

Palestine Development and Investment (PADICO)

Limited Liability Holding Company

Unaudited Interim Condensed Consolidated Financial  
Statements

March 31, 2022



**Building a better  
working world**

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**Report on review of interim financial information  
To the chairman and board of directors of Palestine Development and Investment limited  
(PADICO)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Palestine Development and Investment Limited and its subsidiaries (PADICO), which comprise the interim condensed consolidated statement of financial position as at March 31, 2022 and the interim condensed consolidated income statement for the three-months period then ended, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

Except for the illustration in the next paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for qualified conclusion**

Some of PADICO's subsidiaries have not issued interim financial statements reviewed by independent auditors as at March 31, 2022 and 2021. Therefore, PADICO prepared its interim condensed consolidated financial statements based on interim financial statements that are not reviewed. Total assets of those subsidiaries, whose financial statements were not reviewed, as at March 31, 2022 and 2021 represent 14% and 18% of PADICO's total assets, respectively, and their revenues for the three-months period ended March 31, 2022 and 2021 represent 10% and 14% of PADICO's total revenues, respectively. If we were able to obtain interim financial information reviewed by the external auditor of those subsidiaries, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statements.

**Qualified conclusion**

Based on our review, except for the effect of the matter described in the basis for qualified conclusion, if any, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS (34).

A handwritten signature in blue ink that reads "Ernst &amp; Young".

May 11, 2022  
Amman - Jordan

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31, 2022

	Note	March 31, 2022 <u>(Unaudited)</u> U.S. \$ (000's)	December 31, 2021 <u>(Audited)</u> U.S. \$ (000's)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		120,983	126,204
Intangible assets		27,224	27,598
Investment properties		44,616	44,579
Projects in progress		20,543	18,776
Right-of-use assets		9,445	9,050
Investment in associates and joint venture	4	390,912	405,558
Financial assets at fair value through other comprehensive income		68,642	70,944
Long-term accounts receivable		4,639	6,374
Biological assets		<u>1,204</u>	<u>1,076</u>
		<u>688,208</u>	<u>710,159</u>
<b>Current assets</b>			
Biological assets		1,802	1,870
Inventories and ready for sale properties		23,556	26,318
Accounts receivable and other current assets	5	68,866	41,516
Financial assets at fair value through profit or loss		6,189	6,508
Cash and short-term deposits	6	<u>17,923</u>	<u>20,134</u>
		<u>118,336</u>	<u>96,346</u>
Assets held for sale		<u>1,547</u>	<u>1,547</u>
<b>Total assets</b>		<u><u>808,091</u></u>	<u><u>808,052</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid-in share capital		250,000	250,000
Share premium		16,932	16,932
Treasury shares		(2,362)	(2,362)
Statutory reserve	7	32,681	32,681
Voluntary reserve		1,594	1,594
Fair value reserve		(75,921)	(73,125)
Foreign currency translation reserve		9,285	10,775
Retained earnings		<u>176,364</u>	<u>169,459</u>
<b>Equity attributable to equity holders of the parent</b>		<u>408,573</u>	<u>405,954</u>
Non-controlling interests		<u>84,641</u>	<u>85,279</u>
<b>Total equity</b>		<u>493,214</u>	<u>491,233</u>
<b>Non-current liabilities</b>			
Long-term loans and borrowings		80,871	82,915
Debt bonds		120,000	120,000
Provision for employees' indemnity		6,214	6,186
Long-term lease liabilities		9,008	8,429
Other non-current liabilities		<u>9,039</u>	<u>9,224</u>
		<u>225,132</u>	<u>226,754</u>
<b>Current liabilities</b>			
Short-term portion of long-term loans, borrowings and credit facilities		38,005	36,627
Accounts and notes payable		11,061	10,344
Short-term lease liabilities		1,403	1,491
Income tax provision		1,436	1,751
Other current liabilities		<u>37,840</u>	<u>39,852</u>
		<u>89,745</u>	<u>90,065</u>
<b>Total liabilities</b>		<u>314,877</u>	<u>316,819</u>
<b>Total equity and liabilities</b>		<u><u>808,091</u></u>	<u><u>808,052</u></u>

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

For the three-months ended March 31, 2022

	Notes	March 31, 2022 <u>(Unaudited)</u> U.S. \$ (000's)	March 31, 2021 <u>(Unaudited)</u> U.S. \$ (000's)
<b>Revenues</b>			
Revenue from contracts with customers	8	25,364	18,412
PADICO's share of results of operations from associates and joint venture	4	10,094	9,240
Gains from financial assets portfolio		2,923	1,374
Rent revenue		1,712	1,700
Gain from sale of investment properties	9	-	1,099
		<u>40,093</u>	<u>31,825</u>
<b>Expenses</b>			
Operating costs and expenses		(22,208)	(17,219)
General and administrative expenses		(3,331)	(3,049)
Finance costs		(3,019)	(3,195)
Depreciation and amortization		(295)	(236)
		<u>11,240</u>	<u>8,126</u>
Other provisions and expenses, net		(2,921)	(1,105)
<b>Profit for the period before income tax from continuing operations</b>		<u>8,319</u>	<u>7,021</u>
Income tax expense		(350)	(297)
<b>Profit for the period from continuing operations</b>		<u>7,969</u>	<u>6,724</u>
Loss for the period from discontinued operations		(16)	(47)
<b>Profit for the period</b>		<u><u>7,953</u></u>	<u><u>6,677</u></u>
Attributable to:			
Equity holders of the parent		6,796	5,848
Non-controlling interests		<u>1,157</u>	<u>829</u>
		<u><u>7,953</u></u>	<u><u>6,677</u></u>
Basic and diluted earnings per share from profit for the period attributable to equity holders of the parent (U.S. \$)			
		<u>0.027</u>	<u>0.023</u>
Basic and diluted earnings per share from profit for the period from continuing operations attributable to equity holders of the parent (U.S. \$)			
		<u>0.027</u>	<u>0.024</u>

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three-months ended March 31, 2022

	March 31, 2022	March 31, 2021
	(Unaudited)	(Unaudited)
	U.S. \$ (000's)	U.S. \$ (000's)
<b>Profit for the period</b>	7,953	6,677
<b>Other comprehensive income items:</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation differences	(2,195)	(2,831)
PADICO's share of other comprehensive income items from associates' and joint venture	(543)	(869)
	<u>(2,738)</u>	<u>(3,700)</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of financial assets through other comprehensive income	(2,271)	(990)
PADICO's share of associates' other comprehensive income items	(701)	143
	<u>(2,972)</u>	<u>(847)</u>
<b>Total other comprehensive income items for the period</b>	<u>(5,710)</u>	<u>(4,547)</u>
<b>Total comprehensive income for the period</b>	<u><u>2,243</u></u>	<u><u>2,130</u></u>
Attributable to:		
Equity holders of the parent	2,510	3,062
Non-controlling interests	(267)	(932)
	<u><u>2,243</u></u>	<u><u>2,130</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three-months period ended March 31, 2022

**Attributable to equity holders of the parent**

	Paid-in share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<b>March 31, 2022</b>											
<b>Balance as at January 1, 2022</b>	250,000	16,932	(2,362)	32,681	1,594	(73,125)	10,775	169,459	405,954	85,279	491,233
Profit for the period	-	-	-	-	-	-	-	6,796	6,796	1,157	7,953
Other comprehensive income items	-	-	-	-	-	(2,796)	(1,490)	-	(4,286)	(1,424)	(5,710)
Total comprehensive income for the period	-	-	-	-	-	(2,796)	(1,490)	6,796	2,510	(267)	2,243
Acquisition of non-controlling interests (Note 2)	-	-	-	-	-	-	-	109	109	(359)	(250)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(12)	(12)
<b>Balance as at March 31, 2022 (Unaudited)</b>	<u>250,000</u>	<u>16,932</u>	<u>(2,362)</u>	<u>32,681</u>	<u>1,594</u>	<u>(75,921)</u>	<u>9,285</u>	<u>176,364</u>	<u>408,573</u>	<u>84,641</u>	<u>493,214</u>
<b>March 31, 2021</b>											
<b>Balance as at January 1, 2021</b>	250,000	16,932	(361)	31,482	1,594	(86,116)	8,383	149,501	371,415	77,456	448,871
Profit for the period	-	-	-	-	-	-	-	5,848	5,848	829	6,677
Other comprehensive income items	-	-	-	-	-	(740)	(2,046)	-	(2,786)	(1,761)	(4,547)
Total comprehensive income for the period	-	-	-	-	-	(740)	(2,046)	5,848	3,062	(932)	2,130
Distributed cash dividends from subsidiaries (Note 10)	-	-	-	-	-	-	-	-	-	(101)	(101)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	427	427
<b>Balance as at March 31, 2021 (Unaudited)</b>	<u>250,000</u>	<u>16,932</u>	<u>(361)</u>	<u>31,482</u>	<u>1,594</u>	<u>(86,856)</u>	<u>6,337</u>	<u>155,349</u>	<u>374,477</u>	<u>76,850</u>	<u>451,327</u>

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three-months period ended March 31, 2022

	Note	March 31, 2022	March 31, 2021
		(Unaudited) U.S. \$ (000's)	(Unaudited) U.S. \$ (000's)
<b><u>Operating Activities</u></b>			
Profit for the period from continuing operations		8,319	7,021
Loss for the period from discontinued operations		(16)	(47)
Profit for the period before tax		8,303	6,974
<b>Adjustments for:</b>			
Depreciation and amortization		2,382	2,701
Finance costs		3,040	3,202
PADICO's share of results of operations from associates and joint venture		(10,094)	(9,240)
Impairment loss on property, plant and equipment		3,000	-
Gains from financial assets portfolio		(2,923)	(1,374)
Other non-cash items		1,039	892
		4,747	3,155
<b>Working capital adjustments:</b>			
Accounts receivable and other current assets		490	(2,872)
Inventories, ready for sale properties and biological assets		2,558	1,476
Accounts payable and other liabilities		105	903
Employees' indemnity and income tax payments		(883)	(104)
<b>Net cash from operating activities</b>		<b>7,017</b>	<b>2,558</b>
<b><u>Investing Activities</u></b>			
Joint venture		(83)	-
Property, plant and equipment		(655)	(1,896)
Projects in progress		(1,837)	(788)
Investment properties		-	1,463
<b>Net cash used in investing activities</b>		<b>(2,575)</b>	<b>(1,221)</b>
<b><u>Financing Activities</u></b>			
Distributed cash dividends		(39)	(42)
Long-term loans		(1,884)	(367)
Finance costs paid		(4,565)	(4,196)
Acquisition of non-controlling interests		(250)	-
Change in non-controlling interests		(12)	427
Payments of lease liabilities		(184)	(468)
Change in restricted cash		281	(182)
<b>Net cash used in financing activities</b>		<b>(6,653)</b>	<b>(4,828)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(2,211)</b>	<b>(3,491)</b>
Foreign currency translation differences		(937)	(1,201)
Cash and cash equivalents, beginning of the period		18,066	23,823
<b>Cash and cash equivalents, end of period</b>	6	<b>14,918</b>	<b>19,131</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2022

**1. Corporate Information**

Palestine Development and Investment Limited (PADICO) was incorporated as a limited liability Company on October 14, 1993 under the Liberian Non-Resident (Offshore) Business Corporation Act in Monrovia, Liberia. PADICO's 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 investments in various economic sectors including industrial, agriculture, real estate, tourism, housing and services, and to provide technical and consultancy services through the establishment of companies and independent projects in cooperation with its subsidiaries.

The interim condensed consolidated financial statements of PADICO as at March 31, 2022 were authorized for issuance in accordance with a resolution of the Board of Directors on May 11, 2022.

**2. Consolidated Financial Statements**

The interim condensed consolidated financial statements comprise the financial statements of Palestine Development and Investment Limited and its subsidiaries (PADICO) as at March 31, 2022. PADICO's ownership in its subsidiaries' subscribed capital was as follows:

	Activity type	Country of origin	Ownership percentage	
			March 31, 2022	December 31, 2021
Palestine Real Estate Investment Company (PRICO) *	Real estate	Palestine	77.76	76.97
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 Limited	Investment	Palestine	100	100
Rawan International Investment Company	Investment	Jordan	100	100
Palestine General Trading Company Ltd.	Investment	Palestine	100	100
Palestine Company for the Transfer of Technology Ltd.	Investment	Palestine	100	100
Palestine Company for Canning and Packaging Ltd.	Investment	Palestine	100	100
Palestine Company for Basic Chemical Products Ltd.	Investment	Palestine	100	100
PADICO Services Company	Investment	Palestine	100	100
Nakheel Palestine for Agricultural investment (Nakheel Palestine)	Agricultural	Palestine	52.41	52.41
Al-Rashid Group for Real Estate Investment and Development	General trading	Palestine	100	100

\* During the year, PADICO acquired additional shares from the non-controlling interest of PRICO, increasing its ownership interest to 77.76%.

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



### 3. Basis of preparation and changes in accounting policies

#### Basis of preparation consolidated financial statements

The interim condensed consolidated financial statements of PADICO for the three-months period ended March 31, 2022 have been prepared in accordance with International Accounting Standard IAS 34 (Interim financial reporting).

The interim condensed consolidated financial statements have been presented in U.S Dollars, which is the functional currency of PADICO, and all values, except when otherwise indicated, are rounded to the nearest thousand (U.S. \$ 000's).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with PADICO's consolidated annual financial statements as at December 31, 2021. The results for the three-months period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

#### Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of PADICO's consolidated financial statements for the year ended December 31, 2021, except for the adoption of the amendments that are effective as at January 1, 2022. PADICO has not early adopted any standards issued but not yet effective.

### 4. Investment in Associates and joint venture

#### A) Investment in Associates

Set out below, are the carrying amounts of PADICO's investment in associates for the three-months period ended March 31, 2022 and for the year ended December 31, 2021:

	March 31, 2022	December 31, 2021
	U.S. \$ (000's)	U.S. \$ (000's)
<b>Beginning balance for the period/ year</b>	405,488	376,142
PADICO's share of associates' results of operations	10,173	40,170
Cash dividends from associates	(23,564)	(18,657)
PADICO's share of the change in fair value of associates' financial assets	(701)	9,697
PADICO's share of associates' foreign currency translation differences	(543)	1,624
Purchase of shares in an associate *	-	250
Sale of shares in an associate **	-	(3,738)
<b>Ending balance for the period/ year</b>	<u>390,853</u>	<u>405,488</u>

The Extraordinary General Assembly of Palestine Telecommunications Company - PALTEL (an associate) decided in its meeting held on March 22, 2022 to approve the distribution of shares to PALTEL shareholders in a new company separate from PALTEL (spin-off company) that includes real estate and investment portfolio owned by PALTEL. Each shareholder will be awarded shares in the new company equivalent to the number of shares owned in PALTEL when the legal proceedings are completed in 2022.

\* The Extraordinary General Assembly of Palestine Power Generation Company - PPGC (not listed) decided during 2020 to increase the Company's capital from U.S. \$ 20 million to U.S. \$ 22 million by offering 2 million shares with a nominal value of U.S. \$1 per share. In 2021 and 2020, PADICO paid its share of the capital increase.

\*\* In 2021, Palestine Industrial Investment Company (a subsidiary) sold most of its investment in the Golden Wheat Mills Company (GMC), resulting in the loss of its representation in the Board of Directors. Therefore, the remainder of PADICO's investment was classified as financial assets at fair value through profit or loss. This resulted in a loss amounted to U.S \$318,385 that was recorded in the income statement during 2021.

## B) Investment in a joint venture

This item represents PADICO's investments in a joint venture as follows:

	Country of origin	Ownership %		U.S. \$ 000's	
				Carrying Amount	
		March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Ilya View Tourism Company Ltd. (Ilya)	Cyprus	50	50	59	70
				<u>59</u>	<u>70</u>

PADICO has established and registered Ilya View Tourism Company Ltd. (Ilya) in partnership with another investor for the purpose of establishing a tourism and real estate project. In addition, Malika Tourism Company Ltd. (Malika), a wholly owned company by Ilya, was established and registered through which the project will be implemented.

Following is a movement on the investment in joint venture as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	U.S. \$ (000's)	U.S. \$ (000's)
Balance beginning of period/ year	70	-
Additions	83	495
PADICO's share in joint venture's results of operation	(79)	(410)
PADICO's share in joint venture's foreign currency translation differences	(15)	(15)
Ending balance for the period/ year	<u>59</u>	<u>70</u>

## 5. Accounts Receivable and other current assets

This item includes cash dividends due from the Palestine Telecommunications Company (an associate Company), the Vegetable Oil Industries Company (an associate Company) and the Arab Bank Company (major shareholder) amounting to approximately U.S. \$ 26 million, based on the decisions of the general assemblies of these companies to distribute cash dividends to shareholders.

## 6. Cash and short-term deposits

	March 31, 2022	December 31, 2021
	U.S. \$ (000's)	U.S. \$ (000's)
Cash at hand and current accounts at banks	12,189	14,123
Short-term deposits	5,734	6,011
	<u>17,923</u>	<u>20,134</u>

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprised of the following:

	March 31, 2022	March 31, 2021
	U.S. \$ (000's)	U.S. \$ (000's)
Cash at hand and in banks	12,189	12,206
Term deposits at banks	5,734	13,043
	17,923	25,249
Restricted cash	(788)	(1,535)
Bank overdrafts	(2,217)	(4,583)
Cash and cash equivalents	<u>14,918</u>	<u>19,131</u>

## 7. Statutory Reserve

As these interim condensed consolidated financial statements, PADICO did not appropriate any amounts to the statutory reserve.

## 8. Revenue from contracts with customers

	March 31, 2022	March 31, 2021
	U.S. \$ (000's)	U.S. \$ (000's)
Sales of animal products	14,484	10,313
Sales of feed products	4,869	4,197
Sales of dates	2,928	2,331
Sales of carton sheets and cans	1,925	1,476
Operating revenues from hotels, restaurants and tourist facilities	617	83
Securities exchange fees and commissions	551	385
Revenue from sale of properties and land	413	220
Revenue from sale of electricity	352	-
Others	5	5
	<u>26,144</u>	<u>19,010</u>
Sales returns and allowances	(780)	(598)
	<u>25,364</u>	<u>18,412</u>

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

## 9. Gain from sale of Investment Properties

During 2021, PRICO (a subsidiary) has sold part of its investment properties resulting in a gain of U.S. \$ 1,099,000 which was recognized in the consolidated income statement in 2021.

## 10. Distributed Cash Dividends from Subsidiaries

PSE's (a subsidiary) General Assembly decided in its meeting held on March 28, 2021 a cash dividend distribution of U.S. \$ 0.04 per share, which amounted to U.S. \$ 400,000. Non-controlling interest's share of the dividends was U.S. \$ 101,000.

## 11. Related Parties

This item represents all balances and transactions with related parties, which represent associates, major shareholders, members of the Board of Directors 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 interim condensed consolidated statement of financial position as at March 31, 2022 and December 31, 2021 are as follows:

		March 31, 2022	December 31, 2021
		U.S. \$	U.S. \$
	Nature of Relationship	(000's)	(000's)
<b>Consolidated statement of financial position balances:</b>			
Accounts receivable and other current assets	Associates and sister companies	26,005	1,757
Other current liabilities	Associates and sister companies	349	295
Accrued cash dividends	Major Shareholders	4,971	6,246
Accrued expenses	Shareholders and Members of the Board of Directors	794	1,466
Loans, borrowings and credit facilities	Banks - Members of the Board of Directors	39,307	34,383
Long term loans	Major Shareholders	4,755	3,954
Debt bonds	Banks - Members of the Board of Directors	51,500	51,500

Transactions with related parties included in the interim condensed consolidated income statement for the period of three months ended March 31, 2022 and 2021 are as follows:

		March 31, 2022	March 31, 2021
		U.S. \$	U.S. \$
	Nature of Relationship	(000's)	(000's)
Finance costs	Banks - Members of the Board of Directors and Major Shareholders	1,064	1,164
Salaries and related expenses of key management personnel		421	516
Board of Directors' expenses and bonuses		148	167

## 12. Commitments and Contingent Liabilities

During the previous years, Palestine Real Estate Investment Company - PRICO (a subsidiary) signed partnership and investment agreements with Governmental Authorities (Ramallah Municipality, Al-Bireh Municipality, Ministry of Awqaf and Religious affairs, Ministry of Public Works and Housing and the Greater Amman Municipality) under which investment projects are developed and established during different periods of investment. The current annual contractual commitments related to those agreements amounted to U.S. \$ 312,756. 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. \$ 2,360,196 as at the date of the interim condensed consolidated financial statements. This amount represents the difference between the total contract value and the completed amount as at the date of the interim condensed consolidated financial statements.

There have been several lawsuits against PADICO's subsidiaries 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.

### 13. Fair Values

#### Financial Instruments

Below is a comparison by class of the carrying amounts and fair values of PADICO's financial instruments as at March 31, 2022 and December 31, 2021:

	U.S. \$000's			
	Carrying amount		Fair value	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
<b>Financial assets</b>				
Accounts receivable and other current assets	65,950	40,335	65,950	40,335
Financial assets at fair value through profit or loss	6,189	6,508	6,189	6,508
Cash and short-term deposits	17,923	20,134	17,923	20,134
Financial assets at fair value through other comprehensive income:				
Quoted	56,377	58,813	56,377	58,813
Unquoted	12,265	12,131	12,265	12,131
	<u>158,704</u>	<u>137,921</u>	<u>158,704</u>	<u>137,921</u>
<b>Financial liabilities</b>				
Debt bonds	120,000	120,000	120,000	120,000
Loans, borrowings and credit facilities	118,876	119,542	118,876	119,542
Lease liabilities	10,411	9,920	10,411	9,920
Accounts and notes payable	11,061	10,344	11,061	10,344
Other current liabilities	16,793	18,805	16,793	18,805
	<u>277,141</u>	<u>278,611</u>	<u>277,141</u>	<u>278,611</u>

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 cash and cash equivalent, accounts receivable and other current assets (except for long term accounts receivable), accounts and notes payable 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.
- The fair values 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 were determined by referencing to quoted prices at the date of the interim condensed consolidated financial statements.
- The fair values of unquoted financial assets at fair value through profit or loss and unquoted financial assets at fair value through other comprehensive income were determined using appropriate valuation techniques.
- The fair value of loans, borrowings, debt bonds and lease liabilities were estimated by discounting future cash flows using rates currently available for debt on similar terms.

## 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 as at March 31, 2022:

	Fair value measurement using		
	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Total			
	U.S. \$000's		
<b>Financial assets measured at fair value</b>			
Financial assets at fair value through other comprehensive income items:			
Quoted	56,377	56,377	-
Unquoted	12,265	-	6,562
Financial assets at fair value through profit or loss	6,189	5,319	870
Biological assets	3,006	-	3,006
Assets held for sale	1,547	-	1,547

Following are quantitative disclosures fair value measurement hierarchy for assets as at December 31, 2021:

	Fair value measurement using		
	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
Total			
	U.S. \$000's		
<b>Financial assets measured at fair value</b>			
Financial assets at fair value through other comprehensive income items:			
Quoted	58,813	58,813	-
Unquoted	12,131	-	6,423
Financial assets at fair value through profit or loss	6,508	5,656	852
Biological assets	2,946	-	2,946
Assets held for sale	1,547	-	1,547

#### 14. Segment reporting of PADICO and its subsidiaries

PADICO's reporting segments are presented according to the nature of business of PADICO and its subsidiaries, as risks and rates of return are affected predominantly by different services provided. PADICO and its subsidiaries operates in several economic sectors, which comprise of real estate, industrial and agricultural, financial markets, tourism, in addition to the investment sector.

The following table presents revenues and results of operations for PADICO's operating segments for the three-months period ended March 31, 2022 and 2021, respectively:

	U.S. \$ (000's)						
<u>For the three-months ended March 31, 2022</u> <u>(unaudited)</u>	Investment sector	Real estate sector	Industrial and agricultural sector	Financial market sector	Tourism sector	Eliminations	Consolidated
Revenues	<u>11,819</u>	<u>2,417</u>	<u>24,649</u>	<u>722</u>	<u>617</u>	<u>(131)</u>	<u>40,093</u>
Segment's results of operations before income tax from continuing operations	<u>8,900</u>	<u>253</u>	<u>(85)</u>	<u>314</u>	<u>(1,078)</u>	<u>15</u>	<u>8,319</u>
	U.S. \$ (000's)						
<u>For the three-months ended March 31, 2021</u> <u>(unaudited)</u>	Investment sector	Real estate sector	Industrial and agricultural sector	Financial market sector	Tourism sector	Eliminations	Consolidated
Revenues	<u>9,819</u>	<u>2,999</u>	<u>18,529</u>	<u>516</u>	<u>83</u>	<u>(121)</u>	<u>31,825</u>
Segment's results of operations before income tax from continuing operations	<u>5,982</u>	<u>459</u>	<u>1,678</u>	<u>89</u>	<u>(1,163)</u>	<u>(24)</u>	<u>7,021</u>

The following table presents assets and liabilities information for PADICO's operating segments as at March 31, 2022 and December 31, 2021, respectively:

	U.S. \$ (000's)						
	Investment sector	Real estate sector	Industrial and agricultural sector	Financial market sector	Tourism sector	Eliminations	Consolidated
<b>Segment assets</b>							
As at March 31, 2022 (unaudited)	603,535	118,454	188,845	14,927	43,687	(161,357)	808,091
As at December 31, 2021 (Audited)	588,224	118,228	185,154	14,377	44,720	(142,651)	808,052
<b>Segment liabilities</b>							
As at March 31, 2022 (unaudited)	190,012	63,556	76,560	1,869	14,152	(31,272)	314,877
As at December 31, 2021 (Audited)	193,058	63,603	76,636	1,504	14,335	(32,317)	316,819



## **15. Coronavirus risk effects (Covid-19)**

As a result of the effect of the Coronavirus (COVID-19) on the global economy and the different business sectors, and the accompanying measures and restrictions taken by the Palestinian Government, neighboring countries and the rest of the world; PADICO's investments and operating activities of its subsidiaries were affected by these events during the years 2021 and 2020.

Management believes that the impact of the Coronavirus (Covid-19) is summarized as follows:

- Some of PADICO's investments in the tourism sector are still not operating, considering that companies operating in this sector continued to incur fixed and current expenses. During the previous years, PADICO has agreed to cease some of its operating activities in light of the accumulated losses during the previous years and the effects of the Corona pandemic.
- Difficulties in collecting some of the accounts receivable by the subsidiaries and increase in the number of bounced checks, which was reflected in the liquidity of the subsidiaries and their cash flows for the upcoming periods, this also affected the calculation of provision for expected credit losses.

The extent and duration of such continued impacts, that could result from these global and local conditions, depend on future developments that cannot be predicted accurately at the present time, noting that these developments could impact PADICO's future financial results, cash flows and financial condition.

## **16. Comparative figures**

Certain comparative figures of the interim condensed consolidated financial statements for the period ended March 31, 2021 were reclassified to conform with the presentation of the interim condensed consolidated financial statements of the current period. These reclassifications had no effect on the net income nor equity of prior period.

## **17. Concentration of Risk in Geographic Area**

PADICO is carrying most of its activities in Palestine. PADICO's assets include property, machinery and equipment, intangible assets, right-of-use assets and other assets located in Gaza. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance and the ability to recover its assets through its operations.

## **18. Impact of the war between Russia and Ukraine**

The current political conditions in Europe, marked by the war between Russia and Ukraine, have affected the supply chains of some raw materials needed in the production operations for some of PADICO's subsidiaries, after Ukraine stopped exporting these materials and its exports significantly decreased from Russia. These conditions significantly increased raw material prices and transportation costs, resulting in increased production costs for subsidiaries. PADICO's subsidiaries imported the raw materials needed in their production from other countries to reduce the price increases.

The extent and duration of what may result from these conditions remains unclear and depends on future developments that may have an impact on future financial results.