PALESTINE DEVELOPMENT AND INVESTMENT

LIMITED LIABILITY HOLDING COMPANY (PADICO)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2022
(U.S. $ 000's)

	Notes	2022 U.S. $	2021 U.S. $
Assets			
Non-current assets			
Property, plant and equipment	5	114,749	126,204
Intangible assets	6	26,247	27,598
Investment properties	7	28,560	44,579
Projects in progress	8	28,524	18,776
Right-of-use assets	9	9,018	9,050
Investment in associates and joint venture	10	430,100	405,558
Financial assets at fair value through other comprehensive income	11	72,681	70,944
Long-term accounts receivable	14	5,796	6,374
Biological assets	12	1,048	1,076
		716,723	710,159
Current assets			
Biological assets	12	2,002	1,870
Inventories and ready for sale properties	13	24,251	26,318
Accounts receivable and other current assets	14	35,579	41,516
Financial assets at fair value through profit or loss	15	6,341	6,508
Cash and short-term deposits	16	12,559	20,134
		80,732	96,346
Assets held for sale	17	-	1,547
Total assets		797,455	808,052
Equity and liabilities			
Equity			
Paid-in share capital	18	250,000	250,000
Share premium		16,932	16,932
Treasury shares	19	(60,623)	(2,362)
Statutory reserve	20	34,033	32,681
Voluntary reserve	20	1,594	1,594
Fair value reserve	11	(72,587)	(73,125)
Foreign currency translation reserve		4,028	10,775
Retained earnings		193,026	169,459
Equity attributable to equity holders of the parent		366,403	405,954
Non-controlling interests	4	78,259	85,279
Total equity		444,662	491,233
Non-current liabilities			
Long-term loans and borrowings	22	112,732	82,915
Debt bonds	23	120,000	120,000
Provision for employees' indemnity	24	6,059	6,186
Long-term lease liabilities	9	10,732	8,429
Other non-current liabilities	25	7,826	9,224
		257,349	226,754
Current liabilities			
Short-term portion of long-term loans, borrowings and credit facilities	22	33,815	36,627
Accounts and notes payable	26	13,384	10,344
Short-term lease liabilities	9	1,332	1,491
Income tax provision	28	3,354	1,751
Other current liabilities	27	43,559	39,852
		95,444	90,065
Total liabilities		352,793	316,819
Total equity and liabilities		797,455	808,052

The attached notes from 1 to 46 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2022
(U.S. $ 000's)

	Notes	2022 U.S. $	2021 U.S. $
Revenues			
Revenue from contracts with customers	29	95,001	83,451
PADICO's share of profit of associates and a joint venture	10	40,413	39,760
Rent revenue		5,996	5,479
Gain from financial assets portfolio	30	3,778	3,811
Gain from sale of investment properties	7	1,414	1,098
		146,602	133,599
Expenses			
Operating costs and expenses	31	(83,332)	(75,160)
General and administrative expenses	32	(13,184)	(13,147)
Finance costs	33	(13,835)	(12,766)
Depreciation and amortization	34	(1,282)	(1,106)
		34,969	31,420
Other provisions and expenses, net	35	(6,803)	(6,126)
Profit before income tax from continuing operations		28,166	25,294
Income tax expense	28	(2,098)	(1,229)
Profit for the year from continuing operations		26,068	24,065
Profit (Loss) for the year from discontinued operations	17	252	(30)
Profit for the year		26,320	24,035
Attributable to:			
Equity holders of the parent		24,888	21,137
Non-controlling interests		1,432	2,898
		26,320	24,035
Basic and diluted earnings per share from profit for the year attributable to equity holders of the parent (U.S. $)	36	0.113	0.085
Basic and diluted earnings per share from profit for the year from continuing operations attributable to equity holders of the parent (U.S. $)		0.112	0.085

The attached notes from 1 to 46 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2022
(U.S. $ 000's)

	Notes	2022 U.S. $	2021 U.S. $
Profit for the year		26,320	24,035
Other comprehensive income items			
Items to be reclassified to consolidated income statement in subsequent periods:			
Foreign currency translation differences		(9,746)	2,779
PADICO's share of other comprehensive income of associates and joint venture	10	(2,636)	1,609
		(12,382)	4,388
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net profit of financial assets at fair value through other comprehensive income		1,873	4,422
PADICO's share of other comprehensive income of associates	10	(1,151)	9,697
		722	14,119
Total other comprehensive income items for the year		(11,660)	18,507
Net comprehensive income for the year		14,660	42,542
Attributable to:			
Equity holders of the parent		18,579	36,520
Non-controlling interests		(3,919)	6,022
		14,660	42,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2022
(U.S. $ 000's)

	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
2022	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Balance as at January 1, 2022	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 year	-	-	-	-	-	-	-	24,888	24,888	1,432	26,320
Other comprehensive income items	-	-	-	-	-	438	(6,747)	-	(6,309)	(5,351)	(11,660)
Net comprehensive income for the year	-	-	-	-	-	438	(6,747)	24,888	18,579	(3,919)	14,660
Transfer to statutory reserve (Note 20)	-	-	-	1,352	-	-	-	(1,352)	-	-	-
Transfer of fair value reserve of equity instruments designated at FVTOCI	-	-	-	-	-	100	-	(100)	-	-	-
Repurchase of common shares (Note 19)	-	-	(58,261)	-	-	-	-	-	(58,261)	-	(58,261)
Distributed cash dividends from subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	(2,073)	(2,073)
Acquisition of a non-controlling interests (Note 2)	-	-	-	-	-	-	-	131	131	(1,028)	(897)
Balance as at December 31, 2022	250,000	16,932	(60,623)	34,033	1,594	(72,587)	4,028	193,026	366,403	78,259	444,662
2021											
Balance as at January 1, 2021	250,000	16,932	(361)	31,482	1,594	(86,116)	8,383	149,501	371,415	77,456	448,871
Profit for the year	-	-	-	-	-	-	-	21,137	21,137	2,898	24,035
Other comprehensive income items	-	-	-	-	-	12,991	2,392	-	15,383	3,124	18,507
Net comprehensive income for the year	-	-	-	-	-	12,991	2,392	21,137	36,520	6,022	42,542
Transfer to statutory reserve (Note 20)	-	-	-	1,199	-	-	-	(1,199)	-	-	-
Repurchase of common shares (Note 19)	-	-	(2,001)	-	-	-	-	-	(2,001)	-	(2,001)
Distributed cash dividends from subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	(777)	(777)
Acquisition of a non-controlling interests	-	-	-	-	-	-	-	20	20	(56)	(36)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	2,634	2,634
Balance as at December 31, 2021	250,000	16,932	(2,362)	32,681	1,594	(73,125)	10,775	169,459	405,954	85,279	491,233

The attached notes from 1 to 46 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
(U.S. $ 000’s)

	Notes	2022 U.S. $	2021 U.S. $
Operating Activities			
Profit for the year from continuing operations		28,166	25,294
Profit (loss) for the year from discontinued operations	17	252	(30)
Profit before income tax for the year		28,418	25,264
Adjustments for:			
Depreciation and amortization	34	11,200	11,900
Finance costs	33	14,189	13,085
PADICO’s share of results of operations from associates and a joint venture	10	(40,413)	(39,760)
Impairment of property, plant and equipment and projects in progress	5&8	5,159	4,000
Gain from financial assets portfolio	30	(3,778)	(3,811)
Gain from sale of investment properties	7	(1,414)	(1,098)
Net non-cash items from discontinued operations	17	(405)	-
Loss from sale of shares in an associate	10	-	318
Other non-cash items		2,057	4,583
		15,013	14,481
Working capital adjustments:			
Accounts receivable and other current assets		7,679	59
Inventories, ready for sale properties and biological assets		1,283	(3,280)
Accounts and notes payable		3,040	(1,853)
Other current liabilities		3,417	3,630
Other non-current liabilities		(1,688)	(1,480)
Income tax and employees indemnity paid		(1,815)	(2,560)
Net cash from operating activities		26,929	8,997
Investing Activities			
Purchase of shares in associates	10	(14,952)	(250)
Sale of shares in associates	10	-	3,420
Financial assets at fair value through other comprehensive income		83	-
Joint venture		(251)	(495)
Purchase of property, plant and equipment		(6,596)	(5,489)
Sale of property, plant and equipment		922	218
investment properties	7	17,714	1,442
Projects in progress		(14,383)	(7,217)
Intangible assets		(273)	-
Net cash flow from sale of discontinued operations		2,048	-
Cash dividends from associates		27,312	18,657
Dividends received		3,832	2,935
Net cash from investing activities		15,456	13,221
Financing Activities			
Distributed cash dividends paid		(2,348)	(4,239)
Repurchase of common shares	19	(58,261)	(2,001)
Long-term loans and borrowings		26,380	(10,763)
Acquisition of non-controlling interests		(897)	(36)
Change in restricted cash		707	284
Finance costs paid		(12,366)	(12,677)
Change in non-controlling interests		-	2,634
Payments of lease long-term liabilities		(912)	(655)
Net cash used in financing activities		(47,697)	(27,453)
Decrease in cash and cash equivalents		(5,312)	(5,235)
Net foreign currency translation differences		(2,181)	788
Cash and cash equivalents, beginning of the year		18,066	22,513
Cash and cash equivalents, end of year	16	10,573	18,066

1. Corporate Information

Palestine Development and Investment Limited (PADICO) was incorporated 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 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, 2022 were authorized for issuance in accordance with a resolution of the Board of Directors on March 30, 2023.

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, 2022. PADICO's ownership in its subsidiaries' subscribed capital was as follows:

			Ownership %	
	Activity type	Country of origin	2022	2021
Palestine Real Estate Investment Company (PRICO) *	Real estate	Palestine	78.96	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	75.26	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 PRICO's non-controlling interests, increasing its ownership interest to 78.96%.

** During the year, PADICO acquired additional shares from PSE's non-controlling interests, increasing its ownership interest to 75.26%.

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

3. Accounting Policies

3.1 Basis of preparation

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

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

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and assets held for sale 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, 2022.

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

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

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

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

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

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

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

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

3.3 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for prior year except for PADICO's adoption of the following amendments effective starting from 1 January 2022. The adoption of these amendments has no material impact on PADICO's consolidated financial statements. PADICO did not apply early adoption to any standards issued but not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the consolidated financial statements of PADICO.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The application of these amendments did not result in any impact on the consolidated financial statements of PADICO.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. PADICO will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

These amendments had no impact on the consolidated financial statements of PADICO.

<u>IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities</u>

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the consolidated financial statements of PADICO.

<u>IAS 41 Agriculture – Taxation in fair value measurements</u>

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of PADICO.

<u>Standards and amendments issued but not yet effective</u>

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

<u>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</u>

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the consolidated financial statements of PADICO.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on PADICO.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

PADICO is currently assessing the impact of the amendments to determine the impact they will have on the PADICO's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

PADICO is currently assessing the impact of the amendments to determine the impact they will have on the PADICO's accounting policy disclosures.

3.4 Significant accounting judgments, estimates and assumptions

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

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

- Risk Management Objectives and Policies (note 40)
- Capital Management (note 40)

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

Impairment of non-financial assets

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

Provision for expected credit losses on financial assets (Impairment of financial assets)

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

Impairment of inventories

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

Impairment of ready for sale properties

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

Taxes

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

Fair value of financial instruments

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

Useful lives of tangible and intangible assets

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

Investment properties

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

Present value of long-term receivables

Specific estimates and assumptions are used to determine and discount expected cash flows in the settlement of long-term receivables.

Employees' provisions

The management of PADICO and its subsidiaries use certain estimates in determining the provisions for employees. Managements believe that these estimates and assumptions are reasonable

Litigations provision

PADICO's subsidiaries use certain estimates in determining the provision for legal cases based on the opinion of their legal advisors.

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.

Determining the lease term for contracts with renewal and termination option

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

3.5 Significant accounting policies

Revenue from contracts with customers

Sale of goods

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

Variable consideration

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

Right of return

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

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

Service Revenue
Revenue from trading commissions, transfer of securities (and subsequent cash settlement proceeds) and share-based fees are recognized when the service is rendered and at a certain point in time.
Revenue from annual listing fees for listed companies, annual fees for market brokerage companies and subscription fees for market services are generally recognized over a period of time by reference to the rate of completion of services rendered at the date of the consolidated financial statements.

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

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

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

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

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

Revenue from the sale of electricity
Revenue from sale of electricity is recognized at a certain point in time at which the control of electricity produced from the solar cells is transferred to the customer.

Other Revenues

Interest income

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

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

Rent revenue

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

Deferred Revenues
Grants obtained to finance the purchase of Property, plant and equipment are reported as deferred revenues at fair value; Revenues will be recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of the related property, plant and equipment.

Donation revenues

Donors' unconditional pledges are those pledges where the donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted by the donor for a specific purpose or time are recognized as revenue when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by the donor for a specific purpose or time are recognized by PADICO's subsidiaries as revenue when such purpose or time is satisfied.

Expenses recognition

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

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.

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 recognized 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
Solar power station	10-25
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 recognized is derecognized 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 derecognized.

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

Intangible assets

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

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

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

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

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

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

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

	Useful lives	Remaining useful lives
	(Years)	(Years)
The right to benefit from the coast land – Blue Beach - Gaza	31	24
The right to benefit from the industrial and agricultural zone – Jericho	45	38
The right to benefit from Al-Awqaf commercial complex -AL-Bireh	9	2.5
The right to use Al-Bireh central station	22	-
Programs and information systems	3-5	3-5

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 derecognized 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 recognized 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.

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.

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.

Leases

PADICO evaluates contracts when they are initiated to determine if the contract is a lease or contains a lease agreement. That is, if the contract conveys the right to control the use of the specified asset for a period of time in exchange for the amounts paid.

PADICO applies a standardized approach for recognition and measurement in respect of all leases, except for short-term leases and leases for low-value assets. PADICO recognizes lease liabilities for lease payments and right-of-use assets that represent the right to use the leased assets.

<u>Right of use assets</u>

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

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

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 amortized 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. Unrealized 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 recognize 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 recognizes the amount in the consolidated income statement.

Upon loss of significant influence over the associates, PADICO measures and recognizes 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 recognized in the consolidated income statement.

Investments in joint ventures

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

Investment in joint ventures is accounted for using the equity method. Under the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in PADICO's share in the joint ventures net assets. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment and is neither amortized nor individually tested for impairment.

PADICO's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealised profits and losses resulting from transactions between PADICO and the joint ventures are eliminated to the extent of PADICO's share in the joint ventures.

The financial statements for the joint ventures are prepared for the same reporting period as PADICO, using consistent accounting policies for transactions of similar nature. At the date of the consolidated financial statements, PADICO determines whether there is objective evidence indicating impairment in the value of the joint ventures. If such evidence exists, PADICO measures the impairment by deducting the carrying value of the investment from the expected recoverable amount and recognizes the difference in the consolidated income statement.

Biological assets

Biological assets are measured on the date of harvest at their fair value less expected costs to sell, Gains or losses arising from the change in the fair value is recognized in the consolidated income statement in the period at which the change occurred. Biological assets are stated at cost less any impairment losses at each situation where their fair value can't be measured objectively.

Mature and Immature Biological assets are stated at cost less any impairment losses due to the decline in its book value. This is due to the inability to measure their fair value with sufficient reliability.

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.

Assets held for sale and discontinued operations

PADICO classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Investments in financial assets

All financial assets are recognized and derecognized 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 recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

Financial assets at amortized cost and the effective interest method

Debt instruments are measured at amortized 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 amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

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

Subsequent to initial recognition, PADICO is required to reclassify debt instruments from amortized cost to FVTPL if the objective of the business model changes so that the amortized 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 amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at FVTPL

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

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

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

PADICO has not classified any debt instrument that met the conditions of amortized cost as financial assets at FVTPL.

These financial assets represent debt instruments that do not meet the conditions of amortized cost or debt instruments that met the conditions of amortized cost but PADICO has chosen to classify them as financial assets at FVTPL upon initial recognition.

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

Financial assets at FVTOCI

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

Equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized 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 recognized in the consolidated income statement when PADICO's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognized for financial instruments that are not measured at FVTPL. No impairment loss is recognized on equity investments.
An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

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

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

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

Impairment allowances for estimated credit losses are recognized in the consolidated income statement and are reflected as an allowance account against granted loans and investments in debt instruments.

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

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

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

Derecognition of financial assets

PADICO derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Interest bearing loans and borrowings

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

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

Cash and cash equivalents

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 original maturity of mostly 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or 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 the 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

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

PADICO measures some of its financial instruments and non-financial assets, such as investment 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 and 6)
- Disclosure of fair value measurement hierarchy for assets (note 38)
- Investment properties (note 7)

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

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

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

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

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

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

- Level 1 – Quoted market prices in active markets
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Cash dividends

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, PADICO measures the non-controlling interest in the acquiree at fair value. Acquisition costs incurred are expensed through consolidated income statement.

When PADICO acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

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

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

Provisions

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

Treasury shares

Treasury shares are stated at cost. Any gains or losses resulting from reissuing of these shares are recognized 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.

<u>Transactions and balances</u>

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 where any foreign exchange differences are recognized in other comprehensive income.

<u>PADICO subsidiaries</u>

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 recognized in other comprehensive income.

Operating segments

The operating segments represent a set of assets and processes that jointly provide products or services subject to risks and returns different from those related to other operating segments that are measured according to reports used by PADICO's Chief Executive Officer and main decision maker.

The geographical sector is associated with providing products or services in a specific economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

Income tax

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

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

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

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

Earnings per share

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

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

4. Partly-owned subsidiaries

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

Proportion of equity interest held by material non-controlling interests:

Name	Country of incorporation	2022	2021
		%	
Palestine Real Estate Investment Company	Palestine	21.04	23.03
Palestine Industrial Investment Company	Palestine	43.28	43.28
Palestine Securities Exchange Company	Palestine	24.74	25.28
Nakheel Palestine for Agricultural investment Company	Palestine	47.59	47.59

Accumulated balances of material non-controlling interests:	2022	2021
	U.S 000’s	
Palestine Real Estate Investment Company	9,883	10,527
Palestine Industrial Investment Company	47,311	50,408
Palestine Securities Exchange Company	1,879	2,052
Nakheel Palestine for Agricultural investment Company	7,043	9,145
Profits (Losses) allocated to material non-controlling interests:		
Palestine Real Estate Investment Company	243	(82)
Palestine Industrial Investment Company	4,066	5,156
Palestine Securities Exchange Company	153	165
Nakheel Palestine for Agricultural investment Company	(2,102)	(1,393)
Other comprehensive income items to material non-controlling interests:		
Palestine Real Estate Investment Company	21	(33)
Palestine Industrial Investment Company	(5,342)	3,111
Palestine Securities Exchange Company	(30)	46
Change of material subsidiaries non-controlling interests:		
Palestine Real Estate Investment Company	(909)	(56)
Palestine Industrial Investment Company	-	1,452
Nakheel Palestine for Agricultural Investment Company	-	1,187
Palestine Securities Exchange Company	(43)	-

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

Summarized statement of financial position as at December 31, 2022:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Nakheel Palestine for Agricultural Investment Company
Current assets	26,939	40,402	9,079	7,297
Non-current assets	79,050	102,919	5,586	35,060
Current liabilities	(33,049)	(20,998)	(834)	(8,387)
Non-current liabilities	(18,588)	(28,023)	(1,073)	(19,409)
Total equity	54,352	94,300	12,758	14,561
Attributable to non-controlling interests in PADICO	9,883	47,311	1,879	7,043

Summarized statement of financial position as at December 31, 2021:

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Nakheel Palestine for Agricultural Investment Company
Current assets	28,551	49,496	8,142	8,090
Non-current assets	76,636	97,892	6,253	33,680
Current liabilities	(27,839)	(19,326)	(514)	(6,743)
Non-current liabilities	(24,422)	(27,732)	(1,008)	(15,839)
Total equity	52,926	100,330	12,873	19,188
Attributable to non-controlling interests in PADICO	10,527	50,408	2,052	9,145

Summarized statement of profit or loss for the year ended December 31, 2022

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Nakheel Palestine for Agricultural Investment Company
Revenue	10,873	74,512	3,023	7,566
Operating costs and expenses	(5,977)	(61,615)	-	(8,067)
General, administrative and marketing expenses	(1,710)	(7,411)	(1,938)	(1,338)
Finance costs	(1,180)	(1,203)	-	(1,278)
Other (expenses) revenues	(609)	5,078	214	(1,510)
Profit (loss) before income tax	1,397	9,361	1,299	(4,627)
Income tax expense	(496)	(691)	(291)	-
Profit (loss) for the year	901	8,670	1,008	(4,627)
Other comprehensive income items	421	(10,971)	(122)	-
Net comprehensive income for the year	1,322	(2,301)	886	(4,627)
Attributable to non-controlling interests in PADICO	243	4,066	153	(2,102)

Summarized statement of profit or loss for the year ended December 31, 2021

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Nakheel Palestine for Agricultural Investment Company
Revenue	7,534	71,383	2,672	5,828
Operating costs and expenses	(4,791)	(58,231)	-	(5,606)
General, administrative and marketing expenses	(722)	(6,994)	(1,936)	(1,309)
Finance costs	(1,254)	(1,251)	-	(1,093)
Other (expenses) revenues	(1,988)	6,744	449	(832)
(Loss) profit before income tax	(1,221)	11,651	1,185	*(3,012)*
Income tax expense	(180)	(673)	(182)	-
(Loss) profit for the year	(1,401)	10,978	1,003	(3,012)
Other comprehensive income items	(174)	6,563	182	-
Net comprehensive income for the year	(1,575)	17,541	1,185	(3,012)
Attributable to non-controlling interests in PADICO	(82)	5,156	165	(1,393)

Summarized cash flow information for the year ended December 31, 2022:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Nakheel Palestine for Agricultural Investment Company
Operating activities	10,715	13,281	1,599	878
Investing activities	(6,523)	(12,515)	403	(2,134)
Financing activities	(4,387)	(6,097)	(1,030)	1,437
Net (decrease) increase in cash and cash equivalents	(195)	(5,331)	972	181

Summarized cash flow information for the year ended December 31, 2021:

	U.S 000's			
	Palestine Real Estate Investment company	Palestine Industrial Investment company	Palestine Securities exchange company	Nakheel Palestine for Agricultural Investment Company
Operating activities	5,815	6,493	877	742
Investing activities	535	(3,294)	(2)	(2,058)
Financing activities	(4,657)	(747)	(454)	846
Net increase (decrease) in cash and cash equivalents	1,693	2,452	421	(470)

5. Property, plant and equipment

2022	Lands	Buildings and constructions	Solar power station	Machinery and equipment	Furniture and Office equipment	Motor vehicles	Computers	Leasehold improvements	Irrigation systems and land preparation	Palm Trees	Total
	U.S. $ 000's										
Cost											
Balance as at January 1, 2022	20,538	102,188	5,223	51,180	11,735	4,302	3,539	11,582	4,184	31,800	246,271
Additions	754	101	71	2,768	108	722	74	30	184	1,784	6,596
Transferred from projects in progress (Note 8)	-	151	180	965	-	-	-	-	-	-	1,296
Transferred to investment properties (Note 7)	-	(1,224)	-	-	-	-	-	-	-	-	(1,224)
Disposals	-	-	-	(601)	(68)	(188)	(12)	(5)	-	(874)	(1,748)
Foreign currency translation differences	(937)	(4,005)	(8)	(4,053)	(157)	(451)	(120)	-	-	-	(9,731)
Balance as at December 31, 2022	20,355	97,211	5,466	50,259	11,618	4,385	3,481	11,607	4,368	32,710	241,460
Accumulated Depreciation and impairment											
Balance as at January 1, 2022	-	51,131	420	31,780	9,992	2,775	3,112	8,815	2,698	9,344	120,067
Depreciation charge for the year	-	2,099	265	2,327	322	387	153	593	257	1,695	8,098
Transferred to investment properties (Note 7)	-	(272)	-	-	-	-	-	-	-	-	(272)
Disposals	-	-	-	(334)	(67)	(112)	(11)	(5)	-	(153)	(682)
Impairment loss on property, plant and equipment (Note 35)	-	-	-	190	67	2	-	-	-	4,000	4,259
Foreign currency translation differences	-	(1,828)	-	(2,417)	(112)	(291)	(111)	-	-	-	(4,759)
Balance as at December 31, 2022	-	51,130	685	31,546	10,202	2,761	3,143	9,403	2,955	14,886	126,711
Net book value											
As at December 31, 2022	20,355	46,081	4,781	18,713	1,416	1,624	338	2,204	1,413	17,824	114,749

Based on some long-term loan agreements, PADICO's subsidiaries mortgaged lands, real estate and associated properties as collateral to local and regional banks. The book value of these assets amounted to U.S. $ 34,367,000 (Note 22) as at December 31, 2022.

Depreciation for an amount of U.S. $ 316,116 was allocated to palm trees as at December 31, 2022 (Note 34).

Property, plant and equipment (Continued)

2021	Lands	Buildings and constructions	Solar power station	Machinery and equipment	Furniture and Office equipment	Motor vehicles	Computers	Leasehold improvements	Irrigation systems and land preparation	Palm Trees	Total
	U.S. $ 000's										
Cost											
Balance as at January 1, 2021	19,999	100,973	7,106	49,061	11,859	4,373	3,476	11,321	4,022	29,604	241,794
Additions	273	525	329	1,644	105	245	56	337	162	2,196	5,872
Transferred from projects in progress (Note 8)	-	316	-	204	9	-	-	-	-	-	529
Disposals	-	(763)	(2,212)	(865)	(281)	(439)	(24)	(76)	-	-	(4,660)
Foreign currency translation differences	266	1,137	-	1,136	43	123	31	-	-	-	2,736
Balance as at December 31, 2021	20,538	102,188	5,223	51,180	11,735	4,302	3,539	11,582	4,184	31,800	246,271
Accumulated Depreciation and impairment											
Balance as at January 1, 2021	-	48,506	216	29,596	9,524	2,710	2,934	8,130	2,387	3,772	107,775
Depreciation charge for the year	-	2,518	321	2,347	718	400	172	686	311	1,572	9,045
Disposals	-	(406)	(117)	(835)	(280)	(414)	(24)	(1)	-	-	(2,077)
Impairment loss on property, plant and equipment (Note 35)	-	-	-	-	-	-	-	-	-	4,000	4,000
Foreign currency translation differences	-	513	-	672	30	79	30	-	-	-	1,324
Balance as at December 31, 2021	-	51,131	420	31,780	9,992	2,775	3,112	8,815	2,698	9,344	120,067
Net book value											
As at December 31, 2021	20,538	51,057	4,803	19,400	1,743	1,527	427	2,767	1,486	22,456	126,204

Based on long-term loan agreements, PADICO's subsidiaries mortgaged lands, real estate and associated properties as collateral to local and regional banks. The book value of these assets amounted to U.S. $ 32,872,000 (Note 22) as at December 31, 2021.

Depreciation for an amount of U.S. $ 383,078 was allocated to palm trees as at December 31, 2021 (Note 34).

6. Intangible Assets

	U.S. $ 000's							
	Goodwill (A)	Trademark (B)	The right to benefit from the coast land –Blue Beach - Gaza (C)	The right to benefit from the industrial and agricultural zone – Jericho (D)	The right to benefit from Al-Awqaf Commercial Complex-AL-Bireh (E)	The right to benefit from bus stations (F)	Programs and Information Systems (G)	Total
Cost								
Balance as at January 1, 2022	3,671	3,888	16,816	8,182	3,621	6,540	1,034	43,752
Additions for the year	-	-	-	271	-	-	2	273
Balance as at December 31, 2022	3,671	3,888	16,816	8,453	3,621	6,540	1,036	44,025
Amortization and impairment								
Balance as at January 1, 2022	-	-	6,648	900	2,109	6,497	-	16,154
Amortization for the year	-	-	566	192	444	43	279	1,524
Impairment losses (Note 35)	-	-	-	-	-	-	100	100
Balance as at December 31, 2022	-	-	7,214	1,092	2,553	6,540	379	17,778
Net book value								
As at December 31, 2022	3,671	3,888	9,602	7,361	1,068	-	657	26,247
As at December 31, 2021	3,671	3,888	10,168	7,282	1,512	43	1,034	27,598

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

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

(C) The right to benefit from the coast land – Blue Beach - Gaza
On November 2, 1995, PRICO (a subsidiary) signed a lease contract with the Palestinian National Authority to rent a piece of land for a period of 49 years for tourism investment purposes. During the year 2015, PADICO completed the construction of the project (Blue beach hotel) with an amount of U.S. $ 17,892,722 and transferred it to benefit rights. The project cost is amortized over the remaining term of the lease, which expires on October 20, 2044.

(D) The right to benefit from the industrial and agricultural zone – Jericho
During 2016, The Jericho Agro-Industrial Park - JAIP (a subsidiary of PRICO) completed the construction and preparation of the first phase of the agricultural industrial city project in Jericho and therefore it was transferred to intangible assets account (benefit rights). The project is amortized over a period of 45 years.

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

(F) The right to benefit from bus stations
During 2000, PRICO (a subsidiary) completed the construction and commenced full operations of Al Bireh Central Bus Station. Under the terms of concession agreements with Al Bireh Municipality, PRICO financed the construction on the basis of Build-Operate-Transfer (BOT) on land owned by the municipality, in return, PRICO would have the right to operate the Al Bireh station for 24 (including two years of implementation). At the end of the concession period, PRICO would transfer the station, including all rights, to the municipality. The station includes 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 concession agreements. The central bus station was handed over to Al-Bireh Municipality at the end of September 2022.

(G) Programs and information systems
During 2021, Palestine Securities Exchange Company (a subsidiary) completed the construction and preparation of the new trading system project and the development of its related infrastructure, in addition to the development project of the deposit and transfer center system and therefore it was transferred from projects in progress account to intangible assets account. During the year, the company carried out an analysis of impairment, which resulted in an impairment loss amounting to U.S. $ 100,000, which was recognized in the consolidated income statement.

Impairment testing of goodwill and trademark

Goodwill and trademark 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	
	2022	2021
Financial market segment	1,445	1,445
Real estate segment	2,226	2,226
Industrial segment	3,888	3,888
	7,559	7,559

Key assumptions used in the calculation of the value in use

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

Discount rate

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

Growth rate estimates

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

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

Financial market segment

The recoverable amount of the financial market segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 23.3%. Cash flows beyond the 5-year period are extrapolated using a 2% growth rate.

Real estate segment

The recoverable amount of the real estate segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15.36%. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate.

Industrial segment

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

7. Investment properties

Investments properties as at December 31, 2022 and 2021 includes the following:

	U.S. $ 000's	
	2022	2021
Lands *	5,782	22,086
Buildings **	22,778	22,493
	28,560	44,579

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

** This item includes the investment of Marafeq Investment Company (a subsidiary of PRICO) in Plaza Park Centre for Car Parking. During 2007, an agreement was signed between Al-Marafiq Investment Company and Municipality of Amman to establish a commercial complex including a building and parking area in the Sweifieh area in Amman on the Build Operation Transfer (B.O.T) basis on land owned by the Municipality of Amman in return for the rental and operation of the building and parking for 25 years, not including the implementation period, after which, the building and parking will be delivered to the Municipality of Amman. During the year 2016, the Jordanian cabinet decided to approve the exemption of the public parking project and commercial floors and offices (Park Plaza) from property tax incurred by it throughout the period of the original contract. Accordingly, Al-Marafiq Company signed an annex to the agreement with the Greater Amman Municipality, stipulating an increase in the investment period to 30 years starting on October 1, 2010.

The management estimates the fair values of these lands according to the reports of professional real estate appraisers. The fair value of the lands and buildings amounted to U.S. $ 33,312,000 as at December 31, 2022 and U.S. $ 53,663,000 as at December 31, 2021.

The carrying value of investment properties which were mortgaged for the benefit of banks as collateral against loans to PRICO and PIIC is approximately U.S. $ 3,609,000 (Note 22).

Following is the movement on the investment properties

	U.S. $ 000's	
	2022	2021
Balance, beginning of the year	44,579	45,627
Additions	5	-
Transferred from inventory and ready for sale properties (note 13)	1,076	754
Transferred to inventory and ready for sale properties (note 13)	(827)	(320)
Transferred from property, plant and equipment (note 5) *	952	-
Sales **	(16,305)	(344)
Depreciation charge for the year	(920)	(919)
Impairment of investment properties	-	(219)
Balance, end of year	28,560	44,579

* During the year, PRICO (a subsidiary) has transferred its investment in "PADICO house Building" in Ramallah from property, plant and equipment to investment properties as a result of the change in use as it will be kept for capital appreciation or to generate rental income.

** During the year, PADICO and its subsidiaries sold lands to Palestine Telecommunications Company - PALTEL (an associate), The value of the transaction amounted to U.S. $ 16 million, resulting in a gain of U.S. $ 1,018,000 which was recognized in the consolidated income statement. In addition, Palestine Development and Investment Company Private Shareholding Limited (a subsidiary) sold land during the year, which resulted in a gain of U.S. $ 396,000, which was recognized in the consolidated income statement.

8. Projects in progress

	U.S. $ 000's	
	2022	2021
Balance, beginning of the year	18,776	12,652
Additions	14,383	7,217
Transferred to property, plant and equipment (note 5) *	(1,296)	(529)
Transferred to intangible assets (note 6) **	-	(1,129)
Impairment of projects in progress (note 35)	(900)	-
Foreign currency	(2,439)	565
Balance, end of year	28,524	18,776

* During the year, the National Carton Industry Company (a subsidiary of PIIC) completed projects related to solar energy, a printer, and building a fence for the company. Therefore, all costs were transferred to the property, plant, and equipment account.

During 2021, Palestine Poultry Company (a subsidiary) completed two projects; the constructions of new administration building and the development of a feed factory. Therefore, all costs were transferred to property, plant, and equipment account.

** During 2021, Palestine Securities Exchange Company (a subsidiary) completed the construction and preparation of a new trading system and the development of its related infrastructure. In addition, the development of the deposit and transfer center system was completed. Therefore, all cost were transferred from projects in progress account to intangible assets account.

Following are the projects in progress as at December 31, 2022 and 2021:

		U.S. $ 000's Costs as of	
Project name	Company	December 31, 2022	December 31, 2021
Establishment of a factory and administrative offices	Al Pinar General Trading	10,386	6,344
Establishment of a factory and administrative offices	Al-Rabiya for Feed and Grains	10,424	5,302
Al-Shurafat Lands development project	TAICO for Trade and Investment Company	4,308	5,588
Solar energy project and waste treatment in the slaughterhouse	Palestine Poultry Company PLC	1,431	876
Commercial center project – Birzeit University Board of Trustees	Palestine Real Estate Investment Company	937	350
Hangar's reconstruction project	Palestinian Industrial Estate Development Company	677	-
Fire protection system project	The National Carton Industry Company	185	151
Infrastructure preparation and processing project (phase 2)	Jericho Agro-Industrial Park - JAIP	148	138
Other projects	Other Companies	28	27
		28,524	18,776

The remaining costs to complete these projects are expected to reach a total of U.S. $ 47,641,000 and the projects are expected to be completed within 1 - 5 years.

9. Leases

The table below represents the carrying amount for the right-of-use assets and its movement during the years 2022 and 2021:

2022	Land U.S. $ 000's	Buildings U.S. $ 000's	Vehicles U.S. $ 000's	Total U.S. $ 000's
Balance, beginning of the year	4,849	4,119	82	9,050
Additions	18	1,054	74	1,146
Adjustments	-	(35)	-	(35)
Depreciation for the year *	(287)	(755)	(47)	(1,089)
Foreign currency	-	(43)	(11)	(54)
Balance, end of year	4,580	4,340	98	9,018

2021	Land U.S. $ 000's	Buildings U.S. $ 000's	Vehicles U.S. $ 000's	Total U.S. $ 000's
Balance, beginning of the year	5,134	4,750	153	10,037
Additions	-	50	69	119
Terminated lease contracts	-	-	(68)	(68)
Depreciation for the year *	(285)	(692)	(75)	(1,052)
Foreign currency	-	11	3	14
Balance, end of year	4,849	4,119	82	9,050

* Total depreciation allocated to palm trees were U.S. $ 115,348 and U.S. $ 143,784 as at December 31, 2022 and 2021, respectively (note 34).

Right of use assets are depreciated over a period between 3-28 years.

The table below represents the carrying amount of lease liabilities and its movement during the years 2022 and 2021:

	U.S. $ 000's Lease liabilities 2022	U.S. $ 000's Lease liabilities 2021
Balance, beginning of the year	9,920	10,506
Additions	3,008	119
Terminated lease contracts	-	(65)
Finance costs *	629	606
Payments	(1,541)	(1,261)
Adjustments	(35)	-
Foreign currency	83	15
Balance, end of year	12,064	9,920

* Finance costs allocated to palm trees as at December 31, 2022 and 2021 were U.S. $ 82,038 and U.S. $ 84,925, respectively (note 33).

The lease liabilities details are as follows:

	U.S. $ 000's 2022	U.S. $ 000's 2021
Short-term lease liabilities	1,332	1,491
Long-term lease liabilities	10,732	8,429
Total	12,064	9,920

10. Investment in associates and joint venture

A) Investment in associates

This item represents investments in associates as follows:

	Country of origin	Ownership %		U.S. $ 000's Carrying Amount	
		2022	2021	2022	2021
Palestine Telecommunications Company (Listed) *	Palestine	32.28	31.41	231,648	339,569
Arkaan Real Estate Company (Listed) *	Palestine	33.80	-	129,360	-
Jericho Gate for Real Estate Investment (Not listed)	Palestine	25.00	25.00	34,323	32,357
Vegetable Oil Industries Company (Listed)	Palestine	32.80	32.80	28,429	27,750
Palestine Power Generating Company (Not listed) *	Palestine	20.00	20.00	3,867	3,363
Jordan Vegetable Oil Industry Company (Listed) ***	Jordan	17.00	17.00	2,053	2,032
PAL Aqar for Real Estate Company (listed)	Palestine	25.14	25.14	345	417
Golden Wheat Mills Company (Listed) **	Palestine	-	-	-	-
				430,025	405,488

Following is a movement on investment in associates during the years 2022 and 2021:

	U.S. $ 000's 2022	2021
Balance, beginning of the year	405,488	376,142
PADICO's share in associates' results of operation	40,646	40,170
Distributed cash dividends from associates	(27,312)	(18,657)
PADICO's share in associates' cumulative change in fair value of financial assets	(1,151)	9,697
PADICO's share in associates' foreign currency translation differences	(2,623)	1,624
Purchase of associates' shares *	14,952	250
Sale of associates' shares **	-	(3,738)
Elimination of transactions with an associate	25	-
Balance, end of the year	430,025	405,488

* The Extraordinary General Assembly of Palestine Telecommunications Company P.L.C - PALTEL decided in its meeting held on March 22, 2022 to approve the distribution of shares to PALTEL shareholders in a new company (Arkaan Real Estate Company) established during the first quarter of 2022 with the aim of transferring real estate assets and the investments portfolio to it; at the rate of one share for each share owned by the shareholder in PALTEL. The Capital Market Authority has determined June 28, 2022 as the date of approval of the register of shareholders entitled to shares in Arkaan Real Estate Investments Company and then the company's shares were listed on Palestine Exchange and trading on its shares began on July 3, 2022.

During the year, PADICO and PRICO (a subsidiary) purchased additional shares in PALTEL with a value of U.S. $ 9,572,000, increasing the ownership of PADICO in PALTEL from 31.41% to 32.28%. Also, during the year, PADICO purchased shares in Arkaan Real Estate Company (Arkaan) with a value of U.S. $ 4,780,000, increasing the ownership of PADICO in Arkaan from 31.41% to 33.80%.

In 2020, the Extraordinary General Assembly of Palestine Power Generation Company -PPGC (not listed) decided 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. During the years 2021 and 2020 PADICO paid an amount of U.S. $ 407,000 as a payment of its share from the capital increase.

Also, During the year, the Extraordinary General Assembly of Palestine Power Generation Company - PPGC (not listed) decided to increase the Company's capital from U.S. $ 22 million to U.S. $ 25 million by offering 3 million shares with a nominal value of U.S. $1 per share. PADICO paid U.S. $ 600,000 during the year, as a payment to PADICO's share of the total capital increase.

** In 2021, Palestine Industrial Investment Company (a subsidiary) sold most of its investment in the Golden Wheat Mills (GWMC), resulting in the loss of its representation in the Board of Directors. The sale resulted in losses amounting to U.S. $ 318,385 that were recorded in the consolidated income statement during 2021.

*** PADICO's management believes that it has representation on the Board of Directors of the Jordan Vegetable Oil Industries Company (JVOI) that is capable of influencing the financial and operational policies of JVOI, although they have less than 20% of the voting rights. Therefore, their investment in JVOI has been classified as investment in an associate.

- Part of the associates' shares have been mortgaged to local and regional banks. The book value of the mortgaged shares as at December 31, 2022 amounted to U.S. $ 75,670,000 (note 22). Also, part of the associates' shares was mortgaged to the bondholders, with a book value for the mortgaged shares as at December 31, 2022 amounted to U.S. $ 156,608,396 (note 23).
- The market value of PADICO's investments in listed associate companies amounted to U.S. $ 435,110,000 and U.S. $ 364,012,000 as of December 31, 2022 and December 31, 2021, respectively.

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

	December 31, 2022 U.S. $ 000's							
	Palestine Telecommunications Company	Arkaan Real Estate Company	Jericho Gate for Real Estate Investment	Vegetable Oil Industries Company	Palestine Power Generating Company	Jordan Vegetable Oil Industry Company	Pal Aqar for Real Estate Company	Total
Associates' statement of financial position:								
Non-current assets	508,232	365,682	80,351	102,925	16,560	4,296	2,636	1,080,682
Current assets	232,796	112,329	60,420	6,618	2,468	7,536	4,153	426,320
Non-current liabilities	(132,157)	(23,114)	(220)	(14,200)	(162)	-	(1,343)	(171,196)
Current liabilities	(289,305)	(33,678)	(51,793)	(12,848)	(556)	(2,051)	(3,350)	(393,581)
Non-controlling interests	(220)	(28,890)	-	-	-	-	-	(29,110)
Unpaid capital	-	-	-	-	1,025	-	-	1,025
Equity attributable to the shareholders of the associate company	319,346	392,329	88,758	82,495	19,335	9,781	2,096	914,140
Equity attributable to PADICO	103,085	132,607	22,190	27,057	3,867	1,663	528	290,997
Adjustments	128,563	(3,247)	12,133	1,372	-	390	(183)	139,028
Carrying amount of investment	231,648	129,360	34,323	28,429	3,867	2,053	345	430,025
Revenues and results of operations:								
Revenue	435,677	26,218	39,956	10,272	-	10,852	1,911	524,886
Results of operations	92,020	7,257	19,146	12,463	(470)	1,439	(287)	131,568
PADICO's share of results of operations	29,257	2,440	4,786	4,084	(94)	245	(72)	40,646
PADICO's share of change of fair value of financial assets	(1,372)	(4)	-	209	-	16	-	(1,151)
PADICO's share of foreign currency translation differences	67	-	-	(2,690)	-	-	-	(2,623)
Distributed cash dividends	23,327	-	2,821	924	-	240	-	27,312

	December 31, 2021							
	U.S. $ 000's							
	Palestine Telecommunications Company	Jericho Gate for Real Estate Investment	Vegetable Oil Industries Company	Palestine Power Generating Company	Jordan Vegetable Oil Industry Company	Pal Aqar for Real Estate Company	Golden Wheat Mills Company	Total
Associates' statement of financial position:								
Non-current assets	869,579	63,002	105,476	15,578	3,959	1,711	-	1,059,305
Current assets	354,500	63,199	10,693	2,145	7,570	4,327	-	442,434
Non-current liabilities	(189,631)	(171)	(22,481)	(385)	-	(273)	-	(212,941)
Current liabilities	(314,738)	(42,361)	(13,266)	(523)	(1,871)	(3,377)	-	(376,136)
Non-controlling interests	(20,565)	-	-	-	-	-	-	(20,565)
Equity attributable to the shareholders of the associate company	699,145	83,669	80,422	16,815	9,658	2,388	-	892,097
Equity attributable to PADICO	219,601	20,917	26,378	3,363	1,642	600	-	272,501
Adjustments	119,968	11,440	1,372	-	390	(183)	-	132,987
Carrying amount of investment	339,569	32,357	27,750	3,363	2,032	417	-	405,488
Revenues and results of operations:								
Revenue	435,222	49,112	12,446	-	8,565	1,713	5,087	512,145
Results of operations	95,103	18,837	17,626	(329)	1,462	32	349	133,080
PADICO's share of results of operations	29,426	4,709	5,776	(66)	248	9	68	40,170
PADICO's share of change of fair value of financial assets	8,484	-	1,154	-	59	-	-	9,697
PADICO's share of foreign currency translation differences	(50)	-	1,674	-	-	-	-	1,624
Distributed Cash dividends	17,493	-	240	-	924	-	-	18,657

B) Investment in a joint venture:

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

	Country of origin	Ownership %		U.S. $ 000's Carrying Amount	
		2022	2021	2022	2021
Ilya View Tourism Company Ltd. (Ilya)	Cyprus	50	50	75	70
				75	70

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 to establish the project through it.

Following is a movement on the investment in joint venture during the years 2022:and 2021

	U.S. $ 000's	
	2022	2021
Balance, beginning of the year	70	-
Additions	251	495
PADICO's share in joint venture's results of operations	(233)	(410)
PADICO's share in joint venture's foreign currency translation differences	(13)	(15)
Balance, end of the year	75	70

The following table summarizes the financial information related to PADICO's investment in Ilya View Tourism Company Ltd. for the years 2022 and 2021:

	U.S. $ 000's	
	2022	2021
Joint venture statement of financial position:		
Current Assets	9	114
Non-current Liabilities	(8)	(3)
Current Liabilities	(95)	(29)
Unpaid capital	186	-
Equity attributable to joint venture shareholders	92	82
PADICO's share	46	41
Adjustments	29	29
Carrying amount of investment	75	70
Results of operations:		
Results of operations	(466)	(820)
PADICO's share of results of operations	(233)	(410)
PADICO's share of foreign currency translation differences	(13)	(15)

11. Financial assets at fair value through other comprehensive income

	U.S. $000's	
	2022	2021
Quoted equities in financial markets	59,033	58,813
Unquoted equities in financial markets*	13,648	12,131
	72,681	70,944

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

Based on some long-term loan agreements, part of the financial assets was mortgaged by PADICO for local and regional banks. The carrying value of assets mortgaged amounted to U.S. $ 38,906,000 as at 31 December 2022 (note 22).

Following is the movement on the fair value reserve attributed to equity holders of the parent:

	U.S. $000's	
	2022	2021
Balance, beginning of year	(73,125)	(86,116)
Change in fair value of financial assets through other comprehensive income items	1,873	4,422
PADICO's share of change in fair value of financial assets of associates	(1,151)	9,697
Transfer of fair value reserve to retained earnings due to sale of equity instruments designated at FVTOCI	100	-
	(72,303)	(71,997)
Attributed to non-controlling interests	(284)	(1,128)
Balance, end of year	(72,587)	(73,125)

12. Biological assets

Non-current biological assets include dairy cows, following are the details as at December 31, 2022 and December 31, 2021:

	U.S. $000's	
	2022	2021
Dairy cows – mature and productive	552	599
Dairy cows - immature	496	477
	1,048	1,076

Current biological assets include poultry, following are the details as at December 31, 2022 and December 31, 2021:

	U.S. $000's	
	2022	2021
Poultry – mature and productive	1,107	896
Poultry - immature	895	974
	2,002	1,870

13. Inventories and ready for sale properties

	U.S. $000's	
	2022	2021
Land and ready for sale properties *	13,238	14,074
Dates	3,705	4,885
Feed mill products and materials	3,041	3,057
Carton, sheets and cans	2,109	1,844
Poultry and eggs	1,418	1,402
Dairy products	758	841
Operating supplies for hotels	220	183
Plastic stock	150	211
Sundry	170	226
	24,809	26,723
Slow moving inventory provision	(558)	(405)
	24,251	26,318

* Based on some loans' agreements signed by PRICO (a subsidiary), part of the ready for sale properties of Al Ghadeer and PRICO House (2) projects were mortgaged. The carrying amount of properties mortgaged amounted to U.S. $ 4,276,000 as at 31 December 2022 (note 22). In addition, the impairment loss on land and ready for sale properties amounted to U.S. $ 32,000 and U.S. $ 47,000 as at December 31, 2022 and December 31, 2021, respectively, which was recognized in the consolidated income statement.

Following is the movement on the slow-moving inventory provision during the years 2022 and 2021:

	U.S. $000's	
	2022	2021
Balance, beginning of the year	405	111
Additions during the year	431	294
Disposals during the year	(278)	-
Balance, end of year	558	405

14. Accounts receivable and other current assets

	U.S. $000's	
	2022	2021
Trade receivables	42,697	44,464
Checks under collection	20,280	20,659
Due from Value Added Tax Department and customs	6,079	6,669
Advance payments to suppliers, contractors and brokerage firms	3,230	6,335
Due from associates and sister companies	1,271	1,757
Advance payment on land purchase	922	922
Prepaid expenses	637	299
Compensations due	-	1,783
Other receivables	522	1,022
	75,638	83,910
Allowance for expected credit losses *	(34,263)	(36,020)
	41,375	47,890
Long-term accounts receivable	(5,796)	(6,374)
	35,579	41,516

* Following is the movement on the allowance for expected credit losses during the years 2022 and 2021:

	U.S.$000's	
	2022	2021
Balance, beginning of year	36,020	35,487
Additions during the year (note 35)	323	1,394
Recoveries (note 35)	(383)	-
Write-off	(717)	(1,119)
Currency variance	(980)	258
Balance, end of year	34,263	36,020

PADICO and its subsidiaries do not obtain collaterals against some receivables. As for the notes and accounts receivable resulting from sale of real estate, PADICO does not transfer the ownership of sold properties until the entire accounts receivable balance is collected from its customers.

15. Financial assets at fair value through profit or loss

This item represents the following:

	U.S. $ 000's	
	2022	2021
Investment funds	565	594
Portfolio investments in local and regional equities	5,776	5,914
	6,341	6,508

16. Cash and short-term deposits

	U.S. $ 000's	
	2022	2021
Cash on hand and current accounts at banks	7,535	14,123
Term deposits at banks	5,024	6,011
	12,559	20,134

The average interest rates on deposits in U.S. $ ranges between 0.11% and 2.77% for the year 2022 and ranges between 0.11% and 2.5% for the year 2021.

Current accounts at banks include restricted cash amounting to U.S. $ 362,000 and U.S. $ 1,069,000 as a collateral against certain credit facilities granted to PADICO and its subsidiaries as at December 31, 2022 and 2021, respectively (note 22).

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

	U.S. $ 000's	
	2022	2021
Cash on hand and current accounts at banks	7,535	14,123
Term deposits at banks	5,024	6,011
Cash and short-term deposits shown in consolidated statement of financial position	12,559	20,134
Restricted cash (note 22)	(362)	(1,069)
Bank Overdrafts (note 22)	(1,624)	(999)
Cash and cash equivalents	10,573	18,066

17. Discontinued operations

On June 15, 2020, the Board of Directors of the First Entertainment Company (JEDICO's subsidiary) agreed to cease the Company's operations and its various leisure, cultural and athletics activities in light of the accumulated losses during the previous years, the effects of COVID-19 pandemic. This was accompanied by a decision to sell the Company's land, the established building and all property and equipment related to this activity. Accordingly, the results of operations resulted from the Company's activities were classified as discontinued operations in the consolidated income statement. In addition, the Company's assets were classified as assets held for sale in the consolidated statement of financial position.

Additionally, the Board of Directors of Palestine Plastic Industries Company (PIIC's subsidiary) agreed in the second half of 2015 to cease the Company's operational activities in the manufacturing and selling of plastic bottles and pipes, this was accompanied by a decision to sell all machinery, equipment and inventories of plastic bottles and pipes related to this activity.

Movement on assets held for sale as at December 31, 2022 and December 31, 2021 is as follows:

	U.S. $ 000's	
	2022	2021
Balance, beginning of the year	1,547	1,553
Sale of the First Entertainment Company's assets *	(1,520)	-
Impairment loss resulting from revaluation of Palestine Plastic Industrial Company's assets	(27)	(6)
Balance, end of year	-	1,547

The results of operations and sale of discontinued operations amounted to U.S. $ 252,000 during 2022, compared to a loss of U.S. $ 30,000 during 2021.

	U.S. $ 000's	
	2022	2021
Basic and diluted earnings per share		
Basic and diluted gain (loss) per share from discontinued operations attributable to shareholders of the parent (U.S. $)	0.001	(0.000)

* On September 28, 2022, (JEDICO) sold its entire ownership shares in the First Entertainment Company Ltd. Therefore, its financial statements were not consolidated with PADICO's financial statements as of December 31, 2022.

Following is a summary of the fair value of the assets and liabilities of the First Entertainment Company Ltd. at the date of disposal:

	Fair value at the date of disposal
	U.S. $ 000's
Assets	
Other current assets	471
Cash and cash equivalents	2
Assets held for sale	1,520
	1,993
Liabilities	
Long-term loan	126
Accounts payable	15
	141
Fair value of net assets	1,852
Net value of assets transferred to JEDICO (a subsidiary)	(167)
Fair value of net assets sold	1,685

18. Paid-in share capital

Paid-in share capital as at December 31, 2022 and 2021 as follows:

	U.S. $ 000's	
	2022	2021
Authorized capital	300,000	300,000
Subscribed and paid in capital	250,000	250,000

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

19. 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.

During the year, Rawan International Investment Company (a subsidiary) purchased 47,294,720 shares in PADICO, the total cost of these shares amounted to U.S. $ 58,260,924. Rawan International Investment Company purchased most of these shares from Palestine Telecommunications Company (an associate), where the number of shares purchased from the Palestinian Telecommunications Company amounted to 42,179,573 shares, at a cost of U.S. $ 51,395,000.

In 2021, Rawan International Investment Company (a subsidiary) purchased 1,595,000 shares in PADICO, total cost of these shares amounted to U.S. $ 2,001,320. Moreover, Palestine Company for the Transfer of Technology Ltd. (a subsidiary) owns 150,000 shares in PADICO, total cost of these shares amounted to U.S. $ 361,044.

The following is the percentage of treasury shares of PADICO's subscribed capital as of December 31, 2022 and 2021:

	2022	2021
Treasury shares	49,039,720	1,745,000
Subscribed capital	250,000,000	250,000,000
Percentage of treasury shares of PADICO's subscribed capital	19.6%	0.7%

20. Reserves

Statutory reserve

The statutory reserve amounted to U.S. $ 34,033,000 and U.S. $ 32,681,000 as at December 31, 2022 and 2021, respectively. PADICO's By-Laws require a deduction of 5% before consolidation of the net annual profit to be appropriated to statutory reserve account until such reserve balance reaches 40% of the authorized share capital. The reserve is not available for distribution to the shareholders.

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

Voluntary reserve

Voluntary reserve amounted to U.S. $ 1,594,000 as at December 31, 2022 and 2021. This reserve is available for distribution to the shareholders.

21. Distributed cash dividends from subsidiaries

<u>Cash dividends distributed during the year 2022</u>
The General Assembly of PIIC (a subsidiary) has decided in its meeting held on April 24, 2022 a cash dividend distribution of JD 0.10 per share, which amounted to JD 1,875,000 (Equivalent to U.S. $ 2,645,000) for 2021 results of operations. Non-controlling interests' share of the dividends was U.S. $ 1,145,000.

The General Assembly of Palestine Securities Exchange (a subsidiary) has decided in its meeting held on April 19, 2022 a cash dividend distribution of U.S. $ 0.10 per share, which amounted to U.S. $ 1,000,000 for 2021 results of operations. Non-controlling interests' share of the dividends was U.S. $ 252,000.

The General Assembly of Palestine Poultry Company (a subsidiary of PIIC) has decided in its meeting held on April 23, 2022 a cash dividend distribution of JD 0.18 per share, which amounted to JD 2,419,200 (Equivalent to U.S. $ 3,412,000) for 2021 results of operations. Non-controlling interests' share of dividends was U.S. $ 391,000.

The General Assembly of The National Carton Industries Company (a subsidiary of PIIC) has decided in its meeting held on April 21, 2022 a cash dividend distribution of U.S. $ 0.10 per share, which amounted to U.S. $ 500,000 for 2021 results of operations. Non-controlling interests' share of the dividends was U.S. $ 285,000.

<u>Cash dividends distributed during the year 2021</u>
The General Assembly of Palestine Securities Exchange (a subsidiary) has decided in its meeting held on March 25, 2021 a cash dividend distribution of U.S. $ 0.04 per share, which amounted to U.S. $ 400,000 for 2020 results of operations. Non-controlling interests' share of the dividends was U.S. $ 101,000.

The General Assembly of Palestine Poultry Company (a subsidiary of PIIC) has decided in its meeting held on May 20, 2021 a cash dividend distribution of JD 0.18 per share, which amounted to JD 2,419,200 (Equivalent to U.S. $ 3,412,000) for 2020 results of operations. Non-controlling interests' share of the dividends was U.S. $ 391,000.

The General Assembly of National Carton Company (a subsidiary of PIIC) has decided in its meeting held on April 28, 2021 a cash dividend distribution of U.S. $ 0.10 per share, which amounted to U.S. $ 500,000 for 2020 results of operations. Non-controlling interests' share of the dividends was U.S. $ 285,000.

22. Long-term loans, credit facilities and Islamic financing

	U.S. $000's	
	2022	2021
Long-term loans from banks and financial institutions	129,263	99,805
Long-term loans from related parties	6,716	3,954
Overdraft accounts	1,624	999
Murabaha and Istusna'a contracts	8,944	14,784
	146,547	119,542
Credit facilities, borrowings and current portion of long-term loans	(33,815)	(36,627)
	112,732	82,915

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

		U.S. $000's
Matures in	2023	33,815
Matures in	2024	30,941
Matures in	2025	23,672
Matures in	2026	20,606
Matures in	2027	13,498
Matures later		24,015
		146,547

Long-term loans granted from banks and financial institutions

- During the year and previous years, PADICO and its subsidiaries signed several long-term loan agreements with local and regional banks in U.S. Dollars and Jordanian Dinars. These loans are subject to a variable interest rates between 2.5% and 4.15% in addition to LIBOR, SOFR and interest rates between 3.75% and 3.994%. Some loans are also subject to interest according to the rediscount rate at the Central Bank of Jordan + a margin of 0.5%, with a minimum of 4.75%, and fixed interest rates between 4.5% and 6.13%. These loans are to be settled within a six-years period. The balance of outstanding loans amounted to U.S. $ 89,372,000 and U.S. $ 61,337,000 as at December 31, 2022 and 2021, respectively.
- During the year 2020, Nakheel (a subsidiary) signed agreements with a local bank for an amount of U.S. $ 250,000 and EURO 310,000 to finance its operating activities and the solar power station project. The annual interest rate on EURO loan is six months LIBOR plus 4% with a minimum rate of 4.75%. While the interest rate on the U.S. $ loan is a fixed rate of 3%. The U.S. $ loan and EURO loan are to be settled through 36 and 84 monthly installments, respectively with a grace period of 6 months for U.S.$ loan and one year for EURO loan. The balance of outstanding loans amounted to U.S. $ 397,000 as at December 31, 2022.
- Additionally, on April 4, 2017, Nakheel 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 Sultan Fresh Fruits Company shares. A portion of this financing in the amount of U.S. $ 3 million is subject to an annual interest rate of six months LIBOR plus 4.4% and the remaining portion of U.S. $ 7 million is subject to a fixed interest rate of 6.098%. This financing will be settled in 15 semi-annual installments starting from June 15, 2021. The balance of outstanding loans amounted to U.S. $ 8,000,000 as at 31 December 2022.
- During the year and previous years, PIIC and its subsidiaries signed loan agreements with local and regional banks in U.S. Dollars, Israeli Shekels and EURO at variable interest rates of 2.5% and 4% in addition to LIBOR rates, and an interest rate on the Israeli Shekels loan equivalent to the lending rate in the Central Bank of Israel plus a rate of 3.25%, with a minimum of 5%. Some loans are also subject to interest rates equal to the Shekel prime +2.5%. These loans were obtained for the purpose of financing the investment activities and financing needs of these companies. These loans are also repayable under monthly, quarterly and semi-annual installments. The balance of existing loans amounted to U.S. $ 29,465,000 and U.S. $ 25,888,000 as at 31 December 2022 and 2021, respectively.
- During 2019, PRICO operations and maintenance (a subsidiary of PRICO) signed a long-term agreement with the International Financing Company (IFC) in an amount of U.S. $ 5,856,000 (Equivalent to JD 4,157,760). This loan was obtained for the purpose of financing the solar power station project in Gaza. The loan is subject to an interest rate of 4.29%. The loan is repayable under semi-annual installments. The balance of outstanding loan is U.S. $ 2,029,000 as at December 31, 2022.

Long-term loans granted from related parties

- During the year and previous years, subsidiaries of JEDICO (a subsidiary) signed loan agreements with some shareholders to cover their financial needs for an amount of U.S. $ 2,081,000 as at December 31, 2022 and U.S. $ 1,767,500 as at December 31, 2021. These loans are subject to an annual interest rate between 5% and 8% and are settled in quarterly installments.
- During the year and previous years, Nakheel Palestine (a subsidiary) signed loan agreements with some major shareholders for the purpose of covering the financial needs of the company. The value of the loans amounted to U.S $ 3,604,273 as of December 31, 2022. These loans are subject for a variable interest rate of 4.4% in addition to LIBOR rates and are to be settled in one installment after two years from the date of signing the agreements.
- During the year and previous years, JAIP (a subsidiary of PRICO) signed loan agreements with some major shareholders for the purpose of covering the financial needs of the company. The value of loans amounted to U.S $ 1,031,143 as of December 31, 2022. The loans are subject to an interest rate of 7.5% and are to be settled under quarterly installments.

Overdrafts

Some of subsidiaries have obtained overdraft accounts and facilities for clearing checks deducted from local and regional banks in US Dollars, Jordanian Dinars and Israeli Shekels. The total ceiling amount as at December 31, 2022 was U.S. $ 6,381,000 and the balance utilized from these facilities amounted to U.S. $ 1,624,000 as at December 31, 2022. These facilities are subject interest rates ranging from 4.5% to 8.5%.

Murabaha and Istusna'a

During the previous years, PADICO was granted Murabaha financing from banks and local financial institutions with a total ceiling amounting to U.S. $ 15,000,000 as at December 31, 2022. These Murabaha agreements are subject to an annual profit margins of 5%. In addition, PRICO signed a Tawaraq agreement during 2021 with one of the local Islamic banks for an amount of U.S $ 467,000 (Equivalent to JD 331,570) subject to an annual fixed profit margins of 3.5%. The installments are to be settled after the 6 months grace period has passed, in 36 monthly installments. During the previous years, Nakheel Palestine (a subsidiary) has signed Murabaha agreements with a local financial institution at an annual rate between 3% and 5%. The payment of the agreement is made over a period of 6 years starting from 2017. Additionally, during the previous years, the Palestine Poultry Company's (a subsidiary of PIIC) signed a Murabaha agreement with a local financial institution at an annual interest rate of 5% and to be settled in 48 installments. The utilized balance of these facilities amounted to U.S. $ 8,944,000 and U.S. $ 14,784,000 as at December 31, 2022 and 2021, respectively.

These loans and facilities were obtained by mortgaging assets with a book value of U.S. $ 231,958,000, in addition to guarantee checks of U.S. $ 3,874,000 and cash margins of U.S. $ 362,000 as at 31 December 2022. The following table shows the mortgaged assets as of 31 December 2022:

Item	U.S. $000's Book value of collaterals	Note
Property, plant and equipment	34,367	Note (5)
Investment properties	3,609	Note (7)
Investments in associates	75,670	Note (10)
Financial assets at fair value through other comprehensive income	38,906	Note (11)
Inventory and ready for sale properties	4,276	Note (13)
Investments in subsidiaries	75,130	-
Total	231,958	

23. 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 date of issuance in August 2021. These debt bonds were issued to repay the amount of the previous debt bonds of U.S. $ 120 million that matured on August 15, 2016 as well as to finance PADICO's future projects and activities.

During August 2021, PADICO issued new debt bonds with a nominal amount of U.S $ 120 million for a period of 5 years that carry the same covenants of previously issued bonds. These debt bonds were issued to repay the previous debt bonds of U.S $ 120 million that matured on August 15, 2021.

These bonds were issued in exchange of mortgaging shares in subsidiaries and associates, with a net book value of U.S $ 190,804,918.

24. Provision for employees' indemnity

	U.S. $000's	
	2022	2021
Balance, beginning of the year	6,186	6,420
Additions during the year	1,099	1,039
Recoveries during the year	-	(4)
Payments during the year	(839)	(1,364)
Currency variances	(387)	95
Balance, end of year	6,059	6,186

25. Other non-current liabilities

	U.S. $000's	
	2022	2021
Deferred rent revenues	3,543	4,302
Deferred tax liabilities	2,091	2,632
Deferred grants revenues *	2,071	2,195
Long-term postdated checks	121	95
	7,826	9,224

* This item includes a grant obtained during 2019 given by the "DAI" international organization to PRICO Operations and Maintenance (a subsidiary of PRICO) amounting to U.S. $ 2 million for the purpose of establishing and implementing the Solar Power Station project in Gaza city.

26. Accounts and notes payable

	U.S. $000's	
	2022	2021
Trade payables	9,760	7,069
Post-dated checks	3,624	3,275
	13,384	10,344

27. Other current liabilities

	U.S. $000's	
	2022	2021
Deferred revenues	10,783	8,663
Accrued interest and expenses	8,776	7,655
Accrued cash dividends	6,109	6,246
Financial claims provision	1,690	1,550
Due to related parties	550	295
Contractors' retentions	548	533
Litigations' provision	526	620
Provision for vacation	323	306
Employees' provident fund	17	40
Other liabilities and provisions	14,237	13,944
	43,559	39,852

28. Provision for income tax

	U.S. $000's	
	2022	2021
Balance, beginning of the year	1,751	1,622
Provision for the year*	2,104	1,235
Discount on early payments	(6)	(6)
Amortization of deferred tax liabilities	381	102
Payments during the year	(976)	(1,196)
Currency variances	100	(6)
Balance, end of the year	3,354	1,751

* The provision for the year represents subsidiaries' provisions for their results of operations for the year. The subsidiaries are working on reaching a final tax settlement with the income tax authority on their results of operations for several taxable years. Until the date of the consolidated financial statements, PADICO did not obtain a final tax settlement on its results of operations in Palestine for the years from 2019 to 2021. PADICO submitted its tax returns for the years mentioned above and PADICO's tax consultant is pursing issuing final tax settlements with the tax departments.

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

	U.S. $000's	
	2022	2021
Accounting income before income tax	28,418	25,264
Non-taxable profits	(44,851)	(36,158)
Nondeductible expenses	30,320	18,972
Taxable income	13,887	8,078
Accrued income tax	2,083	1,212
PADICO's provision for income tax	2,098	1,229

29. Revenue from contracts with customers

	U.S. $000's	
	2022	2021
Sales of animal products	51,488	48,436
Sales of feed products and material	17,372	18,238
Sales of carton, carton sheets and cans	8,086	7,195
Sales of dates	7,566	5,828
Operating revenue from hotels, restaurants and tourist facilities	6,169	1,161
Securities exchange fees and commissions	2,940	2,602
Electricity sales revenues	1,626	894
Revenue from sale of properties and land	1,443	916
Cars and buses parking revenue	720	793
Others	25	21
	97,435	86,084
Sales returns and allowances	(2,434)	(2,633)
	95,001	83,451

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.

30. Gains from financial assets portfolio

	U.S. $000's	
	2022	2021
Distributed dividends of financial assets at fair value through other comprehensive income	3,432	2,687
Change in fair value of financial assets at fair value through profit or loss	(54)	876
Distributed dividends of financial assets at fair value through profit or loss	400	248
	3,778	3,811

31. Operating expenses and costs

	U.S. $000's	
	2022	2021
Cost of animal products	41,942	40,028
Cost of feed products and material	13,350	13,245
Cost of dates sold	8,067	5,606
Operation cost of hotels, restaurants and tourist facilities	6,921	5,185
Cost of carton, carton sheets and cans sold	6,322	4,959
Operational cost - real estate sector	5,749	5,570
Cost of properties and lands sold	981	567
	83,332	75,160

32. General and administrative expenses

	U.S. $000's	
	2022	2021
Salaries and employee's related benefits	4,969	5,135
Selling, advertising and public relations expenses	3,585	3,187
Consultancy and professional fees	1,157	1,215
Subscriptions, fees and licenses	676	881
Board of directors' fees and expenses	607	614
Rent and general services	378	408
Travel and transportation	337	334
Insurances	330	331
Telephone, fax and mail	244	264
Conferences, meetings and hospitality	206	139
Donations and sponsorships	183	158
Stationery and printings	70	66
Others	442	415
	13,184	13,147

33. Finance costs

	U.S. $000's	
	2022	2021
Finance costs related to loans, credit facilities and debt bonds	13,642	12,564
Finance costs related to lease liabilities (note 9)	629	606
	14,271	13,170
Finance costs allocated to palm trees (note 9)	(82)	(85)
Net finance costs	14,189	13,085
Finance costs allocated to operating expenses and costs	(354)	(319)
	13,835	12,766

34. Depreciation and amortization

	U.S. $000's	
	2022	2021
Property plant and equipment (note 5)	8,098	9,045
Intangible assets (note 6)	1,524	1,411
Right-of-use assets (note 9)	1,089	1,052
Investment properties (note 7)	920	919
	11,631	12,427
Depreciation and amortization allocated to palm trees (notes 5 and 9)	(431)	(527)
Net depreciation and amortization	11,200	11,900
Depreciation and amortization allocated to operating expenses and costs	(9,918)	(10,794)
	1,282	1,106

35. Other provisions and expenses, net

	U.S. $000's	
	2022	2021
Impairment loss on property, plant and equipment (note 5)	(4,259)	(4,000)
Foreign currency valuation differences	(900)	78
Impairment loss on projects in progress (note 8)	(900)	-
Slow moving Inventory provision (note 13)	(431)	(294)
Financial claims provision	(290)	(124)
(Losses) gains from sale of property plant and equipment	(144)	90
Impairment loss on intangible assets (note 6)	(100)	-
Impairment loss on inventory and ready for sale properties (note 13)	(32)	(47)
Loss from sale of shares in an associate (note 10)	-	(318)
Impairment loss on investment properties (note 7)	-	(219)
Litigation's provision and settlements	24	(77)
Provision for expected credit losses, net (note 14)	60	(1,394)
Deferred revenue recognized	110	112
Interest revenue	155	380
Net compensations (losses) from war *	587	(671)
Others	(683)	358
	(6,803)	(6,126)

* During 2021, Gaza Strip was exposed to war, affecting various economic activities and exposing many facilities and real estate to partial or total destruction. PADICO's management has evaluated and accounted for the impact of this event on PADICO's consolidated financial statements, including a review of the value of PADICO's investments and properties destroyed during the war. This event resulted in recording net losses of U.S $ 671,165 it has been recorded in the consolidated income statement for 2021, which represents the net book value of assets destroyed during the war after deducting the amount of compensation agreed on with the guarantor. During the year, PADICO also obtained an additional compensation amounted to U.S. $ 587,000 related to lost profits of PADICO as a result of work stoppages and the consequences of the war.

36. Basic and diluted earnings per share

	U.S. $000's	
	2022	2021
Profit for the year attributable to equity holders of PADICO (U.S. $ 000's)	24,888	21,137
Weighted average of subscribed capital during the year (Shares 000's)	250,000	250,000
Less: Treasury shares (shares 000's) (Note 19)	(49,040)	(1,745)
	200,960	248,255
Basic and diluted earnings per share attributable to equity holders of the parent (U.S. $ 000's)	0.113	0.085
Basic and diluted earnings per share from profit for the year from continuing operations attributable to equity holders of the parent (U.S. $)	0.112	0.085
Basic and diluted earnings per share from profit (loss) for the year from discontinued operations attributable to equity holders of the parent (U.S. $)	0.001	(0.000)

37. Related parties

This item represents all balances and transactions with related parties, which 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:

		U.S. $000's	
	Nature of Relationship	2022	2021
Consolidated statement of financial position balances:			
Accounts receivable and other current assets	Associates and sister companies	1,271	1,757
Other current liabilities	Associates and sister companies	550	295
Accrued cash dividends	Major Shareholders	6,109	6,246
Accrued expenses	Shareholders and Members of the Board of Directors	1,898	1,466
Loans, borrowings and credit facilities	Banks - Members of the Board of Directors	63,220	34,383
Long term loans	Major Shareholders	6,716	3,954
Debt Bonds	Banks - Members of the Board of Directors	51,500	51,500
Purchase of treasury shares	Associate company	51,395	-

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

	Nature of Relationship	U.S. $000's 2022	2021
Depreciation of right of use assets	A subsidiary of a major shareholder	42	42
Finance costs related to lease liabilities	A subsidiary of a major shareholder	19	17
Finance costs	Banks - Members of the Board of Directors and Major Shareholders	5,602	4,389
Sale of investment properties	Associate company	1,018	-
Key management personnel and Board of Directors' compensations:			
Salaries and related expenses		1,559	1,791
End of service expense		123	128
Board of Directors' fees and expenses		607	614

38. 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, 2022:

	Date of Valuation	Total	Fair value measurement using: Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. $000's			
Assets measured at fair value					
Financial assets at fair value through other comprehensive income items (note 11):					
Quoted	December 31, 2022	59,033	59,033	-	-
Unquoted	December 31, 2022	13,648	-	7,985	5,663
Financial assets at fair value through profit or loss (note 15):	December 31, 2022	6,341	5,537	804	-
Biological assets (note 12)	December 31, 2022	3,050	-	-	3,050
Assets for which fair value is disclosed					
Investment properties (note 7)	December 31, 2022	33,312	-	-	33,312

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

	Date of Valuation	Total	Fair value measurement using: Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. $000's			
Assets measured at fair value					
Financial assets at fair value through other comprehensive income items (note 11):					
Quoted	December 31, 2021	58,813	58,813	-	-
Unquoted	December 31, 2021	12,131	-	6,423	5,708
Financial assets at fair value through profit or loss (note 15):	December 31, 2021	6,508	5,656	852	-
Biological assets (note 12)	December 31, 2021	2,946	-	-	2,946
Financial assets held for sale (note 17)	December 31, 2021	1,547	-	-	1,547
Assets for which fair value is disclosed					
Investment properties (note 7)	December 31, 2021	53,663	-	-	53,663

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

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

PADICO did not make any transfers between the levels mentioned above during the years 2022 and 2021.

39. Fair Values of financial Instruments

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

	U.S. $000's			
	Carrying amount		Fair value	
	2022	2021	2022	2021
Financial assets				
Accounts receivable and other current assets	36,586	40,335	36,586	40,335
Financial assets at fair value through profit or loss	6,341	6,508	6,341	6,508
Cash and short-term deposits	12,559	20,134	12,559	20,134
Financial assets at fair value through other comprehensive income items				
Quoted	59,033	58,813	59,033	58,813
Unquoted	13,648	12,131	13,648	12,131
	128,167	137,921	128,167	137,921
Financial liabilities				
Debt Bonds	120,000	120,000	120,000	120,000
Loans, borrowings and credit facilities	146,547	119,542	146,547	119,542
Lease liabilities	12,064	9,920	12,064	9,920
Accounts and notes payable	13,384	10,344	13,384	10,344
Other financial liabilities	16,236	14,769	16,236	14,769
	308,231	274,575	308,231	274,575

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

- The fair values of accounts receivable (except for long term accounts receivable), cash and short-term deposits, credit facilities, accounts and notes payable and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of long-term accounts receivable and postdated checks due after a year are 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 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, borrowings, debt bonds and lease liabilities were estimated by discounting future cash flows using rates currently available for debt on similar terms.

40. Risk management

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

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

Interest rate risk

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

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

	Increase in interest rate	Effect on profit before tax
2022	(basis points)	U.S. $ 000's
Currency		
U.S. $	20	(253)

	Increase in interest rate	Effect on profit before tax
	(basis points)	U.S. $ 000's
2021		
Currency		
U.S. $	20	(137)

Credit risk

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

Trade receivables:

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

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

The maximum exposure is the carrying amount as disclosed in note (14). In addition, PADICO and its subsidiaries sell most of their ready for sale properties through installments that mature over several years. PADICO's real estate companies limit the credit risk by not transferring the ownership of the sold properties to the customers until all the receivables are paid.

Other financial assets

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

Liquidity risk

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

The table below summarizes the maturity profile of PADICO's undiscounted consolidated financial liabilities as at December 31, 2022 and 2021, based on their maturity.

	U.S. $000's					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
December 31, 2022						
Loans, credit facilities, borrowings and debt bonds	5,702	13,663	31,752	244,854	17,995	313,966
Lease liabilities	175	216	1,177	6,790	6,162	14,520
Accounts payable, notes payable and other current liabilities	18,842	5,338	3,642	208	-	28,030
	24,719	19,217	36,571	251,852	24,157	356,516
December 31, 2021						
Loans, credit facilities, borrowings and debt bonds	3,175	10,275	37,058	236,125	2,890	289,523
Lease liabilities	426	129	683	2,315	9,634	13,187
Accounts payable, notes payable and other current liabilities	10,670	9,871	4,579	848	-	25,968
	14,271	20,275	42,320	239,288	12,524	328,678

Equity price risk

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

		U.S. $000's	
2022	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	191
Shares listed in Amman Stock Exchange	10	546	5,687
Investment portfolios	10	87	-
Shares not listed in financial markets	10	1	1,390

		U.S. $000's	
2021	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	9	198
Shares listed in Amman Stock Exchange	10	547	5,682
Investment portfolios	10	91	-
Shares not listed in financial markets	10	4	1,214

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
2022				
U.S. $	20	1,578	20	(166)
2021				
U.S. $	20	506	20	(155)

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, 2022 and 2021, except for the repurchase of part of its shares through a subsidiary.

PADICO's capital structure is comprised of paid in capital, share premium, other reserves, retained earnings, and non-controlling interest after the deduction of treasury shares, with a total of U.S. $ 444,662,000 as at December 31, 2022 and U.S. $ 491,233,000 as at December 31, 2021.

41. Concentration of risk in geographic area

PADICO carries out a major part of its activities in Palestine and some of its property, plant and equipment, intangible assets, right-of-use assets and other assets are held in Gaza. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect PADICO's performance and its ability to recover its assets from its operations.

During 2021, Gaza Strip was exposed to war, affecting various economic activities and exposing many facilities and real estate to partial or total destruction. PADICO's management has evaluated and accounted for the impact of this event on PADICO's consolidated financial statements for 2021, including a review of the value of PADICO's investments and properties destroyed during the war. This event resulted in losses of U.S. $ 2,455,000, which represents the net book value of assets destroyed during the war (note 35). This event had an impact on PADICO's subsidiaries' activities in Gaza as well as their revenue and results of operations.

42. Commitments and contingent liabilities

- The unpaid portion of investments by PADICO and its subsidiaries in financial assets at fair value through profit or loss and investment in associates amounted to U.S. $ 31,114 and U.S. $ 38,137 as at December 31, 2022 and 2021 respectively.
- During the previous years, Palestine Real Estate Investment Company - PRICO (a subsidiary) signed a partnership and investment agreements with Governmental Authorities (Ramallah Municipality and Ministry of Awaqf and Religious affairs) 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. $ 162,549. 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. $ 4,051,959, 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. $ 20,811,450 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 5 and 10 years.

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

	U.S. $000's	
	2022	2021
Within one year	4,653	4,013
After one year but less than five years	23,208	15,100
More than five years	83,567	75,649
	111,428	94,762

43. 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 a summary of limited financial statements distributed over each sector of PADICO and its subsidiaries' business sectors:

December 31, 2022	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 revenue	38,477	10,833	86,840	3,176	6,170	1,106	146,602
Inter-segment revenue	76	1,108	-	433	-	(1,617)	-
Segment revenue	38,553	11,941	86,840	3,609	6,170	(511)	146,602
Other information							
Depreciation and amortization	177	3,095	5,387	483	2,122	(64)	11,200
Finance costs	10,353	1,535	2,489	18	529	(735)	14,189
Profit (loss) from continued and discontinued operations before income tax	26,145	1,020	722	1,299	(1,334)	566	28,418
Capital expenditures (notes 5,6,7,8)	-	1,653	19,427	40	137	-	21,257
PADICO's share of associates' and joint venture results of operations	36,634	(72)	4,084	-	(233)	-	40,413
Assets and liabilities							
Assets	605,464	108,373	185,480	14,655	42,382	(158,899)	797,455
Liabilities	223,892	62,550	83,633	1,894	13,472	(32,648)	352,793
Investment in associate companies and a joint venture	404,432	345	28,777	-	75	(3,529)	430,100

Segment Reporting (Continued)

December 31, 2021	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 revenue	36,726	8,812	84,117	2,783	1,161	-	133,599
Inter-segment revenue	43	66	-	420	-	(529)	-
Segment revenue	36,769	8,878	84,117	3,203	1,161	(529)	133,599
Other information							
Depreciation and amortization	222	3,279	5,237	219	3,007	(64)	11,900
Finance costs	9,308	1,574	2,351	19	441	(608)	13,085
Profit (loss) from continued and discontinued operations before income tax	25,113	(572)	4,617	1,184	(5,132)	54	25,264
Capital expenditures (notes 5,6,7,8)	25	1,417	10,946	433	509	-	13,330
PADICO's share of associates' and joint venture results of operations	34,318	8	5,844	-	(410)	-	39,760
Assets and liabilities							
Assets	588,224	118,228	185,154	14,377	44,720	(142,651)	808,052
Liabilities	193,058	63,603	76,636	1,504	14,335	(32,317)	316,819
Investment in associate companies a and joint venture	380,527	417	28,098	-	70	(3,554)	405,558

44. Comparative figures

Certain comparative figures of the prior year consolidated financial statements were reclassified to conform to the current year presentation for the year ended December 31, 2022. These reclassifications had no effect on the net income and equity of prior years.

45. 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; some of PADICO's investments and the operating activities of its subsidiaries were affected by these events.

Management believes that the Coronavirus (Covid-19) had a significant impact on the year 2021, specifically on tourism investments. Part of PADICO's tourism investments is still suspended considering that companies operating in this sector continued to incur fixed and current expenses. PADICO has agreed during the previous years to cease some of its operating activities in light of the accumulated losses during the previous years and the effects of Covid-19.

46. 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 Russia reduced its exporting significantly. 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 the impact of these conditions remains unclear and depends on future developments that may have an impact on future financial results.