two decades of time, confirming that Palestine is the land of opportunities. It also confirms the investment of economic and political dimensions of humanitarian and installation. In addition to polarizing the world's view of these creative opportunities, which we have created the first of our faith and our commitment to invest in Palestine second and always.

The political events that surrounded Palestine in 2017 have left great negative effects on the economic sector in general, and on the performance of companies in particular which are led by PADICO HOLDING. The occupation continues to put obstacles before the private sector along with the public sector expenditure. These expenses exceed the limited capabilities of the Palestinian economy, and the decline in foreign aid, while acknowledging the progress made in the reform of public finances in terms of increasing revenues and rationalization of spending. These steps still need more work to strengthen them to reach the limits of economic capabilities and the requirements of providing a decent level of services to citizens.

Dear Shareholders,

In the past year, PADICO HOLDING witnessed a number of changes in accordance with the Board of Directors' decision in July 2016. It aims to unify the policies of the group companies, and to control the administrative expenses and costs, and carry out the necessary restructuring to meet the difficult stage and conditions. in order to promote the company and support the Palestinian economy. Change was not easy, but to strengthen our principles and expertise in PADICO HOLDING, this change has come to reduce the damage and moving forward. We are confident that we have not returned any step back, but rather the motivation for the catalyst to advance and flick and start with determination again. However, this change does not prevent us from emphasizing our appreciation for the efforts made over the years to prosper and advance the company.

By the end of 2017, consolidated revenues totaled USD 142.20 million, consolidated assets of USD 841.19 million and consolidated liabilities of USD 321.17 million will be collected. Nevertheless, the Company continued to grow in operating profit in 2017. It increased from 34 million dollars and grew by 4% compared to the previous year. However, the provisions made by the subsidiaries, especially Palestine Real Estate Investment Company (PRICO), significantly and temporarily affected the financial performance of the group in 2017. The total provisions amounted to about USD 14.1 million, including provisions for doubtful debts and provisions for impairment of certain assets and real estate projects, financial investments and other assets, net profit attributable to shareholders decreased to USD 6.79 million in 2017 from about USD 19.01 million in 2016. Although the year 2017 has seen a clear and uneven improvement in the profitability of other subsidiaries and affiliates Palestine Industrial Investment Company and its subsidiaries and affiliates. Industrial profits grew by 14% to reach USD 7.76 million. The year 2017 saw an improvement in the performance of Jericho Gate and Nakheel Company. Are growing from one fiscal year to the next with the development of their operations. In addition, the improvement witnessed by the companies operating in the tourism sector, which have been able to achieve operating profits in 2017 and thus significantly reduce losses compared with the year 2016 and previous years.

Dear Shareholders,

PADICO HOLDING seeks to focus on improving the performance of operations in all of the companies and projects it invests in and its subsidiaries. It does that through increasing efficiency of different operations and production centers by rationalizing administrative expenses, controlling operating expenses, enhancing revenues and diversifying their sources. PADICO HOLDING will focus on three main parts which are, the real estate sector, industrial cities and alternative energy, these three will be given greater attention to projects and companies operating in vital sectors. These investments will be a major lever for profits in the near future, medium and long term, by expanding their base through entering projects and theough new and optimized use of the assets in addition to potential projects.

PADICO HOLDING's strategy in the coming phase is based on strengthening the fundamentals of resilience and attracting foreign and internal investment to focus on youth. We focused on the development of marginalized groups and education, leading to a comprehensive socio-economic development.

Yours respectfully,
Munib Rasheed Al Masri
Chairman

Performance Summary of Investment

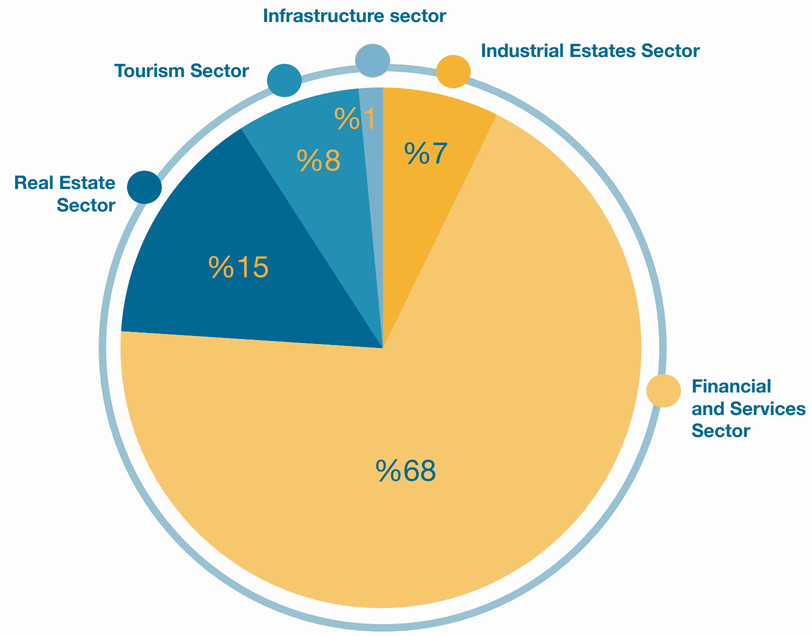
Summary of Investment Performance

Investment sectors

The total direct investments of PADICO HOLDING at the end of 2017 amounted to USD 583.4 million, distributed over a number of economic sectors. The figure below shows the relative distribution of these sectors at the end of 2017.

The financial and services sector accounts for 68% of total direct investments, mainly through investment in Palestinian telecommunications companies. This sector is the least affected by political and economic volatility.

Investment in real estate development comes second place after the financial and services sector. PADICO HOLDING's investments in this sector constitute 15% of the total direct investments through the contribution of Palestine Real Estate Investment Company (PRICO) mainly, Jericho Gate and Rabia Quds project.



Investments in the tourism sector accounted for 8% of the company's total investment through the contribution of JEDICO, which is the tourism investment arm of PADICO HOLDING.

In terms of investments in the industrial and agricultural sectors, it accounts for 7% of PADICO HOLDING's total direct investments. The infrastructure and environment sector accounts for 1% of PADICO HOLDING's total direct investments. PADICO HOLDING assumes that the importance of increasing investments in these sectors as part of its plan for the coming years.

Classification of investments for financial reporting purposes

The direct investments are classified into three main groups for financial reporting purposes, which are the subsidiaries, affiliates, and other companies. The following table shows the distribution of PADICO HOLDING's direct investment portfolio based on its accounting classification as at the end of 2017:

Distribution of direct investments by accounting classification

	Million Dollar
Subsidiaries	187.4
Affiliates	380.4
Others	15.6
Total:	**583.4**

Subsidiaries are those companies in which PADICO HOLDING holds more than 50% of its capital or voting rights, as it is empowered to develop its financial and operating strategies and policies. PADICO's shareholding is usually between 20% and 50%, while in other companies which are not represented by PADICO to exercise significant influence in their financial and operating policies, PADICO's holding percentage is usually less than 20% of its share.

Investment Performance

Financial and Services Sector

PADICO HOLDING's investments in the financial and services sector amounted about USD 399.2 million or 68% of PADICO's total investments by the end of 2017.

Below is a summary of the most important companies operating in the financial and services sector, and important achievements during the year of 2017:

Paltel Group:

Paltel Group was always considered the leading company of the telecommunications sector in Palestine. Paltel Group started its operations in 1997 as a public shareholding company in order to provide telecommunications and internet services in Palestine through the establishment and development of the necessary infrastructure. Therefore, it become the largest operator in Palestine and the largest company by market value for the total market capitalization of the Palestine Stock Exchange to reach 21.8% at the end of 2017. Paltel Group have the following companies of its own:

Palestine Telecommunications Company (Paltel)

For more than 20 years, Paltel has enriched the lives of its customers through innovative communications and entertainment solutions by leaving a footprints for a better tomorrow. Paltel has been consistently providing innovative, reliable, and high-quality fixed line and Internet services coupled with professional technical support and outstanding customer care. Today, Paltel`s mission is to deliver state-of-the-art solutions for its customers locally and internationally.

Palestine Cellular Communications Ltd. (JAWWAL)

JAWWAL seeks to remain at the top of the leading companies in the Palestinian market that provide mobile communication services, efficiently and reliably to all its subscribers, overcoming all difficulties and obstacles. Moreover, it has the largest role in bringing everyone together by reuniting and running their businesses, and continuing to grow together alongside the growth of the national economy.

In the year 2017, JAWWAL increased its visibility through various media and e-advertising and succeeded in leading the social networking sites in Palestine according to various statistics and reports. It also provided various services to facilitate its subscribers through the mobile application of "my account". In the year 2017, it continued to sponsor Palestinian sport in its various forms. It continued to sponsor the national football team, handball, basketball and volleyball, as well as sponsoring many Palestinian sports activities in partnership with the various sports federations. Internationally, JAWWAL has signed agreements to provide international roaming services with more than 436 operators in more than 170 countries. JAWWAL confidently faced the challenge of the other operator in Gaza to prove that it is the network of millions and the strongest in Palestine. JAWWAL launched the first experience of 3G services, overcoming all the obstacles and difficult conditions imposed by the arbitrary policies of occupation against our people and our Palestinian economy.

Hadara Technology Investment Co. (Hadara)

Hadara is looking forward to continuing its new brand strategy with the slogan "Hadara A New World". The slogan is in line with its vision of providing the latest technology, high quality, and keeping abreast of the new technologies and communications. It seeks to achieve that through the provision of after-sales service, content, entertainment and diverse applications and products.

In the year 2017, Hadara continued its leading role in the internet services sector in Palestine by investing in new products to ensure the enrichment of the Palestinian market with flexible, fast and secure services. In the same year, Hadara worked to provide its customers with its services and products in order to provide an easier life for its individual customers. The services were distinguished by keeping pace with the technological development. It has also met the needs of Palestinian institutions and companies by providing the most distinctive and diversified services designed to facilitate the business sector and businesses wherever they are.

Reach for Communications Services Co. (Reach)

Reach is the first, and largest Palestinian contact center for outsource telecommunications. Reach was established in 2009, and it is a Paltel Group subsidiary, offering the highest quality performance-driven services, through multi-communication channels.

Reach handles 45,000 calls per day using Cisco IPCC Technology system, allocated across 260 seats. Its multi-lingual agents are able to receive and make calls around the world, and are experts in a variety of industries.

The Palestine Exchange (PEX)

"The 20th anniversary of the commencement of trading on PEX" was the most prominent title of the events of 2017, where February 18, 2017 marked the passage of 20th year of the first trading session which began in 1997. During which the stock market paths and successes brought to the refineries of international and regional stock exchanges with its small size and comparatively short period. PEX has maintained its consistent and accelerated approach towards internal development and the development of regional best practices.

The first half of 2017 witnessed the announcement of the introduction of the electronic subscription system developed internally in cooperation with the Palestinian Capital Market Authority (PCMA) by PEX, in line with the strategic directions of the exchange to improve the level of services offered to investors in the securities sector. The system was linked directly to the database of the exchange's depository and transfer center. This ensures the standardization, validity and quality of the data for the shareholders in the company, as well as reduces the percentage of errors in subscriber data, speeds up and facilitates the subscription process.

In addition to the development of the existing programs, PEX also announced the launch of the upgraded version of the electronic disclosure system "EFSAH", which was launched in 2015. The development carries a qualitative leap towards the provision of data to interested investors in both Arabic and English languages, developments and practices in the world of financial markets. In addition to giving the opportunity to the largest segment of investors, especially foreigners to see the financial performance of listed companies. PEX recently launched another version developed in a manner that allows the disclosure of non-financial data also.

What will make this year a detailed year in the history of PEX is to contract with NASDAQ OMX to purchase the main trading systems of the stock exchange "System Extreme" which is characterized by high efficiency and speed in processing transactions.

On the other hand, the data showed a number of positive indicators, through the results of 2017 and the performance of listed companies. In addition, work is underway for internal restructuring and development of the electronic structure in the framework of the completion of all transactions and tasks. Also, it is conducting studies and research to develop new financial instruments. (EBRD) has recently asked to prepare a "gap analysis" study that will lead to a road map and a strategic plan capable of addressing the overall problems of the securities sector.

Real Estate Sector

Through a contribution to Palestine Real Estate Investment Company (PRICO), the investment arm in the real estate sector of PADICO HOLDING, and through the contribution of Jericho Gate and the Rabiyat Al Quds, PADICO HOLDING's total investment in the real estate sector amounted to USD 89.6 million, representing 15% of PADICO's total investments by the end of 2017.

Palestine Real Estate Investment Company (PRICO)

During the years 2015-2017, PRICO worked and invested in renewable energy sector. It implemented many projects in Palestine and abroad in the same field. The company has developed its expertise in this field within a short period until it became one of the first companies working in alternative energy and infrastructure.

Renewable energy and Infrastructure projects

During the year 2017, PRICO carried out many studies in the field of solar energy, water treatment and other studies, all with the aim of building a Palestinian society and a national economy for alternative energy. Its projects include:

- producing electricity through solar energy project in PIEDCO in Gaza Strip
- Sewage Treatment Project in Jenin
- producing electric power through the production of solar energy project in the resort of Blue Beach in Gaza

Partnership with the public sector:

PRICO now manages several projects with partnership with the public sector in Palestine and abroad, including:

- Awqaf Building
- Al-Bireh Central Station
- Scouts Building
- Park Plaza project – Jordan

Residential and commercial projects:

PRICO is currently developing the administrative and logistic aspects of its existing residential projects. It has invested in this sector over the past years and focused on completing the engineering and architectural projects. Now it is seeking to develop and manage the general concept of residential complexes. Such as:

- Al-Ghadeer suburb
- Al-Masayef Project
- PRICO House 2

Jericho Gate for Real Estate Investment Company

The two largest private sector companies, PADICO HOLDING and PALTEL Group, own Jericho Gate Company. It started the construction and development of a fully integrated residential neighborhood comprising residential villas for recreational leisure in the city of Jericho on an area of 3033 square kilometers in the area classified "A" each piece of land owned with"Tabu". The project is located on the southern entrance of the city, which is the oldest in the world and the lowest spot on the planet. The project seeks to embody a qualitative leap in the Palestinian lifestyle into a full-life lifestyle. The project will create more than 5,000 jobs for youth, women and entrepreneurs, whether by creating entrepreneurial jobs or new jobs. This will contribute positively in improving the lives of Palestinians.

The project will include more than1500 residential tourist villas, several hotels, tourist facilities, shopping malls, recreational water parks, a racetrack for cars, as well as cultural and educational centers such as the museum and the tourist academy. It will also include Conference venues, schools, higher education institutions, agricultural research institute and many cultural facilities.

The company has completed an important part of the infrastructure networks for the first phase, and work is on process to complete all the infrastructure works and networks for the first phase during the next year so that the residents can begin their lives in the villas that developers started to build within this stage.

In addition to the villas that five developers started on an area of about 85 dunums, in residential area in the first phase, the company started preparing for the construction of 24 villas of five models to be built in the first quarter of this year 2018. They will be like the project model in terms of style and quality and lifestyle. The company will start marketing and selling these villas in the coming period.

Rabiyat Al-Quds Project

Rabiyat Al-Quds project is primarily a housing project, standing out by its innovative design. It has an integrated neighborhood that includes green areas that allows residents to live in a community that encourages them to socialize while preserving the privacy of the population by providing complete independence of each building. The project also provides a recreational environment for children to enable parents to monitor and follow their children while playing in green, wooded and fully protected spaces for children.

The first objective of the project is to reach the largest number of residents of the Jerusalemite identity, since they suffer greatly from the acute shortage of licensed apartments that comply with the conditions and specifications determined by the Municipality of Jerusalem. The other targeted groups are Palestinian citizens at home who work in or want to invest in Jerusalem.

Rabiyat Al-Quds Real Estate is a promising real estate project executed by PADICO Holding in Beit Safafa area in the south of Jerusalem. The project includes the construction of 22 residential buildings. During the year 2016, PADICO HOLDING has completed its efforts to obtain all necessary licenses and approvals from all the relevant departments in the Municipality of Jerusalem for the development of Jerusalem Rabiyat Al-Quds project. The approvals received included land, apartments, water, electricity, licenses for disabilities facilities, firefighter station, road construction and others.

After the company obtained all the necessary licenses for the ten buildings comprising the first phase of the project, it has the option of raising the percentage of construction to increase the number of existing apartments from 82 to 96 apartments maximum. The new land classification will include commercial classification (offices, coffee shops, supermarkets) and residential classification. This will increase the number of licensed apartments.

Industrial Estates Sector:

Among the important sectors in which PRICO is engaged in the investment and development of the industrial sector, it considered the need of the market to find effective solutions to the problems faced by the industrial sector, and implemented many projects that affect the Palestinian economy in terms of industry.

Jericho industrial agricultural city (JAIP)

JAIP was established in 2012 in cooperation with the Palestinian National Authority and with the support of the Japanese government. It is the first of its kind as a multisectorial agricultural industrial city with investment incentives offering companies and investors in the agricultural industrial sector spaces and integrated storage solutions. Particularly, after achieving the objectives of the strategic plan that was established in early 2012 by JAIP that included preparing the land of the first phase of the establishment, processing of all infrastructure works, providing the bulk of services to investors and developing the system of partnership with donors and related parties. Therefore, at the current stage, JAIP seeks to build plans and strategy for the implementation of the second phase it project, which has an area of about 485 dunums.

In 2017, JAIP worked on the construction of twelve industrial buildings through signing several agreements with several construction companies. In addition, 2017 included a plan for the completion of the first phase of JAIP, which is still under construction, from the completion of industrial buildings and space services, which includes the completion of electricity services to these lands, the installation of four additional electrical transformers. In order to equip the room of the power station and the fire and fire system in addition to the control and control system.

As the plans and requirements for the first part of the second phase of JAIP have started, many investors have entered the project to start the establishment of new factories and investments. The project has also set up regulations and policies for working within the project area and it issued a special instruction booklet to organize the work within the region for all its customers.

The future strategy is to open the field of investment to all sectors with focusing on long-term investors and promising industries in Palestine. It will also focus on increasing and developing the level of services provided by JAIP to customers and investors and will raise the efficiency of its service operations to meet the needs and requirements of the national and international markets. This aims to promote attracting foreign strategic investors both from experience and knowledge or industries and expand cooperation and joint work with preferential concessions with the outside world to support the development and development of JAIP and raise the level of national industrial product and definition, according to the interests of the Palestinian industrial sector.

Palestine Company for the Establishment and Management of Industrial Zones (PIEDCO)

PIEDCO is the first industrial zone in Palestine. It is considered one of the most important cultural aspects in terms of environmental and development in terms of its main role in ending the problems of violating establishments within the residential communities on the one hand and realizing the possibility of establishing small and medium enterprises, which are the arteries of large industries on the other hand.

In 2017, PIEDCO has made many achievements, including the establishment of hangars with an area of 3105 square meters, the construction facility spaces were 6000 square meters for Coca-Cola Company, and many other projects have initiated from the development and maintenance of the sewage plant to the development and maintenance of Well No. 3. The achievements of the year crowded with the signing of the renewable energy agreement.

In addition, many delegations visited PIEDCO to find out this advanced achievement and discuss ways of cooperation and enhancement on the one hand and ways of investment and development on the other hand. A delegation from the World Bank visited PIEDCO more than once over the past year, the Belgian Development Agency, the European Union, the Minister of National Economy and a delegation from the Palestinian Capital Authority.

Infrastructure sector

PADICO HOLDING paid a particular importunacy to the infrastructure sector and the environment, as the investments of PADICO HOLDING mounted USD 8.1 million, and accounting for 1% of the total investment PADICO Holding at the end of 2017.

Solar Power Project in PIEDCO in Gaza Strip

During the year 2017, PRICO signed a financing agreement with the World Bank Group and the institutions involved in the implementation of the project of producing electricity from solar energy with a production capacity of about 7 MW and which can be increased up to 10 MW in the future. All contracts and agreements to start the project are completed. Technical and financial studies to meet the needs of investors within PIEDCO, which aimed to stop the power outages from factories in the industrial zone of Gaza are done.

Solar Power Project in Gaza (Blue Beach Resort)

The investment in electric power project of solar energy by connecting a system that works on the operation of the system and the continuation of its work in the power outages automatic work belted system of electric generators to continue system in the storage of solar energy and convert it to stream without interruption. The system provides the resort with electricity in the event of interruption of the electricity company the surplus transferred to the public company, the project estimated power with a productivity of 467 kW.

Sewage Treatment Project in Jenin

The wastewater treatment project in Jenin aims to strengthen and expand the existing wastewater treatment plant by establishing a triple treatment unit to improve water quality and increase the processing capacity for water recycling for agricultural use.

In 2017, the first phase of the project was completed. It consisted of measurements, monitoring and design preparation for the new expansion. Through 2018, the new treatment system will be installed and the capacity of the plant will be increased.

Tourism Sector

PADICO HOLDING's total investments in the tourism sector amounted to USD 44.4 million, or 8% of PADICO's total investments at the end of 2017, through Jerusalem Development & Investment Ltd (PADICO Tourism).

Jerusalem Development & Investment Ltd (PADICO Tourism)– JEDICO

PADICO is a holding company that manages JEDICO. Following the restructuring of PADICO HOLDING's, JEDICO included the following investments under the company's investment portfolio: Palestine Tourism Investment Company, Jerusalem Tourism Investment Company, and Executive Club.

JEDICO operates a number of five-star hotels including: Jacir Palace Hotel in Bethlehem, Al-Mashtal Hotel in Gaza and St. George Hotel in Jerusalem. In addition to a number of service projects as a business executive club in Ramallah.

Palestine Tourism Investment Company - Jacir Palace Hotel – Bethlehem

Jacir Palace Hotel is an important entity in the tourism industry that is considered a historic landmark that offers the highest level of services. The hotel works periodically to increase sales through offers to address all types of customers for all facilities, and by working to present the ideal image of the hotel, whether through the service of the community or by providing all possible requests from customer's services or celebrations.

Jacir Palace Hotel in Bethlehem awarded the International Hotel of the Year award by the World Luxury Hotels Award of 2017 at the awards ceremony held in Switzerland.

Jerusalem Tourism Investment Company - St. George Hotel - Jerusalem

St. George Hotel is strategically located in East Jerusalem. Late King Hussein Bin Talal opened the hotel in 1965 and then it was reopened after major renovations in 2012. The hotel consists of 130 modernly equipped rooms while maintaining its oriental character for welcoming tourists and pilgrims from the whole world the hotel have meeting rooms, new conference and event center. In addition to the hotel's kitchen, which serves local and international dishes. The hotel's fifth floor pool has charming views of the historic city of Jerusalem.

The St. George Hotel was chosen as the best city hotel for the fourth year in a row, which was announced by the Global Hotel Awards Organization and based on a vote by the hotel's customers and guests. The ceremony held in Switzerland on 2 December 2017.

Al-Mashtal Tourism Investment Company - Al-Mashtal Hotel - Gaza

The tourism sector witnessed a significant decline in Gaza Strip during 2017 due to the continued closure of the borders and the cut of electricity power. Domestic tourism in Gaza also declined due to the closure and the high prices and discounts on salaries of public sector employees.

The company has been able to achieve operational revenues for the first time since the start of the operation. As it have been able to achieve signs of reconciliation and the entry of Wataniya Mobile to work in Gaza market to achieve excellent revenues, which means that the hotel can continue to achieve good results once a major economic or political event.

Al-Mashtal Hotel is the only hotel classified as a five star hotel in Gaza Strip. It has 222 guest rooms and suites, a large banquet hall, six business halls for businesses, institutions and civil organizations, a large swimming pool, cafes and restaurants.

Executive Club

As part of the restructuring process of PADICO Holding, is the investment portfolio to improve the performance of the Group investments, the Executive Club, managed by the first specialized leisure company since the beginning of November, has suspended the restaurant business, and transformed the club into health and sports club.

The club also announced a special program for members of all types of fitness classes. A sports program for children aged 4-12 also was announced. The program includes four sport programs: swimming, training, gymnastics and yoga.

As part of the club's identity changes, a new club name has been adopted to reflect the new identity "EC Health Club & SPA" and it was promoted through social networks, correspondence, advertising campaigns and media.

Industrial and Agricultural Sector

Since its establishment, PADICO HOLDING paid a special attention to the industrial and agricultural sector. Investments in this sector amounted to USD 42.0 million or 7% of total investments at the end of 2017.

Palestine Industrial Investment Company – PIIC

PIIC was founded in 1995 by PADICO HOLDING to represent its investment arm in the industrial and productive sectors. The company's activities are concentrated in the establishment and management of productive and industrial companies in the sectors of livestock, light, medium and heavy industries.

PIIC has four subsidiaries:

- Palestine Poultry Company "Aziza"- PPC
- National Carton Industry Company
- Palestine Plastic Industries Company
- Al Pinar General Trading Company

PIIC also has significant stakes in The Golden Wheat Mills Company and The Vegetable Oil Industries Company (VOIC).

Palestine Poultry Company "Aziza"- PPC

It was established by Palestine Industrial Investment Company in 1997. Palestine Poultry Company AZIZA became one of the largest projects in livestock sector in Palestine. The company's main activities revolve around manufacturing feeds, breeding broiler chicken, producing and selling hatching eggs and founding slaughterhouse of poultry.

AZIZA skilful policy builds upon improving performance, developing projects, raising production capacity in line with the increasing demand and growing markets. The company also realizes the importance of preserving communication channels to achieve high customer satisfaction, throughout all stages of work, even after the sale.

According to preliminary financial statements for 2017, the company's sales increased by 2% compared to 2016, reaching JOD 35.08 million compared to JOD 34.31 million. The net profit after tax for the period was JOD 3.18 million for the year 2017 compared to JOD 3.23 million for the year 2016.

National Carton Industry Company

The National Carton Industry Company was established in 1993. The company produces carton boxes in various shapes and sizes. It markets its products in the local Palestinian market. It is the first Palestinian company to obtain a license in the cardboard industry. The company has the highest market share in the cardboard industry in Palestine and possess many elements that enable it to improve its performance continuously and always looking for new investment opportunities in the packaging industry as this industry characterized by renewal and rapid development and permanent.

Al Pinar General Trading Company

At the beginning of 2016, PIIC acquired the shares of Al-Pinar General Trading Company, specialized in the dairy industry, which was established in Ramallah in 1999. During 2016 and 2017, the company achieved remarkable growth in all performance indicators operating and financial operations, where revenues increased by 15% and 10%, respectively, and achieved a qualitative leap in net income during the two years followed the acquisition.

The company started to implement the company's development plan and its products. Funds begin to finance the company's development plan, which includes the establishment of a new sophisticated plant to become one of the most important dairy companies in Palestine.

The Vegetable Oil Industries Company (VOIC)

The Vegetable Oils Industries Company (VOICE) was established in 1953, and it is one of the oldest operating companies in Palestine. It produces vegetable oil products from non-hydrogenated palm oil, refined corn oil, soybean oil and sunflower oil that comply with international quality standards. In addition to meeting the needs of the local Palestinian market, the company exports to other Arab countries, where it has developed a favorable reputation. The company's investments have done well. It owns 25% of the capital of the Palestinian Beverages Company, a Coca Cola producer.

During the year 2017, the company achieved a good growth in its performance indicators with sales of JOD 5.75 million compared to JOD 5.25 million for 2016. Its net profit after tax amounted to JOD6.84 million compared to JOD 5.61 million for the year 2016 and a growth of 22%.

The Golden Wheat Mills Company

Golden Wheat Mills Company was established in 1995. With its equipment and buildings, which imported from Switzerland in their entirety, the company is among the most advanced in the Middle East region in terms of equipment and buildings. The production capacity of the company stands at 450 tons per day and it acquired the Palestinian Quality certificate as the first Palestinian mills company in 2010. The company also produces flour in all its forms in addition to other products such as semolina and bran.

The company is currently investigating opportunities to produce other products such as corn flour, pasta and biscuits. Flour is the key component for manufacturing and marketing these products.

The company has achieved remarkable growth in its performance in 2017. The company's preliminary financial statements for the year 2017 indicate that the company's sales amounted to JOD 10.75 million, realizing a significant growth in its net after tax income to reach JOD 1.48 million compared to a net income of JOD 0.03 million For the year 2016.

Jordan Vegetable Oil Industries Company. Ltd

Jordan Vegetable Oil Industries Company is specialized in the production of plant fat, 100% of non-hydrogenated palm oil, refined corn oil, soybean oil and sunflower oil.

It was established in 1953 as a public shareholding company with a capital of JOD 500,000, the company was raised to JOD 3 million in 1998 and subsequently increased to JOD 4 millions.

Nakheel Palestine Company

Since its establishment in 2010, Nakheel Palestine has always strived to advance on all levels. The year 2017 witnessed several developments. The company signed a financing agreement with the PROPARCO, amounted of US 10 million public partnership.

As a result, the company expanded its farms by purchasing Sultan Fresh Fruits Company, increasing the number of farms owned by the company from six to eight farms and bringing the number of palm trees cultivated to about 42,000 palm trees on an area of 3400 dunums. The company has also increased its storage capacity as its frozen warehouses can reach about 3,000 tons of dates.

The season of 2017 witnessed an increase in production by more than 50% from the season before, where the production volume in the current season amounted to about 1500 tons compared to about 600 tons in the 2016 season.The GA of shareholders of Nakheel Palestine has increased its capital to USD 15 million, also increased the number of employees in the company in 2017 up to 71 permanent staff and 500 seasonal workers in the company's farms and packinghouse.

The company has developed its brand names and expanded the range of packages for its products in terms of design and shape in line with the demand in the local and international markets. Nakheel Palestine products are still reaching all international markets. The number of 15 markets including Turkey, Indonesia, Malaysia, Qatar, New Zealand, Italy, Norway, Austria, Lebanon, Russia and Japan. In 2017, it also gained access to new markets, including France, Sweden and Argentina.

FUTURE VISION

The following is the general framework of PADICO HOLDING plans over the next few years:

- Focusing on improving the operations performance in all companies and projects invested by PADICO HOLDINGs and its subsidiaries through increasing efficiency in all operations and production areas by rationalizing administrative expenses, controlling operating expenses, enhancing revenues and diversifying sources.
- Paying greater attention to projects and companies operating in vital sectors currently invested by PADICO HOLDING Group, especially the real estate sector, industrial cities and alternative green energy. These investments will be a major lever for profits in the near future, medium and long term by expanding the base of these investments by entering new projects and optimizing the assets and potential of existing projects.
- Focusing its efforts on investments that continue to burden the group's annual profits, especially those of the tourism sector, and turn them from losing companies into profitable companies in the medium term.
- Investing in new development projects in promising sectors and focus on infrastructure project and alternative energy sectors.
- Continuing to reduce PADICO HOLDING's debt from year to year to be limited to the medium term loan.

Social Responsibility

PADICO HOLDING demonstrated the utmost commitment to social responsibility towards main segments of the society such as youth and women among the other less privileged and disadvantaged segments and important sectors such as education and culture. This comes In recognition of the importance of PADICO HOLDNG role in supporting economic development in Palestine, and the need of the Palestinian society to develop and sponsor small projects and creative initiatives. PADICO HOLDING has been incorporating a well-developed concept of systematic social responsibility with a sustainable development dimension as value system and a principled approach. Overall, realizing the dynamic promising potential of this responsibility will fortify the pillars of the Palestinian society, mainly the younger generation tasked with building the Palestinian economy and paving the way for a better future.

Inspired by this unique vision since its inception, PADICO HOLDING has been committed to implement and support outstanding community programs that have made it one of the leading Palestinian national institutions in the field. Over the last 23 years, PADICO HOLDING has been keen to develop, enrich and diversify its community programs, including economic, social, educational, technical, cultural and entrepreneurship sectors. Our Company manifested special interest in the youth who has the potential for any real renaissance.

PADICO HOLDING community-based strategies share four major characteristics:

First: conducting preemptive study of status-quo of the community

Ahead to launch any community initiative, PADICO HOLDING seeks to explore the community status to set priorities and sectors of much need for support and development. As well as, adapting community programs based on observation.

Second: sustainability and the strategic approach

PADICO HOLDING community-based initiatives are principled as long-term strategies and methodologies, alike many PADICO ongoing initiatives. The company has adopted this approach out of thoughtful evaluation of the minimal tangible impact and benefit of the temporary individual community activities on the developmental process or community level. Tangible well-grounded development in any area can be only achieved through long-term projects, to allow the process of development become self-sustaining. That short and long term societal attitudes have always shown that random short term developmental projects always have temporary effects. As a result, wide sectors of the community deprived from sustainable effects.

Third: deliberate development assistance for vital influential sectors

PADICO HOLDING is committed to provide deliberate development assistance to vital sectors at the core of the developmental process, mainly education, economy, culture, leadership, youth and arts. Accordingly, PADICO HOLDING is capable of achieving long-term viability that will benefit wide segments of the community and foster a better future for our homeland.

Fourth: Partnership and institutionalization of community work

PADICO HOLDING corporate social responsibility programs are basically characterized by institutional community partnership which opens the doors wide for exchanging experiences, consultations and sharing ideas; and making the utmost benefit from the experiences of specialized institutions. Most likely, their community contributions institutionalized and an integrated joint effort that achieves a sustainable social impact is developed. Recalling back, PADICO HOLDING consciously realizes the deficiencies of the individual work, both at the level of lack of experience - in a particular area, or in practice. PADICO HOLDING has woven a wide and deep network of relationship; it launched several joint initiatives with partners in official institutions, private and community sectors as well as international institutions.

During the year 2017, PADICO Holding maintained the diversity of its social responsibility activities and divided into the following tracks and sectors:

First: The Education Sector:

PADICO HOLDING believes that education is the cornerstone of achieving the desired development goals. Whether by supporting educational funds, providing scholarships, networking with universities and sponsoring various educational activities.

PADICO HOLDING has diversified its activities in the field of education in 2017, and continues to provide its annual direct support to university students through its special scholarship program, which aims to help students in need to cover tuition fees for their various programs at local universities. Hundreds of students in Palestine has been part of this program since its launch. PADICO HOLDING has also supported the late Rashid Khalil Erekat Foundation to help students complete their undergraduate studies at Palestinian universities. PADICO HOLDING has supported the program over the past several years. In the same direction, PADICO HOLDING has allocated a sum of money to the International Institute of International Scholarship Program in various countries.

In the educational context, as part of PADICO's commitment to empower the most vulnerable segments of the community, especially those who face difficult circumstances that hinder their proper involvement in society and play their natural and active role in various fields. In 2017, PADICO HOLDING supported and sponsored SOS Palestine, a leading global organization working in more than 130 countries, which aims to empower children. PADICO HOLDING was the sponsor of the Education for a Better Future program, which covers the cost of education for more than 270 children and young adults family care. It is the foundation of the village of children in its villages scattered in the cities of Bethlehem and Rafah.

It also continued to support the activities and educational programs of INJAZ Palestine, an independent Palestinian organization run and sponsored by a number of Palestinian companies. It aims to promote economic opportunities among the Palestinian youth by providing a series of practical economic courses in schools and universities, carried out by volunteers from the sector the private.

Second: Entrepreneurship and Creativity

PADICO HOLDING believes that the promotion of entrepreneurial spirit and self-initiative culture is one of the most important factors in supporting the Palestinian economy and overcoming many of the obstacles, facing the Palestinian graduate when tries to join the working market, especially since the Palestinian have a lot of creative potential and optimism, youth, and high educational attainment, which need attention and support and employ proper development employment. Hence the company's attention in this field. One of the most prominent strategic programs supported by the company in this framework is the program (Tamiz).

Tamiz is a strategic program initiated by PADICO HOLDING in late 2012 in partnership with Sharek Youth Forum and the International Youth Foundation. It aims to facilitate the integration of Palestinian graduates into the working market by exposing them to the greatest qualitative experience of exposure. In order to enrich the content of the program and ensure its design to suit the exact needs of the market, PADICO HOLDING held several workshops and brainstorming sessions in its preparatory meetings, and consulted local experts from Palestinian universities as well as international experts to identify the most important obstacles facing Palestinian graduates. The company concluded that the Palestinian graduate suffers from a very difficult integration into the labor market due to the large gap between the university academic track and the requirements of working market, which are constantly changing at an accelerated pace.

PADICO HOLDING has also supported Massarak Program, which is interested in enabling graduate students to create jobs, from job requirements and skills to basic writing and interviewing skills. The program does not stop at this point, but it is also engaged in networking with Palestinian institutions and companies in order to create training opportunities for new graduates in order to gain practical experience, face and discuss working place more widely. In addition, PADICO HOLDING is a registered company in Massarak Program that train trainees from the program.

PADICO HOLDING has supported Gaza Sky Geeks as the fastest growing incubator in Gaza. The organization initially started to provide electricity and high-speed internet to the youth in the same failed to allow them to learn more and reduce the amount of barriers they face on a daily basis and to offer new business opportunities to revive the economy. Today, Gaza Sky Geeks is trying to establish the first programming academy, facilitating the training of young Gazans at international companies in the European Union and the United States of America, and securing the programming education program for girls in high school.

Third: The Economy Sector

As part of PADICO HOLDING's keenness to stimulate active exporters and initiators to open new markets and put in place international products that put the Palestinian product on the international map, PADICO HOLDING has sponsored the Palestinian Masdar 2017 award ceremony organized by the PalTrade. The award is part of the effort to attract many public and private sectors for export development. The award targets various sectors, namely stone and marble, agricultural production, services, information technology, and tourism.

Fourth: Networking and Opening Up To International Institutions

PADICO HOLDING has hosted a delegation of students from the Harvard Business School, as part of an annual program of visits to the university students in Palestine, in order to familiarize themselves with the Palestinian political, economic and social realities. Where more than one hundred students learn about the Palestinian economic reality, including the investment opportunities available, and what Palestine possesses of the capabilities and potentials and energies of economic quality. In addition to identify the most important challenges and obstacles that hinder the growth of the Palestinian economy and prevent the natural development to take its regional and international economy Active and productive, and actively contributes to economic and humanitarian growth across the region. The students also briefed on PADICO HOLDING as a pioneering investment experience representing the role of the Palestinian private sector in the construction and development process.

Fifth: The Culture Sector

PADICO HOLDING believes that cultural work is the most important tool of intellectual enlightenment, which contributes to the promotion of public awareness of society. Culture is an integral component of national identity. It plays a key role in preserving the national memory from erosion and preserving the Palestinian self from lost. Globalized cultural globalization, which is characterized by information overload that threatens the cultural identity of societies beyond all geographical barriers.

PADICO HOLDING has seen the support of culture as a vital task that directly integrated with the sustainable development it seeks to promote. Based on this vision of the development process, PADICO HOLDING has especially supported cultural activities and events that promote the awareness of the Palestinian cause and stimulate the collective memory to recall the history of the Palestinian cause so that it remains alive and effectively in the face of attempts to raise awareness of the Palestinian people.

PADICO HOLDING is the most important of its kind in the cultural field. It is the International Youth Cinema Festival, the night of "Nawa", and many festivals such as the Fourth International Youth Cinema Festival and Oud Rumman Festival. PADICO HOLDING also sponsored the screening of graduation films for students of the Department of Information, all of which seemed promising and meaningful.

Sixth: Marginalized Groups:

Activities and support methods for children have diversified in 2017. PADICO HOLDING have collaborated with Farah, a non-profit organization for children with cancer, to bring back the smileon the faces of these children. A full day of events arranged through PADICO HOLDING, in which a number of PADICO HOLDING employees volunteered to be supportive of children and their families. The activity was held in Rawabi City.

PADICO Holding has also supported the "Ata' -3ata2- Palestine Charity Association" which aims to build an economically prosperous Palestinian society that is equitable in terms of the distribution of resources to its various groups, especially marginalized ones, in order to create a healthy cultural and social environment. Through the rehabilitation of Palestinian children and the assistance of their families. Their activities varied from cultural activities in the West Bank and Gaza Strip.

Seventh: Sport

This year, PADICO HOLDING sponsored the sport sector because of its importance. Inspired by its sponsorship of the Palestinian federation it also sponsored the Chess Federation. The Federation is keen to take care of young talents and encourages young players to play this game and increase the number of players and clubs practice for this game at the chess union. The Federation is also keen to participate in the World Championships, Asian and Arab, and the Union through its multiple participation to get the first and advanced centers in many tournaments.

Financial Performance in 2017

PADICO HOLDING's profit arttibuted to the equity holders of the parent amoutned to USD 6.79 million in 2017 compared to USD 19.01 million in 2016. The provisions temporary made by subsidiaries, especially Palestine Real Estate Investment Company (PRICO), significantly affected the Group's financial performance in 2017. These provisions totaled USD 14.1 million including provisions allowances for doubtful accounts of USD 7.5 million, provisions for impairment of ready for sale properties and projects in progress of USD 4.2 million and other provisions of USD 2.4 million as a part of the restructuring process carried out by PADICO HOLDING and some of its subsidiaries, based on Padico Holding's board of directors guidance, and its resolution dated 24/7/2017 on standardizing the policies of the group companies and cutting off operating and general administrative costs and to undertake the necessary restructuring to meet the circumstances and improve the group and its financial performance. Operating profit before provisions grew by 4.3% to USD 34.19 million in 2017 compared to USD 32.78 million in 2016. Despite being affected by PADICO's share of the of associates results of operations, it decline by 11.1% from USD 38.11 million to USD 33.89 million. It is worth noting that the consolidated results for 2017 have been negatively imapcted for once by the restructuring costs of some of the group's companies, which mainly aims to increase the operating efficiency of the subsidiaries and optimize the use of resources and assets, which will reflected positively on the consolidated financial performance and the profitability of group companies starting in 2018.

On the other hand, year 2017 witnessed a clear improvement in the profitability of other subsidiaries and affiliates such as Palestine Industrial Investment Company (PIIC) and its subsidiaries and affiliates. PIIC profits grew by 14% to USD 7.76 million. Year 2017 also witnessed improvment in the performance of Jericho Gate Real Estate Investment Company and Nakheel Palestine for Agricultural Investment. These two companies have started to generate operating profits, which is expected to grow gradually in the next years with the development in their operations. In addition, improvement witnessed by the subsidiaries companies operating in the tourism sector, which have been able to generate operating profits in 2017 and thus significantly reduce losses compared to 2016 and previous years.

Consolidated Revenues

Consolidated revenues increased by 7.8% to reach USD 142.20 million in 2017 compared with USD 131.93 million in 2016, driven by an increase by 17.3% in operating income of subsidiaries, growing from USD 92.30 million to USD 108.28 million. Compared to a decline by 11.1% in the share of PADICO HOLDING's share of associates results of opperation this decline is due to the decline in profits of the Palestinian Telecommunications Company (PALTEL Group) from USD 112.91 million in 2016 to USD 99.47 million in 2017, the performance of the PALTEL GROUP was affected by the renewal of the licenses of PALTEL and JAWWAL at the end of the year 2016. This resulted in a higher amortization expenses of the license, in addition to the termination of the partial tax exemption (50%) for JAWWAL starting of 2017, and the termination of the partial tax exemption (50%) for Paltel.

Table (1): Consolidated revenues

USD Million

Item	2017	2016	% Change
Operating income of subsidiaries	108.28	92.30	17.3
Company's share associates' results of the operation	33.89	38.11	(11.1)
Gain (loss) from financial assets portfolio	(0.03)	0.76	(104.4)
Gain from sale of investment properties	0.07	0.76	(91.1)
Total consolidated revenues	142.20	131.93	7.8

Consolidated Expenses

Consolidated expenses increased by 9.1% from USD 111.62 million in 2016 to USD 121.80 million in 2017, This increase was mainly attributed to **subsidiaries operating expenses** which increased by 11.7% to reach USD 78.77 million for the current year compared to USD 70.54 million for the last year. This increase was compined by greater increase of 17.3% in operating income, as mentioned before.

Table (2): Consolidated Expenses

USD Million

Item	2017	2016	% Change
Operating expenses	78.77	70.54	11.7
General, Administrative, Sales and Marketing expenses	19.17	19.00	0.9
Financing costs	13.79	12.47	10.6
Depreciation and amortization	10.08	9.61	4.8
Total consolidated expenses	**121.80**	**111.62**	**9.1**

Consolidated General and Administrative expenses increased slightly by 0.9% from USD 19.00 million in 2016 to USD 19.17 million in 2017. Which includes sales and marketing expenses in subsidiaries and include administrative and general expenses in new operating projects. It also includes administrative costs associated with restructuring process carried by PADICO HOLDING and its subsidiaries in 2017.

Consolidated financing costs increased by 10.6% from USD 12.47 million to USD 13.79 million due to an increase by 5.4% in the consolidated debt rate from USD 235.46 million in 2016 to USD 248.14 million in 2017. Depreciation and amortization expenses amounted to USD 10.08 million in 2017 compared to USD 9.61 million in 2016, it slightly increased by 4.8%.

Summary of Consolidated Financial Position

Consolidated Assets

Consolidated assets amounted to USD 841.19 million in 2017, of which 12.6% are current assets and 87.4% are non-current assets. The following table shows the allocation of the Group's assets and investments at the end of 2017 compared to the end of 2016.

Table (3): Distribution of assets and investments

USD Million

Item	2017	% of total	2016	% of total	% Change
Cash and financial assets at fair value through profit or loss	24.71	2.9	42.00	5.0	(41.2)
Accounts receivables and other current assets	60.45	7.2	51.79	6.1	16.7
Inventories, ready for sale properties, and biological assets	31.73	3.8	36.01	4.3	(11.9)
Financial assets at fair value through other comprehensive income	31.38	3.7	24.55	2.9	27.8
Investment properties	94.98	11.3	102.40	12.2	(7.2)
Investment in associates	400.19	47.6	397.27	47.2	0.7
Property, plant and equipment, projects in progress, and intangible assets	197.75	23.5	188.17	22.3	5.1
Total assets	**841.19**	**100.0**	**842.18**	**100.0**	**(0.1)**

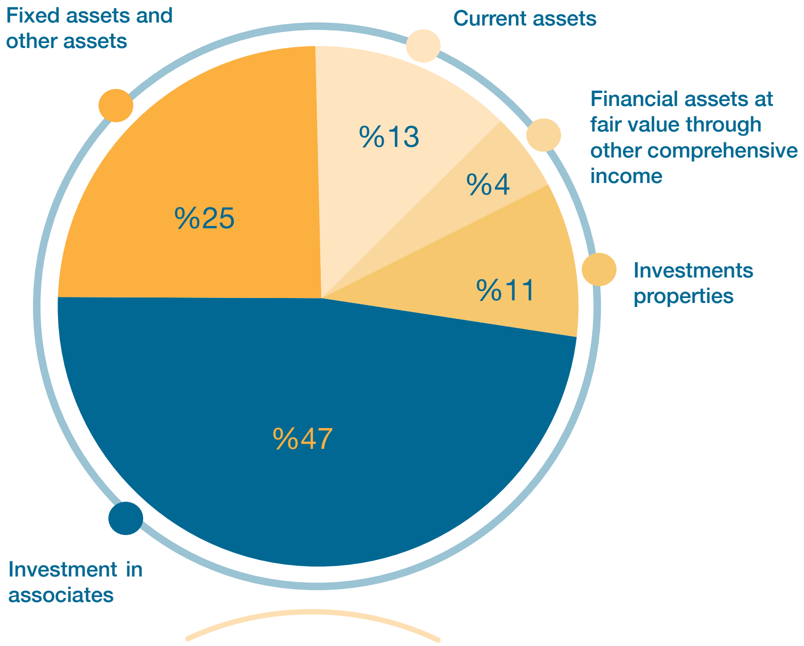
Cash and financial assets at fair value through the profit or loss decreased by 41.2% from USD 42.00 million at the end of 2016 to USD 24.71 million at the end of 2017. **Accounts receivables and other current assets** increased by 16.7% from USD 51.79 million at the end of 2016 to USD 60.45 million at the end of 2017, the increase is due to the increase in receivables of the subsidiaries, especially Jericho Gate and PIIC.

Inventories, ready for sale properties, and biological assets decreased by 11.9% from USD 36.01 million at the end of 2016 to USD 31.73 million at the end of 2017, mainly representing ready real estate products at PRICO and inventory at the PIIC and Nakheel. **Financial assets at fair value through other comprehensive income** increased by 27.8% from USD 24.55 million at the end of 2016 to USD 31.38 million at the end of 2017. This increase was mainly due to the purchase of the Arab Bank shares by PIIC in 2017.

Investments properties declined by 7.2% from USD 102.40 million at the end of 2016 to USD 94.98 million at the end of 2017, this decline is mainly due to sale part of PRICOs land portfolio. They includes all property investments of PADICO HOLDING and its subsidiaries, mainly PRICO and Jericho gate. The value of these investments appears at its historical cost on the consolidated financial statements, in which unrealized gains from the valuation of these assets are not reflected in the income and equity statements, according to the accounting policy which is adopting by PADICO HOLDING.

Investments in associates increased by 0.7% to reach USD 400.19 million by the end of 2017. PADICO HOLDING's share of associates results of operation amounted USD 33.89 million during 2017. Cash dividends received from the associates during the same year amounted of USD 24.50 million, in addition to other changes in the equity of the associate companies, including eliminating intercompany accounts with the associate companies.

Property, plant and equipment, projects in progress, and intangible assets increased from USD 188.17 million at the end of 2016 to USD 197.75 million at the end of 2017 by 5.1%. This increase was mainly due to the increase in property, plant and equipment at Nakheel Palestine following the acquisition of Sultan farms, which completed during the first half of 2017.

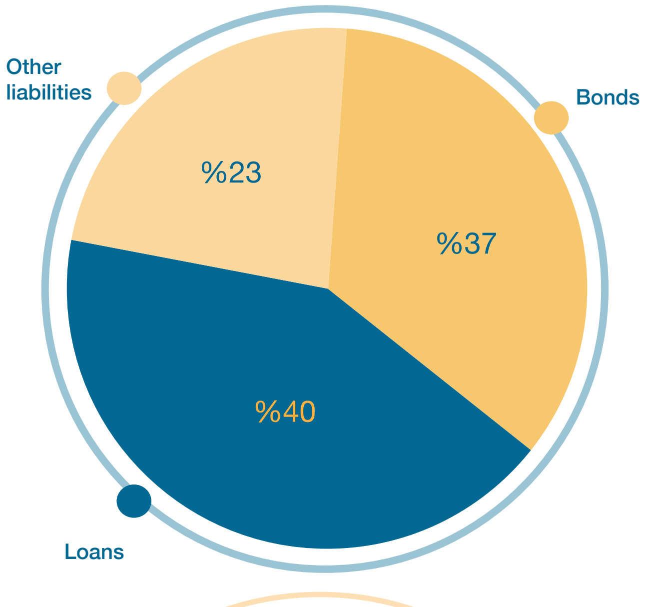


Consolidated assets and investments distribution 2017

Consolidated Liabilities

Total consolidated liabilities amounted to USD 321.17 million at the end of 2017 compared to USD 305.16 million at the end of 2016, an increase of USD 16.01 million of 5.2%. This increase was mainly due to higher accounts payable and other accounts particularly in PRICO, Nakheel and PIIC.

Total debt (bonds, bank loans and credit facilities) forms 77.1% of total consolidated liabilities. Debt level remained almost the same as it was at USD 247.66 million at the end of 2017. Total consolidated debt represents 29.4% and 47.6% of total consolidated assets and consolidated equity, respectively.



Consolidated liabilities distribution 2017

The following table illustrates the distribution of consolidated debt at the end of 2017 and 2016 among PADICO HOLDING and group companies.

Table (4): Consolidated debt for PADICO HOLDING and group companies

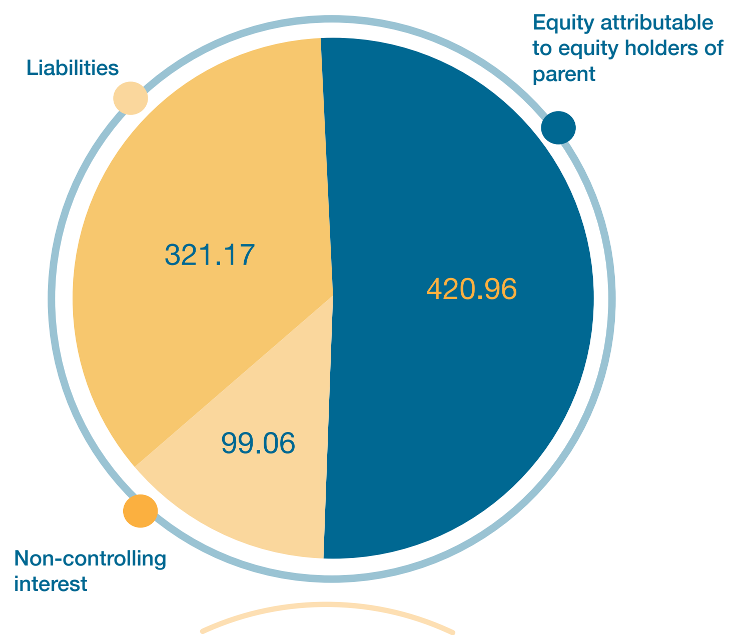
USD Million

Company	2017	2016	% Change
PADICO HOLDING	166.49	180.36	(7.7)
PRICO	31.96	43.21	(26.0)
PIIC	23.88	7.34	225.3
JEDICO	12.56	13.95	(9.9)
Nakheel Palestine	12.78	3.76	239.9
Total Debt	247.66	248.62	(0.39)

Other liabilities constitute 22.9% of total liabilities, which amounted to USD 73.51 million at the end of 2017. Most of these accounts are trade payables related to subsidiaries operations. The rest represents provisions allowances and other liabilities, including dividends payable, provisions for income tax and provision for employees' indemnity.

Equity

Equity attributable to equity holders of the parent amounted to USD 420.96 million at the end of 2017. Equity attributable to equity holders of the parent consists of paid-in capital with the amount of USD 250 million, and retained earnings of USD 162.83 million, in addition to reserves and other items, which amounted to USD 8.13 million. Accordingly, the book value per share reached around USD 1.69 at the end of 2017, which exceeds the share's market price by 12.4% (USD 1.50 per share). Non-controlling interests amounted to USD 99.06 million at the end of 2017, which forms 19.0% of total equity that amounted USD 520.01 million compared to USD 537.02 million at the end of 2016, as shown in the table below.



Liabilities and Equity distribution

USD Million

Table (5): Equity

USD Million

Item	2017	% of total	2016	% of total	% Change
Paid-in Capital	250.00	48.1	250.00	46.6	-
Reserves and Other Items	8.13	1.6	14.61	2.7	(44.4)
Retained Earnings	162.83	31.3	172.09	32.0	(5.4)
Equity attributable to equity holders of parent	420.96	81.0	436.70	81.3	(3.6)
Non-controlling interest	99.06	19.0	100.32	18.7	(1.3)
Total Equity	520.01	100	537.02	100	(3.2)

Key Financial Indicators

USD Million

Key Items of Consolidated Income Statement and Indicators	2017	2016	% Change
Total consolidated revenues	142.20	131.93	7.8
Subsidiaries' operating income	108.28	92.30	17.3
PADICO HOLDING's share of associates' results of operation	33.89	38.11	(11.1)
Profit before provisions and income tax	34.19	32.78	4.3
Profit attributable to equity holders of the parent company	6.79	19.01	(64.3)
Consolidated profit	4.96	18.91	(73.7)
EPS (cents)	2.72	7.61	(64.3)
ROE average	0.94%	3.50%	(73.2)
ROA average	0.59%	2.27%	(74.1)

USD Million

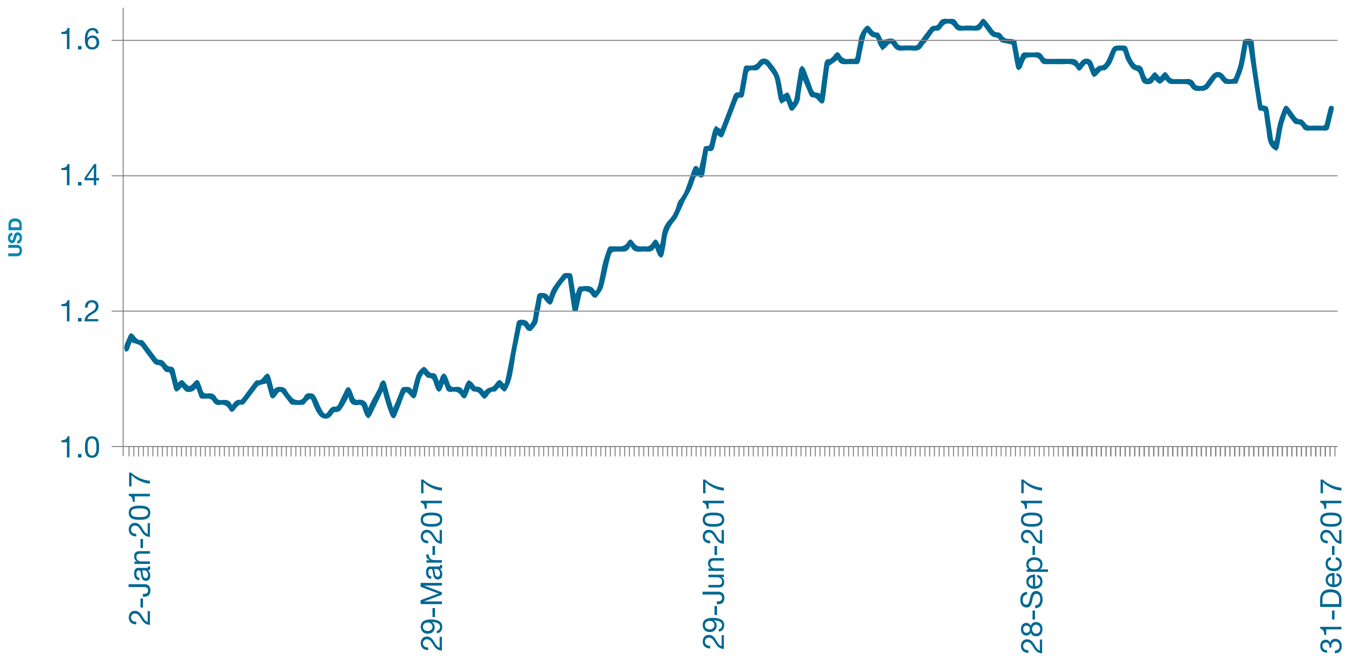
Key Items of Consolidated statement of financial position and indicators	2017	2016	% Change
Total assets	841.19	842.18	(0.1)
Loans and credit facilities	321.17	305.16	5.2
Total equity	520.01	537.02	(3.2)
Short and long term borrowing	247.66	248.62	(0.4)
Debt to equity	47.63	46.30	2.9
Debt to total assets	29.44	29.52	(0.3)
Current ratio	1.15	1.29	(10.9)

Compensation of Key Management personnel and Board of Directors

The compensation for the Board of Directors of PADICO HOLDING and its subsidiaries amounted to USD 479 thousand in 2017; USD 180 thousand of this amount was allocated to PADICO HOLDING's board of directors. The salaries and benefits of the top management of PADICO HOLDING and its subsidiaries amounted to USD 4,035 thousand; USD 1,403 thousand of this amount was allocated to the upper management of PADICO HOLDING.

Performance of PADICO HOLDING's share

The trading volume of PADICO HOLDING's share increased to reach 79.48 million share in 2017, with an increase of 85.7% compared to 2016, the trading value of PADICO HOLDING's share reach to USD 111.70 million. The turnover increased from 17.12% in 2016 to 31.79% in 2017. PADICO HOLDING's share closed at USD 1.50 at the end of 2017.



Indicator	2017	2016	% Change
Paid-in capital (million shares)	250.00	250.00	-
Year-end Book value per share (USD)	1.69	1.75	(3.6)
P/B	0.89	0.66	34.1
Closing price (USD)	1.50	1.16	29.3
P E	55.13	15.23	261.9
Trading volume (million shares)	79.48	42.81	85.7
Trading value (USD million)	111.70	49.59	125.2
Turnover ratio	31.79	17.12	85.7
52 week high (USD)	1.64	1.23	33.3
52 week low (USD)	1.01	1.05	(3.8)

Palestine Development and Investment Limited (PADICO HOLDING)

Consolidated Financial Statements December 31, 2017

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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, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PADICO as at December 31, 2017, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Building a better working world

Key audit matter	How our audit addressed the key audit matter
Investment in associate and Share of associates' results of operations PADICO's investment in associates amounted to U.S. $ 400,187,000 as of December 31, 2017, which represents 48% of total assets. In addition, PADICO's share of associates' results of operations for 2017 amounted to U.S. $ 33,889,000, which represents 24% 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, investment in associates is carried in the consolidated statement of financial position at cost, and are 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 of associates in achieving consolidated net income.	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 data to support the reported amounts and disclosures. In addition, we obtained confirmations of the investments in the 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.
Impairment of accounts receivable PADICO's outstanding gross accounts receivable as of December 31, 2017 amounted to U.S. $ 73,553,000 and the impairment provision against these receivables amounted to U.S. $ 13,100,000. The determination as to whether a receivable is collectable involves management judgment with regard to assessment of the age of the balance, existence of disputes or arbitrations, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. We focused on the matter due to its significance to the consolidated financial statements.	We assessed the adequacy of impairment provision by evaluating management assumptions in computing impairment and considering the consistency of provisioning policy. We also selected a sample of the larger receivable balances and examined the historical patterns of respective customers to check if there are indicators of impairment. Further, we examined the aging analysis report generated from the accounting system and tested aged balances to check the adequacy of the impairment provision for non-performing customers or pending arbitrations. In addition, we assessed the related disclosures made on in note (13).

Revenue Recognition	
Total revenues generated reported for the year ended December 31, 2017 amounted to U.S. $ 108,276,000. These revenues were generated from a range of services and sales transactions resulted from a variety of contractual relationships with customers. We considered revenue recognition a key audit matter due to the contracting nature of the business and the significant degree of judgment in relation to the timing and value of revenues to be recognized.	We examined the relevant clauses of key contracts and assessed the specific terms and risks and rewards involved for assessing whether revenue for these contracts was appropriately and consistently recognized. We performed other substantive testing of contracts and other documents to support occurrence, the accuracy and timing of revenues recorded. In addition, we assessed the related disclosures made on in note (27)

Other information Included in PADICO's 2017 Annual Report

Other information consists of the information included in PADICO's 2017 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. PADICO's 2017 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 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 misstatement, 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, 2017 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
March 29, 2018

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017
(U.S. $ 000's)

	Notes	2017 U.S. $	2016 U.S. $
Assets			
Non-current assets			
Property, plant and equipment	6	154,247	140,667
Intangible assets	7	33,591	31,380
Investment properties	8	94,977	102,395
Projects in progress	9	9,915	16,126
Investment in associates	10	400,187	397,269
Financial assets at fair value through other comprehensive income	11	31,381	24,549
Long term accounts receivable	13	11,113	10,541
		735,411	722,927
Current assets			
Inventories and ready for sale properties	12	31,729	36,007
Accounts receivable and other current assets	13	49,340	41,244
Financial assets at fair value through profit or loss	14	5,209	11,132
Cash and short-term deposits	15	19,497	30,866
		105,775	119,249
Total assets		841,186	842,176
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	31,934	30,417
Voluntarily reserve	18	1,594	1,594
Fair value reserve	11	(46,443)	(34,804)
Foreign currency translation reserve		4,470	827
Retained earnings		162,829	172,092
Equity attributable to equity holders of the parent		420,955	436,697
Non-controlling interests	5	99,057	100,321
Total equity		520,012	537,018
Non -current liabilities			
Long-term loans and borrowings	20	89,644	82,392
Debt bonds	21	120,000	120,000
Provision for employees' indemnity	22	6,452	7,426
Other non-current liabilities	23	13,281	3,231
		229,377	213,049
Current liabilities			
Credit facilities and short-term loans and borrowings	20	38,019	46,229
Accounts and notes payable	24	20,116	15,827
Other current liabilities	25	32,631	28,879
Provision for income tax	26	1,031	1,174
		91,797	92,109
Total liabilities		321,174	305,158
Total equity and liabilities		841,186	842,176

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2017
(U.S. $ 000's)

	Notes	2017 U.S. $	2016 U.S. $
Revenues			
Operating income	27	108,276	92,304
Share of associates' results of operations	10	33,889	38,114
(Losses) Gains from financial assets portfolio	28	(33)	757
Gain from sale of investment properties	8	67	755
		142,199	131,930
Expenses			
Operating expenses	29	(78,767)	(70,538)
General and administrative expenses	30	(19,165)	(18,996)
Finance costs		(13,787)	(12,469)
Depreciation and amortization	31	(10,078)	(9,614)
		20,402	20,313
Other expenses and provisions, net	32	(14,132)	(608)
Profit before income tax		6,270	19,705
Income tax expense	26	(1,306)	(796)
Profit for the year		4,964	18,909
Attributable to:			
Equity holders of the parent		6,792	19,009
Non-controlling interests		(1,828)	(100)
		4,964	18,909
Basic and diluted earnings per share attributable to equity holders of the parent	33	0.027	0.076

PALESTINE DEVELOPMENT AND INVESTMENT LIMITED (PADICO)

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2017
(U.S. $ 000's)

	2017 U.S. $	2016 U.S. $
Profit for the year	4,964	18,909
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 other comprehensive income	(7,111)	(8,412)
Share of associates' other comprehensive income items	(8,009)	(4,474)
	(15,120)	(12,886)
Items to be reclassified to consolidated income statement in subsequent periods:		
Foreign currency translation differences	5,440	391
Share of associates' other comprehensive income items	771	13
	6,211	404
Total other comprehensive income items for the year	(8,909)	(12,482)
Net comprehensive income for the year	(3,945)	6,427
Attributable to:		
Equity holders of the parent	(3,250)	6,369
Non-controlling interests	(695)	58
	(3,945)	6,427

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(U.S. $ 000's)

	Attributable 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
2017	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance at January 1, 2017	250,000	16,932	(361)	30,417	1,594	(34,804)	827	172,092	436,697	100,321	537,018
Profit for the year	-	-	-	-	-	-	-	6,792	6,792	(1,828)	4,964
Other comprehensive income items	-	-	-	-	-	(11,639)	3,643	(2,046)	(10,042)	1,133	(8,909)
Net comprehensive income for the year	-	-	-	-	-	(11,639)	3,643	4,746	(3,250)	(695)	(3,945)
Transferred to statutory reserve	-	-	-	1,517	-	-	-	(1,517)	-	-	-
Distributed cash dividends (note 19)	-	-	-	-	-	-	-	(12,492)	(12,492)	-	(12,492)
Distributed cash dividends from subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	(1,249)	(1,249)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	680	680
Balance at December 31, 2017	250,000	16,932	(361)	31,934	1,594	(46,443)	4,470	162,829	420,955	99,057	520,012
2016											
Balance at January 1, 2016	250,000	16,932	(387)	28,741	1,594	(21,964)	627	167,248	442,791	101,025	543,816
Profit for the year	-	-	-	-	-	-	-	19,009	19,009	(100)	18,909
Other comprehensive income items	-	-	-	-	-	(12,840)	200	-	(12,640)	158	(12,482)
Net comprehensive income for the year	-	-	-	-	-	(12,840)	200	19,009	6,369	58	6,427
Transferred to statutory reserve	-	-	-	1,676	-	-	-	(1,676)	-	-	-
Distributed cash dividends (note 19)	-	-	-	-	-	-	-	(12,492)	(12,492)	-	(12,492)
Distributed cash dividends from subsidiaries (note 19)	-	-	-	-	-	-	-	-	-	(2,387)	(2,387)
Treasury shares	-	-	26	-	-	-	-	3	29	-	29
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	1,625	1,625
Balance at December 31, 2016	250,000	16,932	(361)	30,417	1,594	(34,804)	827	172,092	436,697	100,321	537,018

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(U.S. $ 000's)

	Notes	2017 U.S. $	2016 U.S. $
Operating Activities			
Profit before income tax		6,270	19,705
Adjustments for:			
Depreciation and amortization		10,078	9,614
Share of associates' results of operations		(33,889)	(38,114)
(Losses) Gains from financial asset portfolio		33	(757)
Finance costs		13,787	12,469
Gain from sale of investment properties		(67)	(755)
(Losses) Gains from sale of property, plant and equipment		84	(68)
Provision for doubtful account		7,478	1,091
Other non-cash items		8,412	733
		12,186	3,918
Change in working capital:			
Accounts receivable and other current assets		(850)	(2,333)
Inventories and ready for sale properties		160	6,550
Change in financial assets at fair value through profit or loss		4,242	64
Accounts and notes payable		4,966	4,522
Other current liabilities		711	(3,779)
Other non-current liabilities		(207)	2,443
End of service indemnity and tax payments		(3,674)	(2,696)
Net cash from operating activities		17,534	8,689
Investing Activities			
Financial assets at fair value through other comprehensive income		(14,142)	(40)
Investments in associates		(1,228)	3,021
Purchase of property, plant and equipment		(5,706)	(5,153)
Sale of property, plant and equipment		345	471
Cash from acquisition of subsidiaries	4	3	808
Investment properties		3,520	(4,112)
Projects in progress		(2,461)	(10,572)
Purchase of subsidiary's shares		(6,587)	(4,996)
Treasury shares		-	26
Dividends received		26,145	28,333
Net cash (used in) from investing activities		(111)	7,786
Financing Activities			
Distributed cash dividends		(16,110)	(16,352)
Credit facilities and long-term loans and borrowings		(958)	(8,687)
Debt bonds		-	34,140
Change in restricted cash		1,446	(493)
Finance costs paid		(13,597)	(12,881)
Change in non-controlling interest		680	1,625
Net cash used in financing activities		(28,539)	(2,648)
(Decrease) Increase in cash and cash equivalents		(11,116)	13,827
Foreign currency translation differences		1,193	106
Cash and cash equivalents, beginning of the year		29,113	15,180
Cash and cash equivalents, end of year	15	19,190	29,113

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Development and Investment Limited (PADICO)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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, 2017 were authorized for issuance in accordance with a resolution of the Board of Directors on March 29, 2018.

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, 2017. PADICO's ownership in its subsidiaries' subscribed capital was as follows:

	Activity type	Country of origin	Ownership % 2017	Ownership % 2016
Palestine Real Estate Investment Company (PRICO)	Real estate	Palestine	75.71	74.49
Jericho Gate for Real Estate Investment (JG)	Real estate	Palestine	50	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

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

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, 2017.

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

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.
Non-controlling interest share of losses is recognized even if there is a deficit in the balance of non-controlling interest.

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 adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following amended standards effective as at January 1, 2017. The adoption of these new and amended standards did not have any effect on the consolidated financial performance or position of PADICO.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary differences and some other limited amendments.

Issued but not yet effective

The following standards and amendments have been issued but are not yet mandatory, and have not been adopted by PADICO. These standards are those that PADICO reasonably expects to have an impact on disclosures, consolidated financial position or performance when applied at a future date. PADICO intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments (Implemented IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information. PADICO has implemented the first phase of IFRS 9 on financial instruments' recognition and measurements during 2012.ss

PADICO plans to adopt the remaining stages of the new standard on the required effective date and will not restate comparative information. IFRS 9 will affect the measurement and recording of credit losses.

Below is a summary of IFRS 9 impact on the consolidated financial position, performance or disclosures of the consoldated financial statements of PADICO, when applied:

(a) Classification and measurement

PADICO does not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of IFRS 9 as its already implemented the first phase of IFRS 9 on financial instruments' recognition and measurements during 2012.

(b) Impairment

IFRS 9 introduces an updated model for credit loss measurement (the expected credit losses) on all of its financial assets including loans granted, debt securities at amortized cost or at fair value through other comprehensive income. The expected credit loss (ECL) model will replace the current "Incurred Losses" model as per IAS 39.

IFRS 9 requires PADICO to record expected credit losses on all of its debt securities and trade receivables, either on a 12-month or lifetime basis. PADICO will apply the simplified approach and record lifetime expected losses on all trade receivables.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supporting information being made available to the Company when it adopts IFRS 9 in 2018.

(c) Hedge accounting

Hedge accounting under IFRS 9 will have no effect on PADICO's financial position and performance, as PADICO does not currently hold financial instruments for hedging purposes.

IFRS 7 Financial Instruments – Amendments on Disclosure

IFRS 7 was amended to include more qualitative and quantitative discolsures to accomedate IFRS 9 requirements such as classifications, impairment and hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenues arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases.

IFRS 15 supersedes the following standards and interpretations:

- IAS 11 Construction Contracts,
- IAS 18 Revenue,
- IFRIC 13 Customer Loyalty Programs,
- IFRIC 15 Agreements for the Construction of Real Estate,
- IFRIC 18 Transfers of Assets from Customers; and
- SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The standard is effective for annual periods beginning on or after January 1, 2018.

Currently, PADICO is conducting an impact assessment for IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supporting information being made available to PADICO in 2018 when it adopts IFRS 15.

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

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

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

IFRS 16 Leases

IFRS (16) "Leases" was issued by the IASB in January 2016. IFRS (16) sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under IFRS 16 is substantially similar to the accounting requirements of the lessor under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases, where each is treated differently.

IFRS 16 requires the lessee to recognize the assets and the liabilities for all leases exceeding 12 months period except for those of a low value. It requires the lessee to recognize the right-of-use of the asset representing the recognition of the leased assets and a liability to make lease payments.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

Amendments to IAS 40 - Transfers of Investment Property

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

Entities should apply the amendments prospectively and effective for annual periods beginning on or after January 1, 2018.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis.

The new interpretation will be effective for annual periods beginning on or after January 1, 2018.

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 fees and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

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

- Risk Management Objectives and Policies (note 37)
- Capital Management (note 37)

The key areas involving a higher degree of judgment or complexity 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 doubtful accounts, notes receivable and loans

PADICO's subsidiaries provide services to a broad base of clients using certain credit terms, while PADICO grants loans to some associates. Estimates, based on PADICO's and its subsidiaries' historical experience, are used in determining the level of debts that PADICO and its subsidiaries believe will not be collected.

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 property

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.

3.4 Summary of significant accounting policies

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits will flow to PADICO and its subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Leases

Operating lease contracts are those that retain all the significant risks and benefits of ownership to the lessor. All costs and expenses paid are added to the leased assets book value and are recognised as rent revenue during the leasing period.

Operating lease payments are recognized as revenue in the income statement on a straight line basis over the lease term. All leases payments and other services paid by lessee related to the period after the date of the consolidated financial statements are recognised as unearned revenue. While unpaid leases as of the consolidated financial statement date are recognised as accrued revenues.

Rendering of services

Revenues from security trading and transfer commissions, membership of brokerage firms, registration fees for listed companies, and collateral commissions are recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the consolidated financial statements date.

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

Dividend revenue is recognised when the shareholders right to receive the dividends is established.

Sale of ready for sale properties

A property is regarded as sold when the major risks and the real estate ownership are transferred to the buyer, which is usually when the property is delivered.

Construction contracts revenue

Construction contracts revenue is recognised based on the percentage of completion method which is calculated by multiplying the percentage of completed work by the total contract revenue 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

Revenues from rooms' services are recognized when the outcome of the transaction can be estimated reliably, by referring to the percentage of completion of the transaction at the consolidated financial statements date.

Food and beverage revenues

Revenues of food and beverage are recognized when sold.

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 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 the Palestinian and Jordanian Income Tax laws 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.

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 financial instruments and non-financial assets, such as investments properties at fair value at each consolidated financial statements 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&7)
- Disclosure of fair value measurement hierarchy for assets (note 35)
- 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 by 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

The company 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.

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.

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 finite 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.

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:

	Investment period (years)	Useful lives (years)
The right to use Al-Bireh central station	24	22
The right to use Tourist bus station - Bethlehem	17	17
The right to lease the industrial zone	49	20
The right to lease coast land - Chalet project	49	31
The right to lease the industrial and agricultural zone - Jericho	49	45
Leasing right Awqaf Commerical Complex	9	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, as their fair value cannot be measured reliably.

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.

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

Debt instrument financial assets that do not meet the amortised cost criteria or that meet the criteria but PADICO has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. PADICO has not designated a debt instrument financial asset as at FVTPL.

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.

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.

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

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

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 statement of income 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 at amortised cost

Financial assets that are measured at amortised cost, including receivables and notes receivable, are assessed for indicators of impairment at the date of the financial statements. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

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.

Accounts and notes receivables

Notes receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

PADICO as a lessee

Finance leases, which transfer to PADICO substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that PADICO obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease contracts are those contracts that retain all the significant risks and rewards of ownership to the lessor. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

PADICO as a lessor

Leases where PADICO does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Provisions

Provisions are recognised when PADICO and its subsidiaries have 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.

4. Business Combination

On March 9, 2017, Nakheel Palestine (a subsidiary of Tadweer) acquired 100% of Sultan Fresh Fruits Company Ltd. (Sultan) which amounted to 3,500,000 shares for an amount of U.S. $ 11,350,000 settled with post-dated checks with a present value of U.S. $ 11,150,000 as at the date of the acquisition. The long-term value of post-dated checks amounted to U.S $ 3,600,000 as at December 31, 2017. As a result of the acquisition, Nakheel Palestine gained control over Sultan through acquiring all the voting rights, and accordingly the financial statements of Sultan were consolidated with the consolidated financial statements of Nakheel Palestine. Nakheel Palestine share of net loss from Sultan from the date of acquisition and until December 31, 2017 amounted to U.S. $ 81,059.

The acquisition price distribution is initially determined in the acquisition and will be completed within one year from the date of the acquisition in accordance with the standards. The fair value of Sultan's assets and liabilities is as follows:

	U.S. $ 000's Fair values at the date of the acquisition
Assets at fair value	
Property, plant and equipment	10,992
Accounts receivables and other current assets	485
Cash and short-term deposits	3
	11,480
Liabilities at Fair Value	
Accounts payables and other current liabilities	271
Provision for employees' indemnity	59
	330
Net Assets at fair value	11,150
Sultan's acquisition cost	11,150

Acquisition of a Subsidiary during 2016

During 2016, PIIC (a subsidiary of PADICO) acquired 1.5 million shares in Al Pinar General Trading Company (PINAR), which represents ownership of 100%. As a result, PIIC gained control over PINAR's financial and operating policies and accordingly PINAR's financial statements were consolidated with PIIC's consolidated financial statements from the date of acquisition.

Below are the fair value of PINAR assets and liabilities at the date of acquisition:

	U.S 000's Fair value at the date of acquisition
Assets at fair value	
Property, plant and equipment	1,335
Inventory	310
Accounts receivable	252
Cash and cash equivalent	808
	2,705
Liabilities at fair value	
Accounts payable	1,196
Provision for income tax	24
Other payables	31
Provision for employees' indemnity	346
	1,597
Fairs value for net assets	1,108
Acquisition cost	(4,996)
Intangible assets resulting from acquisition*	(3,888)

* PIIC recorded the business combination of PINAR's assets and liabilities at fair value. After completing the purchase price allocation in accordance with International Financial Reporting Standard (3), intangible assets were recognized and recorded, the entire amount of which is attributed to PINAR's Trademark.

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	2017	2016
		%	
Palestine Real Estate Investment Company	Palestine	24.29	25.51
Palestine Industrial Investment Company	Palestine	43.28	43.28
Palestine Securities Exchange Company	Palestine	25.28	25.28
Jericho Gate for Real Estate Investment	Palestine	50	50

Accumulated balances of material non-controlling interests:	2017	2016
	U.S 000's	
Palestine Real Estate Investment Company	17,348	21,827
Palestine Industrial Investment Company	33,068	29,294
Palestine Securities Exchange Company	2,215	2,154
Jericho Gate for Real Estate Investment	24,019	23,779
(losses) Profits allocated to material non-controlling interests:		
Palestine Real Estate Investment Company	(4,446)	(1,228)
Palestine Industrial Investment Company	3,439	3,086
Palestine Securities Exchange Company	70	59
Jericho Gate for Real Estate Investment	240	(280)
Other comprehensive income to material non-controlling interests:		
Palestine Real Estate Investment Company	(333)	(16)
Palestine Industrial Investment Company	1,584	(69)
Palestine Securities Exchange Company	(9)	39
Change of material subsidiaries non-controlling interests:		
Palestine Real Estate Investment Company	300	1,012
Palestine Industrial Investment Company	-	14

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

Summarized Statement of Financial Position as at December 31, 2017:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment
Current assets	41,245	30,172	8,996	3,964
Non-current assets	103,387	77,998	4,269	50,765
Current liabilities	(29,327)	(18,406)	(352)	(2,370)
Non-current liabilities	(32,099)	(22,153)	(838)	(112)
Total equity	83,206	67,611	12,075	52,247
Attributable to non-controlling interests in PADICO	17,348	33,068	2,215	24,019

Summarized Statement of Financial Position as at December 31, 2016:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment
Current assets	52,111	25,073	9,187	10,328
Non-current assets	115,032	55,507	3,748	50,673
Current liabilities	(34,133)	(14,972)	(455)	(1,010)
Non-current liabilities	(30,117)	(6,379)	(1,054)	(112)
Total equity	102,893	59,229	11,426	59,879
Attributable to non-controlling interests in PADICO	21,827	29,294	2,154	23,779

Summarized Statement of Profit or Loss for the year ended December 31, 2017

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment
Revenues	9,054	65,565	2,834	3,526
Operating expenses	(8,294)	(53,545)	-	(2,416)
General, administrative and marketing expense	(3,669)	(5,934)	(2,773)	(536)
Finance costs	(2,275)	(1,006)	-	(2)
Other (expenses) revenues	(13,922)	3,318	731	89
(loss) profit before tax	(19,106)	8,398	792	661
Income tax expense	(120)	(634)	(108)	(97)
(loss) profit for the year	(19,226)	7,764	684	564
Other comprehensive income items	(1,370)	3,176	(35)	-
Net comprehensive income for the year	(20,596)	10,940	649	564
Attributable to non-controlling interests in PADICO	(4,446)	3,439	70	240

Summarized Statement of Profit or Loss for the year ended December 31, 2016

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Jericho Gate for Real Estate Investment
Revenues	15,099	63,355	2,659	-
Operating expenses	(12,024)	(51,482)	-	-
General, administrative and marketing expense	(3,861)	(5,703)	(2,514)	(501)
Finance costs	(2,400)	(374)	-	-
Other (expenses) revenues	(851)	1,643	638	(51)
(loss) profit before tax	(4,037)	7,439	783	(552)
Income tax expense	(175)	(631)	(140)	-
(loss) profit for the year	(4,212)	6,808	643	(552)
Other comprehensive income items	177	288	78	-
Net comprehensive income for the year	(4,035)	7,096	721	(552)
Attributable to non-controlling interests in PADICO	(1,228)	3,086	59	(280)

Summarized Cash flow information for year ended December 31, 2017:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Jericho Gate for Real Estate Investment
Operating activities	4,786	5,165	(250)	(3,082)
Investing activities	7,522	(18,607)	(281)	2,720
Financing activities	(12,046)	11,911	-	(8,207)
Net increase (decrease) in cash and cash equivalents	262	(1,531)	(531)	(8,569)

Summarized Cash flow information for year ended December 31, 2016:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Jericho Gate for Real Estate Investment
Operating activities	3,176	4,572	1,030	(700)
Investing activities	(10,456)	(4,500)	(54)	(1,962)
Financing activities	763	1,191	-	11,218
Net (decrease) increase in cash and cash equivalents	(6,517)	1,263	976	8,556

6. Property, Plant and Equipment

	U.S. $ 000's									
December 31, 2017	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 at January 1, 2017	19,751	99,509	37,447	11,928	3,843	3,527	13,565	2,193	12,948	204,711
Additions	-	1,420	1,811	179	555	105	190	583	1,248	6,091
Transferred from projects in progress (Note 9)	121	302	926	114	-	-	-	-	-	1,463
Disposals	-	(5)	(368)	(283)	(855)	(53)	(142)	-	(172)	(1,878)
Acquisition of subsidiary (Note 4)	-	201	265	42	208	-	-	1,165	9,799	11,680
Foreign currency translation differences	648	2,558	2,356	109	295	82	2	123	254	6,427
Balance at December 31, 2017	20,520	103,985	42,437	12,089	4,046	3,661	13,615	4,064	24,077	228,494
Accumulated Depreciation										
Balance at January 1, 2017	-	25,313	18,399	8,156	2,421	3,115	5,338	873	429	64,044
Depreciation charge for the year	-	2,701	2,381	696	472	94	1,153	338	507	8,342
Disposals	-	(1)	(353)	(182)	(737)	(50)	(126)	-	-	(1,449)
Acquisition of subsidiary (note 4)	-	51	20	60	107	-	-	228	222	688
Impairment of property, plant and equipment	-	-	50	-	22	-	-	-	-	72
Foreign currency translation differences	-	971	1,225	47	187	61	1	28	30	2,550
Balance at December 31, 2017	-	29,035	21,722	8,777	2,472	3,220	6,366	1,467	1,188	74,247
Net book value										
At December 31, 2017	20,520	74,950	20,715	3,312	1,574	441	7,249	2,597	22,889	154,247

Based on long-term loan agreements, PADICO's subsidiaries mortgaged lands and real estates and their associated properties as collateral to local banks. The book value of the assets amounted to U.S. $ 34,034,000 as at December 31, 2017. Depreciation for an amount of U.S. $ 385,000 was allocated to palm trees as at December 31, 2017.

Property, Plant and Equipment (Continued)

	U.S. $ 000's									
December 31, 2016	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 at January 1, 2016	19,623	96,977	34,036	11,648	3,507	3,449	13,482	2,045	11,950	196,717
Additions	72	1,186	2,127	290	418	65	83	148	998	5,387
Transferred from projects in progress (Note 9)	-	1,063	667	-	-	-	-	-	-	1,730
Disposals	-	-	(595)	(66)	(293)	-	-	-	-	(954)
Acquisition of subsidiary (Note 4)	-	64	1,024	48	190	9	-	-	-	1,335
Foreign currency translation differences	56	219	188	8	21	4	-	-	-	496
Balance at December 31, 2016	19,751	99,509	37,447	11,928	3,843	3,527	13,565	2,193	12,948	204,711
Accumulated Depreciation										
Balance at January 1, 2016	-	22,658	16,435	7,451	2,269	3,009	4,183	652	150	56,807
Depreciation charge for the year	-	2,578	2,031	738	406	103	1,155	221	279	7,511
Disposals	-	-	(248)	(39)	(266)	-	-	-	-	(553)
Impairment of property, plant and equipment	-	-	93	-	-	-	-	-	-	93
Foreign currency translation differences	-	77	88	6	12	3	-	-	-	186
Balance at December 31, 2016	-	25,313	18,399	8,156	2,421	3,115	5,338	873	429	64,044
Net book value										
At December 31, 2016	19,751	74,196	19,048	3,772	1,422	412	8,227	1,320	12,519	140,667

Based on long-term loan agreements, PADICO's subsidiaries, mortgaged lands and real estates and their associated properties as collateral to local banks. The book value of the assets amounted to U.S. $ 34,497,000 as at December 31, 2016. Depreciation for an amount of U.S. $ 233,000 was allocated to palm trees as at December 31, 2016.

7. Intangible Assets

	U.S. $ 000's				
	Goodwill*	Trademark**	Leasing rights***	Right of use bus stations****	Total
Cost					
Balance at January 1, 2017	3,516	3,888	23,959	8,180	39,543
Additions	-	-	609	-	609
Transferred from projects in progress (Note 9)	-	-	3,011	-	3,011
Balance at December 31, 2017	3,516	3,888	27,579	8,180	43,163
Amortization					
Balance at January 1, 2017	-	-	1,393	6,770	8,163
Amortization for the year	-	-	1,072	337	1,409
Balance at December 31, 2017	-	-	2,465	7,107	9,572
Net book value					
At December 31, 2017	3,516	3,888	25,114	1,073	33,591
At December 31, 2016	3,516	3,888	22,566	1,410	31,380

***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 - PEDCO Gaza (a subsidiary of PADICO) resulting from the difference between the purchase cost and the Company's share of the net fair value of the assets and liabilities at the date of purchase.

****Trade mark**

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 (note 4).

*****Leasing Rights**

In 2016, PRICO (a subsidiary) signed an investment agreement with the Ministry of Endowments 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, the company completed the construction and processing of the commercial complex with an amount US $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 2016, JAIP (a subsidiary of PRICO) completed the construction and processing of part 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 49 years with an amount of US $ 5,557,000.

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, the company completed the construction of the project (Blue beach hotel) and transferred it to leasing rights. The project cost is amortized over the remaining term of the lease, which expires on October 20, 2044.

This item also includes the costs incurred by Pedco-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.

***The right to use bus stations

During 2000, PRICO (a subsidiary of PADICO) 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, 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	
	2017	2016
Financial market segment	1,445	1,445
Real estate segment	2,071	2,071
Industrial segment	3,888	3,888
	7,404	7,404

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 12%. Cash flows beyond the 5-year period are extrapolated using a 2% growth rate.

Real estate segment

For the purpose of impairment testing, the carrying value of the goodwill acquired through business combinations is allocated to the cash generating unit which is the reportable segment of the subsidiary.

The recoverable amount of the subsidiary has been determined based on the fair value of the asset less cost to sell. The fair value less cost to sell was determined based on evaluations performed by licensed appraisers. These evaluations didn't result in any indication of impairment.

Key assumptions used in the calculation of the value in use

The calculations of the value in use for the real estate segment 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. A pre-tax discount rate of 17.12% was used for cash flows.

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. The growth rate applied to cash flow projections is 3% for periods exceeding 7 years.

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.

Industrial Segment

This segment represents the goodwill resulting from purchasing Pinar's shares. For the purposes of impairment testing, the goodwill is allocated on the cash generating unit (Milk and dairy production) that presents part of Padico's business segments.

The recoverable amount of milk and dairy production has been determined based on the "value in use" in accordance with the projected cash flows covering a five-year period through future financial budgets approved by Management. The pre-tax discount rate of 17.19% was applied to cash flows during the next five years. Cash flows beyond the 5 year period are extrapolated using a 2.7% growth rate.

Key assumptions used in the calculation of the value in use

The calculations of the value in use for the industrial segment 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 estimate of the risks specific to each business segment with regard to the time value as well as the risks related to assets that are not included in future cash flows projections. The discount rate calculation is based on factors related to the company and business segments and is derived from the weighted average cost of capital. The weighted average cost of capital calculation is based on borrowing and capital costs. The cost of capital is calculated based on the expected return on investment and the borrowing cost is calculated based on the interest bearing borrowings of PAIDCO that PADICO is committed to repay. Segment- specific risks are recognized by using beta transactions separately. Beta transactions are evaluated based on available market data.

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 recoverable amount.

8. Investment Properties

Investments properties as at December 31, 2017 and 2016 includes the following:

	U.S. $ 000's	
	2017	2016
Lands	71,992	80,899
Buildings	22,985	21,496
	94,977	102,395

The fair value of the lands and buildings as at December 31, 2017 amounted to U.S. $ 203,837,000 and as at December 31, 2016 amounted to U.S. $ 209,945,000. The carrying value of investment properties which were mortgaged for the benefit of banks as collateral against loans to PRICO is approximately U.S. $ 24,697,392 (Note 20).

During the years 2017 and 2016, Padico sold part of its investment properties which resulted in a gain of an amount of U.S. $ 67,000 and U.S. $ 755,000, respectively. Gain is recognized in the consolidated income statement.

Following is the movement on the investment properties

	U.S. $ 000's	
	2017	2016
Balance, beginning of the year	102,395	93,975
Additions	1,115	7,715
Transferred from inventory and ready for sale properties	1,107	4,480
Sales	(8,928)	(2,848)
Amortization	(712)	(927)
Balance, end of year	94,977	102,395

9. Projects in Progress

	U.S. $ 000's	
	2017	2016
Balance, beginning of the year	16,126	20,793
Additions	4,821	10,572
Sales	(7,117)	-
Disposals	(100)	(586)
Transferred to inventory and ready for sale properties	-	(7,366)
Transferred to intangible assets (Note 7)	(3,011)	(5,557)
Transferred to property, plant and equipment (Note 6)	(1,463)	(1,730)
Foreign currency	659	-
Balance, end of year	9,915	16,126

Following are the projects in progress as at December 31, 2017 and 2016:

		U.S. $ 000's	
		Cost	
Project Name	The Company	2017	2016
Al-Sharafat project	TAICO for trade and Investment Company	4,860	11,264
Awqaf building project	Palestine Real Estate Investment Company	-	2,937
Jericho project to develop the industrial and agricultural zone	Jericho Agro Industrial Park	1,435	1,006
Cows Farms project	Palestine Poultry Company PLC	1,670	657
Industrial hanger housing expansion project	National Carton Industry company	283	246
A new factory and headquarters project	Al Pinar General Trading	1,608	12
Other projects	Other companies	59	4
		9,915	16,126

The projects cost are expected to reach a total of U.S. $ 49,930,000 and the projects are expected to be completed in 2 to 5 years.

10. Investment in Associates

This item represents investments in associates as follows:

	Country of origin	Ownership %		U.S. $ 000's Carrying Amount	
		2017	2016	2017	2016
Palestine Telecommunications Company (Listed)	Palestine	31.41	31.41	374,962	374,924
Vegetable Oil Industries Company (Listed)	Palestine	32.77	32.67	15,640	13,557
Golden Wheat Mills Company (Listed)	Palestine	19.37	18.35	3,630	3,066
Jordan Vegetable Oil Industry Company (Listed)	Jordan	17.00	17.00	1,841	1,749
PAL Aqar for Real Estate Company (listed)	Palestine	25.02	25.02	446	414
Palestine Power Generating Company (Not listed)	Palestine	20.00	20.00	3,337	2,406
Mawaqef investment company (Not listed)	Jordan	49.00	49.00	145	917
Al-Kubra for waste company	Palestine	25.00	25.00	186	236
				400,187	397,269

- 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, 2017 and 2016 amounted to U.S. $ 284,181,419 and U.S. $ 292,228,892 respectively.
- Although PADICO's ownership percentage in some associates 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. $ 296,144,000 as at December 31, 2017.
- The extraordinary general assembly of Mawaqef Investment Company decided on July 23, 2016 to amortize company's losses in partners' accounts which resulted in increasing the value of PADICO investment in Mawaqef. During the year, PRICO (a subsidiary of PADICO) recorded an impairment provision on its investment in Mawaqef Company for US $ 653,323.

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

	December 31, 2017 U.S. $ 000's					
	Palestine Telecommuni-cations Company	Vegetable Oil Industries Company	Golden Wheat Mills Company	Jordan Vegetable Oil Industry Company	Others	Total
Associates' statement of financial position:						
Non-current Asset	1,046,758	55,943	13,215	3,715	15,357	1,134,988
Current Asset	271,833	9,210	18,109	6,510	11,233	316,895
Non-current Liability	(130,501)	(19,852)	(596)	-	(2,239)	(153,188)
Current Liability	(390,056)	(1,969)	(8,109)	(1,701)	(3,828)	(405,663)
Equity	798,034	43,332	22,619	8,524	20,523	893,032
Equity attributable to Parent	250,662	14,200	4,381	1,449	4,688	275,380
Embedded Goodwill	124,300	1,440	(751)	392	(574)	124,807
Carrying amount of investment	374,962	15,640	3,630	1,841	4,114	400,187
Revenues and Results of Operations:						
Revenues	486,289	18,501	16,467	7,743	2,251	531,251
Results of Operations	99,473	9,645	2,086	907	(547)	111,564
PADICO's Share of Results of Operations	30,367	3,161	404	154	(197)	33,889
PADICO's share of Other Comprehensive Income	(7,186)	(818)	(10)	5	-	(8,009)
PADICO's share of foreign currency translation differences	(17)	788	-	-	-	771

	December 31, 2016 U.S. $ 000's						
	Palestine Telecommunications Company	Vegetable Oil Industries Company	Arab Hotels Company	Golden Wheat Mills Company	Jordan Vegetable Oil Industry Company	Others	Total
Associates' statement of financial position:							
Non-current Asset	992,201	31,150	40,009	13,733	2,436	13,335	1,092,864
Current Asset	448,153	8,305	2,114	15,191	7,278	7,615	488,656
Non-current Liability	(173,560)	(588)	(12,480)	(508)	-	(2,060)	(189,196)
Current Liability	(484,582)	(1,703)	(6,218)	(7,832)	(1,733)	(2,825)	(504,893)
Equity	782,212	37,164	23,425	20,584	7,981	16,065	887,431
Equity attributable to Parent	245,693	12,141	-	3,777	1,357	3,870	266,838
Embedded Goodwill	129,231	1,416	-	(711)	392	103	130,431
Carrying amount of investment	374,924	13,557	-	3,066	1,749	3,973	397,269
Revenues and Results of Operations:							
Revenues	481,013	15,675	2,525	16,106	7,572	2,034	524,925
Results of Operations	112,911	7,911	(839)	39	513	(357)	120,178
PADICO's Share of Results of Operations	35,748	2,585	(178)	7	87	(135)	38,114
PADICO's Share of Other Comprehensive Income	(4,403)	(63)	-	(13)	5	-	(4,474)
PADICO's share of foreign currency translation differences	13	-	-	-	-	-	13

During the year, Jedico (a subsidiary) sold its full investment in Arab Hotels Company which resulted in a loss in the consolidated financial statements for an amount of U.S. $ 429,000.

11. Financial Assets at Fair Value Through Other Comprehensive Income

	U.S. $000's	
	2017	2016
Quoted equities	15,309	2,749
Unquoted equities	16,072	21,800
	31,381	24,549

Following is the movement on the fair value reserve:

	U.S. $000's	
	2017	2016
Balance, beginning of year	(34,804)	(21,964)
Net losses in fair value of financial assets at fair value through other comprehensive income	(13,685)	(12,840)
Net losses from sale of financial assets transferred directly to retained earnings	2,046	-
Balance, end of year	(46,443)	(34,804)

12. Inventories and Ready for Sale Properties

	U.S. $000's	
	2017	2016
Land and ready for sale properties*	20,765	27,980
Feed mill, eggs, poultry, dates and diary products	4,709	3,051
Raw materials	2,056	1,529
Biological assets - immature	1,329	870
Biological assets - mature and producing	798	1,090
Carton sheets and cans	734	440
Operational goods for hotels	542	651
Plastic stock	232	-
Sundry	564	396
	31,729	36,007

* In accordance to some loans agreements signed by PRICO, part of the ready for sale properties of Al Ghadeer, Al Masayef and PRICO House (2) projects were mortgaged. The carrying amount of properties mortgaged amounted to is US $ 21,816,496 as at 31 December 2017.

13. Accounts Receivable and Other Current Assets

	U.S. $000's 2017	U.S. $000's 2016
Trade receivables	30,215	21,596
Checks under collection	29,782	22,486
Due from Value Added Tax	6,875	5,906
Prepayments to suppliers	2,342	1,657
Due from associates and sister companies	2,272	2,006
Prepaid expenses	706	806
Notes receivable	74	191
Other receivables	1,287	2,610
	73,553	57,258
Provision for doubtful accounts	(13,100)	(5,473)
	60,453	51,785
Long term accounts receivable	(11,113)	(10,541)
	49,340	41,244

Total impaired accounts receivable, checks under collection and notes receivable amounted to U.S. $ 13,100,000 as at December 31, 2017, where it amounted to U.S. $ 5,473,000 as at December 31, 2016.

As at December 31, 2017 and 2016, the aging analysis of unimpaired trade receivables, checks under collection and notes receivable is as follows:

	U.S. $ 000's		Past due but not impaired		
	Total	Neither past due nor impaired	Less than 90 days	91 to180 days	More than 181 days
2017	46,896	26,803	11,151	4,325	4,617
2016	38,800	22,465	4,524	2,195	9,616

PADICO's management expects, based on past experience, to recover all unimpaired receivables. PADICO management does not obtain any guarantees against these 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 financial assets listed in local and regional markets as follows:

	U.S. $ 000's 2017	U.S. $ 000's 2016
Investment funds	3,638	8,343
Investments portfolio in local and regional equities	1,571	2,789
	5,209	11,132

15. Cash and Short Term Deposits

	U.S. $ 000's 2017	U.S. $ 000's 2016
Cash on hand and current accounts at banks	9,624	10,714
Term deposits at banks	9,873	20,152
	19,497	30,866

Term deposits at banks as at December 31, 2017 include deposits with an original maturity of three months or less. The average interest rates on deposits in U.S. $ was 3.79%, and the average interest rate on deposits in Israeli shekel was 4.8%.

Term deposits at banks include restricted cash of U.S. $ 307,000 and U.S. $ 1,753,000 as a security against certain credit facilities and debit bonds granted to PADICO and its subsidiaries as at December 31, 2017 and 2016 (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 2017	U.S. $ 000's 2016
Cash on hand and current accounts at banks	9,624	10,714
Term deposits at banks	9,873	20,152
	19,497	30,866
Restricted cash (Note 20)	(307)	(1,753)
	19,190	29,113

16. Paid-in Share Capital

Paid-in share capital as at December 31, 2017 and 2016 as follows:

	U.S. $ 000's 2017	U.S. $ 000's 2016
Authorized capital	300,000	300,000
Subscribed and paid in capital	250,000	250,000

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. $ 31,934,000 and U.S. $ 30,417,000 as at December 31, 2017 and 2016, 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.

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.

Voluntarily reserve

Voluntarily reserve amounted to U.S. $ 1,594,000 as at December 31, 2017 and 2016. This reserve is available for distribution to the shareholders.

19. Distributed Cash Dividends

PADICO's General Assembly decided in its meeting held on May 15, 2017, a cash dividends distribution of U.S. $ 0.05 per share for the result of operation of the year 2016, which amounted to U.S. $ 12,500,000. For the purpose of preparing the consolidated financial statements, an amount of U.S. $ 8,000 was deducted from cash dividends which belong to PADICO's subsidiaries that own shares in PADICO's capital.

PADICO's General Assembly decided in its meeting held on May 17, 2016, a cash dividends distribution of U.S. $ 0.05 per share for the result of operation of the year 2015, which amounted to U.S. $ 12,500,000. For the purpose of preparing the consolidated financial statements, an amount of U.S. $ 8,000 was deducted from cash dividends which belong to PADICO's subsidiaries that own shares in PADICO's capital.

Cash dividends from subsidiaries in 2017

PIIC's (a subsidiary) General Assembly decided in its meeting held on May 4, 2017, a cash dividend distribution of JD 0.06 per share for the result of operations of the year 2016, which amounted to U.S. $ 1,586,700. Non-controlling interest's share of the dividends was U.S. $ 687,000.

Palestine Poultry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on May 4, 2017, a cash dividend distribution of JD 0.18 per share, which amounted to U.S. $ 3,412,040. Non-controlling interest's share of the dividends was U.S. $ 391,000.

National Carton Industry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on April 27, 2017, a cash dividend distribution of U.S $ 0.06 per share for the results of operations of the year 2016, which amounted to U.S. $ 300,000. Non-controlling interest's share of the dividends was U.S. $ 171,000.

Cash dividends from subsidiaries in 2016

PIIC's (a subsidiary) General Assembly decided in its meeting held on May 4, 2016, a cash dividend distribution of JD 0.06 per share for the result of operations of the year 2015, which amounted to U.S. $ 1,586,700. Non-controlling interest's share of the dividends was U.S. $ 687,000.

Palestine Poultry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on May 4, 2016, a cash dividend distribution of JD 0.15 per share for the results of operations of the year 2015, which amounted to U.S. $ 2,843,000. Non-controlling interest's share of the dividends was U.S. $ 325,000.

National Carton Industry Company's (a subsidiary of PIIC) General Assembly decided in its meeting held on April 27, 2016, a cash dividend distribution of U.S. $ 0.08 per share for the results of operations of the year 2015, which amounted to U.S. $ 400,000. Non-controlling interest's share of the dividends was U.S. $ 228,000 as at December 31, 2016.

PRICO's (a subsidiary) General Assembly decided in its meeting held on May 8, 2016, a cash dividend distribution of JD 0.05 per share, which amounted to U.S. $ 4,496,531. Non-controlling interest's share of the dividends was U.S. $ 1,146,750.

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

	U.S. $000's	
	2017	2016
Long term loans from banks and financial institutions	107,375	108,076
Long term loans from related parties	1,855	2,167
Overdraft accounts	8,309	8,841
Murabaha and Istusna'a' contracts	10,124	9,537
	127,663	128,621
Credit facilities, Islamic financing and current portion of long term loans	(38,019)	(46,229)
	89,644	82,392

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

		U.S. $000's
Mature in	2018	38,019
Mature in	2019	23,066
Mature in	2020	19,683
Mature in	2021	21,507
Mature in	2022	9,017
Matures later		16,371
		127,663

- 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 1% and 5.5% in addition to LIBOR, and to a fixed interest rate between 3% and 7%. These loans are to be settled within a seven year period. The balance of outstanding loans amounted to U.S. $ 107,375,000 and U.S. $ 108,076,000 as at December 31, 2017 and 2016 respectively.

- During the year and past years, JEDICO's subsidiaries (a subsidiary) signed loan agreements with some shareholders to cover their financial needs for an amount of U.S. $ 1,855,000 as at December 31, 2017. These loans are subject to an annual interest rate between 5% and 7.5% and are settled in quarterly installments.

- PADICO's subsidiaries were granted overdraft accounts and credit facilities from local and regional banks in U.S. Dollars and Israeli Shekel with a total ceiling of U.S. $ 11,140,000 as at December 31, 2017. The total balance used of these credit facilities reached a total of U.S. $ 8,309,000 as at December 31, 2017. These facilities are subject to interest rates between 4% and 6.5%.

- During the year and past years, PADICO was granted Murabaha financing from banks and local financial institutions with a total ceiling amounting to U.S. $ 5,000,000 as at December 31, 2017. 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 the year, Nakheel (a subsidiary of Tadweer) signed Murabaha agreement with a local financing institution with a fixed annual profit margin ranging from 3% to 5%. The installments are paid during a period of 6 years starting from 2017. The total balance used of these facilities reached a total of U.S. $ 10,124,000 and U.S. $ 9,537,000 as at December 31, 2017 and 2016, respectively.

- On April 4, 2017, Nakheel Palestine (a subsidiary of Tadweer) 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 AlSultan Fresh Fruit's shares (Note 4). The annual interest rate is six months LIBOR plus 4.4% and will be paid in 15 semi-annual installments starting from June 15, 2020. An amount of U.S. $ 8,000,000 was granted on April 28, 2017 while the rest of the amount will be granted during 2018.

- During the year and previous years, PIIC and its subsidiaries signed loan agreements with local and regional banks in U.S. Dollars and Israeli Shekels at variable interest rates ranging from 2.75% to 5.5% in addition to LIBOR rates 4% 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

- These loans and facilities were received by mortgaging assets with a book value of U.S.$ 208,014,000, a check guarantee of U.S. $ 1.6 Million and cash margins for an amount of U.S.$ 307,000 as at December 31, 2017 .

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. $ 207,456,882 as at the date of the consolidated financial standards.

22. Provision for Employees' Indemnity

	U.S. $000's	
	2017	2016
Balance, beginning of the year	7,426	6,835
Additions during the year	1,525	1,667
Acquisition of a subsidiary (note 4)	59	346
Transferred to accrued employee payable	(622)	-
Payments during the year	(2,225)	(1,422)
Foreign currency	289	-
Balance, end of year	6,452	7,426

Provision is made for employees' end of service indemnities in accordance with the Labor Law in force in Palestine and the Company's Personnel Regulations.

It is expected that the Palestinian Social Security Law will be applied during 2018, whereby the employer is required to settle the provision for employees' indemnity for periods prior to the effective date of the Law.

23. Other Non-current liabilities

	U.S. $000's	
	2017	2016
Deferred rent revenues	9,011	2,425
Long term postdated checks	3,496	-
Deferred grants revenues	774	806
	13,281	3,231

24. Accounts and Notes Payable

	U.S. $000's	
	2017	2016
Trade payables	11,657	8,871
Outstanding checks	8,459	6,956
	20,116	15,827

25. Other Current Liabilities

	U.S. $000's	
	2017	2016
Accrued cash dividends	7,481	9,061
Deferred revenues	7,933	4,599
Accrued interests and expenses	7,358	6,432
Due to related parties	2,171	2,673
Contractors' retentions	635	1,136
Legal Provision	574	142
Vacation Provision	326	520
Employees Provident Fund	199	459
Other liabilities and provisions	5,954	3,857
	32,631	28,879

26. Provision for Income Tax

	U.S. $000's	
	2017	2016
Balance, beginning of the year	1,174	1,883
Additions during the year	1,306	796
Acquisition of a subsidiary (note 4)	-	24
Tax refunds	-	(253)
Payments during the year	(1,449)	(1,276)
Balance, end of year	1,031	1,174

The provision for the year represents subsidiaries' provision for their results of operations for the year 2017. The subsidiaries are working on reaching a final tax settlement with the income tax authority on their results of operations for several taxable years. PADICO reached a final tax settlement with the tax authority for its results of operations for the years from 2010 to 2016.

27. Operating Income

	U.S. $000's	
	2017	2016
Sales of mills, eggs, poultry, dates and dairy products	64,979	60,200
Operating revenues from hotels, restaurants and tourist facilities	10,603	8,823
Revenues of properties sold	13,331	7,303
Revenues from sale of land and development rights	3,525	-
Sales of carton sheets and cans	5,287	6,241
Rent revenue	6,052	5,160
Securities exchange fees and commissions	2,757	2,582
Cars and busses parking revenues	1,172	1,903
Sales of plastic bottles and pipes	552	73
Others	18	19
	108,276	92,304

28. (Losses) Gains from Financial Assets Portfolio

	U.S. $000's	
	2017	2016
Distributed dividends income	1,648	939
Change in fair value of financial assets at fair value through profit or loss	(1,721)	(182)
Gain from sale of financial assets through profit or loss	40	-
	(33)	757

29. Operating Expenses

	U.S. $000's	
	2017	2016
Cost of mills, eggs, poultry, dates and dairy products	48,392	45,807
Operation cost of hotels, restaurants and tourist facilities	8,954	9,198
Cost of properties sold	9,417	5,413
Cost from sale of land and development rights	2,416	-
Cost of carton sheets and cans	4,551	5,242
Construction contracts costs	490	442
Cost of plastic bottles and pipes sold	486	43
Other operating expenses	4,061	4,393
	78,767	70,538

30. General and Administrative Expenses

	U.S. $000's	
	2017	2016
Salaries and related benefits	9,397	8,410
Selling, advertising and public relations expenses	3,092	2,726
Rent and general services	1,516	1,647
Consultancy and professional fees	1,087	1,645
Board of directors' fees and expenses	479	767
Travel and transportation	808	860
Subscriptions, fees and licenses	907	816
Donations and sponsorships	325	488
Insurances	378	357
Telephone, fax and courier	257	226
Conferences, meetings and hospitality	191	180
Stationery and printings	111	93
Others	617	781
	19,165	18,996

31. Depreciation and Amortization

	U.S. $000's	
	2017	2016
Property plant and equipment	8,342	7,511
Investment properties	712	927
Intangible assets	1,409	1,409
	10,463	9,847
Depreciation allocated palm trees	(385)	(233)
	10,078	9,614

32. Other Expenses and Provisions, net

	U.S. $000's	
	2017	2016
Provision for doubtful debts	(7,478)	(1,091)
Impairment of ready for sale properties and projects in progress	(4,162)	(344)
Impairment of investment in associate	(568)	-
Provision for legal case	(444)	(57)
Gain on sale of property, plant and equipment	(84)	68
Deferred revenues recognized	77	62
Loss from cancellation of contracts	(207)	(72)
Impairment of property, plant and equipment	(72)	(93)
Loss of sale of Investment	-	(429)
Recovery of unnecessary provisions	-	343
Others	(1,194)	1,005
	(14,132)	(608)

33. Basic and Diluted Earnings Per Share

	U.S. $000's	
	2017	2016
Profit for the year attributable to equity holders of PADICO (U.S. $ 000's)	6,792	19,009
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)	0.027	0.076

34. Related Party Transactions

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	
		2017	2016
Consolidated statement of financial position balances:			
Accounts receivable and other current assets	Associates and sister companies	2,272	2,006
Other current liabilities	Associates and sister companies	2,171	2,673
Accrued cash dividends	Shareholders	7,481	9,061
Accrued expenses	Shareholders and Members of the Board of Directors	1,088	1,295
loans and credit facilities	Banks - Members of the Board of Directors	68,644	73,157
Long term loans	Major Shareholders	1,855	2,167
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	
		2017	2016
Finance costs	Banks - Members of the Board of Directors and Major Shareholders	6,364	5,874
Finance costs	Associate Company	-	43
Key management personnel and Board of Directors' compensations:			
Salaries and related expenses		4,035	3,690
Board of Directors' fees and expenses		479	767

35. 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, 2017:

			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, 2017	15,309	15,309	-	-
Unquoted	December 31, 2017	16,072	-	4,513	11,559
Financial assets at fair value through profit or loss (note 14):	December 31, 2017	5,209	5,209	-	-
Financial assets for which fair value is disclosed					
Investment properties (note 8)	December 31, 2017	203,837	-	-	203,837

Following are quantitative disclosures fair value measurement hierarchy for assets as at December 31, 2016:

			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, 2016	2,749	2,749	-	-
Unquoted	December 31, 2016	21,800	-	4,934	16,866
Financial assets at fair value through profit or loss (note 14):	December 31, 2016	11,132	11,132	-	-
Financial assets for which fair value is disclosed					
Investment properties (note 8)	December 31, 2016	209,945	-	-	209,945

36. Fair Values of Financial Instruments

Set out below is a comparison by class of the carrying amounts and fair values of PADICO's financial instruments carried in the consolidated financial statements as at December 31, 2017 and 2016:

	U.S. $000's			
	Carrying amount		Fair value	
	2017	2016	2017	2016
Financial assets				
Accounts receivable and other current assets	57,405	49,322	57,405	49,322
Financial assets at fair value through profit or loss	5,209	11,132	5,209	11,132
Cash and short-term deposits	19,497	30,866	19,497	30,866
Financial assets at fair value through other comprehensive income				
Quoted	15,309	2,749	15,309	2,749
Unquoted	16,072	21,800	16,072	21,800
	113,492	115,869	113,492	115,869
Financial liabilities				
Debt Bonds	120,000	120,000	120,000	120,000
Loans and credit facilities	127,663	128,621	127,663	128,621
Accounts and notes payable	20,116	15,827	20,116	15,827
Other financial liabilities	25,799	21,683	25,799	21,683
	293,578	286,131	293,578	286,131

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, accounts and notes payable, other financial liabilities and credit facilities 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 and debt bonds is estimated by discounting future cash flows using rates currently available for debt on similar terms.

37. Risk Management

Financial liabilities of PADICO and its subsidiaries comprise long and short term loans and borrowings, debt bonds, credit facilities, accounts payable, notes payable and other financial liabilities. The main purpose of these financial liabilities is to raise finance 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 (basis points)	Effect on profit before tax U.S. $000's
2017		
Currency		
U.S .$	20	(215)

	Increase in interest rate (basis points)	Effect on profit before tax U.S. $000's
2016		
Currency		
U.S .$	20	(186)

Credit risk

PADICO's subsidiaries have a broad client base. The credit risk associated with the accounts receivable is widely distributed among a large number of individual customers. PADICO's subsidiaries are currently managing its credit risks by receiving collaterals from some customers and monitoring the accounts receivable collections in coordination with the legal consultants. The maximum exposure of the accounts receivables to the credit risk is the carrying amount as disclosed in (note 13). In addition, PADICO and its subsidiaries sell the majority of their ready for sale properties in several installments maturing in several years. PADICO's real estate companies limit the credit risks by not transferring the ownership of the sold properties to customers unless all notes and accounts receivables are collected.

With respect to credit risk arising from other financial assets, including cash and short term deposits, accounts receivable and other current assets, PADICO and its subsidiaries' 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 and others receivable.

The table below summarizes the maturity profile of PADICO's undiscounted consolidated financial liabilities as at December 31, 2017 and 2016, based on their maturity.

	U.S. $000's					
	On demand	Less than 3 month	3 to 12 months	1 to 5 years	More than 5 years	Total
December 31, 2017						
Loans, credit facilities, and debt bonds	5,218	12,767	32,578	228,891	11,054	290,508
Accounts payable and notes payable and other current liabilities	14,340	13,381	11,080	5,412	-	44,213
	19,558	26,148	43,658	234,303	11,054	334,721
December 31, 2016						
Loans, credit facilities, and debt bonds	1,596	13,057	35,413	236,987	356	287,409
Accounts payable and notes payable and other current liabilities	12,421	19,825	5,970	8,702	36	46,954
	14,017	32,882	41,383	245,689	392	334,363

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:

		U.S. $000's	
2017	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	64
Shares listed in Amman Stock Exchange	10	-	1,372
Investment portfolios	10	89	93
Shares not listed in financial markets	10	286	1,607
Shares listed in other markets	10	146	3

2016	Increase in equity price (%)	U.S. $000's Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	101
Shares listed in Amman Stock Exchange	10	21	35
Investment portfolios	10	496	96
Shares not listed in financial markets	10	349	2,031
Shares listed in other markets	10	248	193

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. $000's
2017				
U.S.$	20	1,001	20	14
2016				
U.S.$	20	(2,394)	20	(17)

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, 2017 and 2016.

Capital comprises share capital, share premium, other reserves, retained earnings, and non-controlling interest, with a total of U.S. $ 520,012,000 as at December 31, 2017 and U.S. $ 537,018,000 as at December 31, 2016.

38. 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.

39. Commitments and Contingent Liabilities

- The unpaid portion of investment of PADICO and its subsidiaries in the associates and financial assets at fair value through profit or loss amounted to U.S. $ 90,670 and U.S. $ 133,538 as at December 31, 2017 and 2016 respectively.
- During the year and previous years, PRICO (a subsidiary) signed a partnership and investment agreements with Governmental Authorities (Ramallah Municipality, Ministry of Waqf 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. $ 226,196. 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. $ 3,943,720 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. $ 18,483,125, 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 2017	 2016
Within one year	3,528	3,546
After one year but not more than five years	13,832	13,844
More than five years	66,656	69,669
	84,016	87,059

40. 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, 2017	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	30,608	22,938	75,231	2,819	10,603	-	142,199
Inter-segment revenues	68	59	-	427	-	(554)	-
Total revenues	30,676	22,997	75,231	3,246	10,603	(554)	142,199
Other information							
Depreciation and amortization	208	3,409	3,697	181	3,115	(532)	10,078
Finance cost	9,540	2,280	1,701	-	650	(384)	13,787
Profit (loss) before income tax	17,385	(17,158)	7,672	792	(4,683)	2,262	6,270
Capital expenditures	26	3,468	8,834	1,238	260	(1,190)	12,636
Share of associates' results of operations	30,452	(128)	3,565	-	-	-	33,889
Assets and liabilities							
Assets	617,093	210,068	146,324	13,203	74,601	(220,103)	841,186
Liabilities	190,159	78,366	67,850	1,128	18,062	(34,391)	321,174
Investment in associate companies	380,471	591	19,756	-	-	(631)	400,187

Segment Reporting (Continued)

December 31, 2016	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	36,243	14,966	69,178	2,619	8,924	-	131,930
Inter-segment revenues	65	58	-	427	-	(550)	-
Total revenues	36,308	15,024	69,178	3,046	8,924	(550)	131,930
Other information							
Depreciation and amortization	220	2,075	3,020	201	3,124	974	9,614
Finance cost	9,161	2,402	624	-	666	(384)	12,469
Profit (loss) before income tax	23,060	(5,014)	5,631	784	(5,490)	734	19,705
Capital expenditures	76	20,443	2,889	2	264	-	23,674
Share of associates' results of operations	35,784	(85)	2,593	-	(178)	-	38,114
Assets and liabilities							
Assets	641,282	229,161	103,655	12,935	83,371	(228,228)	842,176
Liabilities	200,196	78,948	33,001	1,509	19,267	(27,763)	305,158
Investment in associate companies	379,780	1,331	17,160	-	-	(1,002)	397,269

41. Comparative Figures

Some of the consolidated financial statements balances of 2016 were reclassified to correspond with the classifications of the consolidated financial statements for year ended December 31, 2017.

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