PALESTINE DEVELOPMENT AND INVESTMENT

LIMITED LIABILITY HOLDING COMPANY (PADICO)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

Opinion

We have audited the consolidated financial statements of Palestine Development and Investment Limited and its subsidiaries (PADICO), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PADICO as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of PADICO in accordance with the International Code of ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition PADICO's revenues from contracts with customers for the year ended December 31, 2021 amounted to U.S. $ 82,558,000. PADICO's revenues are derived from a range of services and sales transactions resulting from various contractual relationships with customers. Revenue recognition was considered a key audit matter because of the nature of PADICO's business contracts, as recognition of revenue requires a high level of judgment as to the timing and value of revenue to be recognized, taking into account all relevant facts and circumstances when applying revenue recognition steps.	We examined the relevant clauses of key contracts and assessed the specific terms and how the risks and rewards and control have been transferred to the buyer in order to determine whether revenue for these contracts was appropriately recognized and disclosed in accordance with International Financial Reporting Standards. In addition, we performed substantive testing to a sample of contracts and other documents to support occurrence, the accuracy and timing of revenues recorded and disclosed in the consolidated financial statements. In addition, we assessed the related disclosures made in note (29) to the accompanying consolidated financial statements.
Expected credit losses Total gross receivables as at December 31, 2021 amounted to U.S. $ 83,910,000 before provision for expected credit losses of U.S. $ 36,020,000 representing 43% of total gross receivables. PADICO's subsidiaries offer their services to a wide range of clients on a credit basis. Due to the nature of the non-complex receivables and the fact that it does not have a significant financing component, PADICO's subsidiaries applies the simplified method of IFRS 9 to develop the expected credit loss model. This model includes the use of estimates and assumptions that reflect information about past events, such as the ages of these receivables, past disputes with customers, historical collection patterns, current circumstances and expectations for future circumstances, as well as any other information available on the counterparty's creditworthiness to estimate amounts and timing of future cash flows to settle the balance of accounts to reach their present value. We focused on this matter due to the high estimations and judgments used in the calculation of expected credit losses provision especially in what relates to the estimation of expected future cash flows and customer types.	Our audit procedures included obtaining a detailed understanding of the key sources of inputs and assumptions used in the calculation of expected credit losses. We also assessed the objectivity and consistency in applying the data and assumptions used to calculate expected credit losses. We also examined the percentage of loss used based on the number of days of maturity as well as other key factors that form the basis for calculating expected credit losses. We have also verified the validity of the exposure to default in the calculation of expected credit losses, in addition to verifying the calculations of the expected credit loss model. We also evaluated the disclosures in note (14) to the consolidated financial statements and evaluated their conformity with the disclosure requirements in accordance with IFRS 9.

Key audit matter	How our audit addressed the key audit matter
Investment in associates and PADICO's Share of associates' results of operations	
PADICO's investment in associates amounted to U.S. $ 405,488,000 as of December 31, 2021, which represents 50% of total assets. In addition, PADICO's share of associates' results of operations for 2021 amounted to U.S. $ 40,170,000, which represents 30% of total revenue. As disclosed in the notes to the consolidated financial statements, PADICO's investment in its associates is accounted for using the equity method. Under the equity method, investments in associates is carried in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition change in the PADICO's share of the net assets of the associate. We focused on this matter due to its materiality to the consolidated financial statements, where substantial part of revenue is generated from these investments. There is high reliance on the results of operations and declared dividends of associates in achieving profits and cash flows.	We obtained the most recent audited financial statements of the associates and recomputed recorded amount of PADICO's share of the associates' results of operations. We also performed analytical procedures on the associates' financial information to support the reported amounts and disclosures. In addition, we obtained confirmations of the investments in associates. We also evaluated management's considerations of the impairment indicators of the investment. Further, we assessed the disclosure regarding investments in associates referred to in note (10) to the consolidated financial statements.

Other information Included in PADICO's 2021 Annual Report

Other information consists of the information included in PADICO's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. PADICO's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing PADICO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PADICO or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing PADICO's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PADICO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PADICO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PADICO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within PADICO to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Amman – Jordan
March 31, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2021
(U.S. $ 000's)

	Notes	2021 U.S. $	2020 U.S. $
Assets			
Non-current assets			
Property, plant and equipment	5	126,204	134,019
Intangible assets	6	27,598	27,639
Investment properties	7	44,579	45,627
Projects in progress	8	18,776	12,652
Right-of-use assets	9	9,050	10,037
Investment in associates and joint venture	10	405,558	376,142
Financial assets at fair value through other comprehensive income	11	70,944	66,522
Long-term accounts receivable	14	6,374	6,867
Biological assets	12	1,076	868
		710,159	680,373
Current assets			
Biological assets	12	1,870	1,555
Inventories and ready for sale properties	13	26,318	24,336
Accounts receivable and other current assets	14	41,516	38,206
Financial assets at fair value through profit or loss	15	6,508	5,561
Cash and short-term deposits	16	20,134	28,281
		96,346	97,939
Assets held for sale	17	1,547	1,553
Total assets		808,052	779,865
Equity and liabilities			
Equity			
Paid-in share capital	18	250,000	250,000
Share premium		16,932	16,932
Treasury shares	19	(2,362)	(361)
Statutory reserve	20	32,681	31,482
Voluntary reserve	20	1,594	1,594
Fair value reserve	11	(73,125)	(86,116)
Foreign currency translation reserve		10,775	8,383
Retained earnings		169,459	149,501
Equity attributable to equity holders of the parent		405,954	371,415
Non-controlling interests	4	85,279	77,456
Total equity		491,233	448,871
Non-current liabilities			
Long-term loans and borrowings	22	82,915	91,655
Debt bonds	23	120,000	-
Provision for employees' indemnity	24	6,186	6,420
Long-term lease liabilities	9	8,429	9,083
Other non-current liabilities	25	9,224	10,704
		226,754	117,862
Current liabilities			
Short-term portion of long-term loans, borrowings and credit facilities	22	36,627	42,066
Debt bonds	23	-	120,000
Accounts and notes payable	26	10,344	12,197
Short-term lease liabilities	9	1,491	1,423
Income tax provision	28	1,751	1,622
Other current liabilities	27	39,852	35,824
		90,065	213,132
Total liabilities		316,819	330,994
Total equity and liabilities		808,052	779,865

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

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2021
(U.S. $ 000's)

	Notes	2021 U.S. $	2020 U.S. $
Revenues			
Revenues from contracts with customers	29	82,558	78,505
PADICO's share of profit of associates and a joint venture	10	39,760	24,377
Rent revenue		6,373	5,535
Gains from financial assets portfolio	30	3,811	148
Gains from sale of investment properties	7	1,098	33
		133,600	108,598
Expenses			
Operating costs and expenses	31	(75,160)	(67,791)
General and administrative expenses	32	(13,272)	(13,096)
Finance costs	33	(12,766)	(13,656)
Depreciation and amortization	34	(1,106)	(1,263)
		31,296	12,792
Other provisions and expenses, net	35	(6,002)	(6,429)
Profit before income tax from continuing operations		25,294	6,363
Income tax expense	28	(1,229)	(1,180)
Profit for the year from continuing operations		24,065	5,183
Loss for the year from discontinued operations	17	(30)	(418)
Profit for the year		24,035	4,765
Attributable to:			
Equity holders of the parent		21,137	4,124
Non-controlling interests		2,898	641
		24,035	4,765
Basic and diluted earnings per share from profit for the year attributable to equity holders of the parent (U.S. $)	36	0.085	0.017
Basic and diluted earnings per share from profit for the year from continuing operations attributable to equity holders of the parent (U.S. $)		0.085	0.018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2021
(U.S. $ 000's)

	Notes	2021 U.S. $	2020 U.S. $
Profit for the year		24,035	4,765
Other comprehensive income items			
Items to be reclassified to consolidated income statement in subsequent periods:			
Foreign currency translation differences		2,764	5,474
PADICO's share of other comprehensive income of associates and joint venture	10	1,624	1,019
		4,388	6,493
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net profit (loss) of financial assets at fair value through other comprehensive income		4,422	(18,918)
PADICO's share of other comprehensive income (loss) of associates	10	9,697	(14,049)
		14,119	(32,967)
Total other comprehensive income items for the year		18,507	(26,474)
Net comprehensive income for the year		42,542	(21,709)
Attributable to:			
Equity holders of the parent		36,520	(23,273)
Non-controlling interests		6,022	1,564
		42,542	(21,709)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2021
(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
2021	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, 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
Transferred 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 interest (Note 2)	-	-	-	-	-	-	-	20	20	(56)	(36)
Change in non-controlling interests (Note 4)	-	-	-	-	-	-	-	-	-	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
2020											
Balance as at January 1, 2020	250,000	16,932	(361)	30,775	1,594	(55,100)	4,764	146,059	394,663	75,788	470,451
Profit for the year	-	-	-	-	-	-	-	4,124	4,124	641	4,765
Other comprehensive income items	-	-	-	-	-	(31,016)	3,619	-	(27,397)	923	(26,474)
Net comprehensive income for the year	-	-	-	-	-	(31,016)	3,619	4,124	(23,273)	1,564	(21,709)
Transferred to statutory reserve (Note 20)	-	-	-	707	-	-	-	(707)	-	-	-
Distributed cash dividends from subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	(1,076)	(1,076)
Acquisition of a non-controlling interest (Note 2)	-	-	-	-	-	-	-	25	25	(53)	(28)
Change in non-controlling interests (Note 4)	-	-	-	-	-	-	-	-	-	1,233	1,233
Balance as at December 31, 2020	250,000	16,932	(361)	31,482	1,594	(86,116)	8,383	149,501	371,415	77,456	448,871

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(U.S. $ 000's)

	Notes	2021 U.S. $	2020 U.S. $
Operating Activities			
Profit for the year from continuing operations		25,294	6,363
Loss for the year from discontinued operations	17	(30)	(418)
Adjustments for:		25,264	5,945
Depreciation and amortization	34	11,900	11,634
Finance costs		13,085	13,982
PADICO's share of profit of associates	10	(40,170)	(24,377)
PADICO's share of loss of a joint venture	10	410	-
Impairment of property, plant and equipment	5	4,000	-
Provisions and impairment of assets and investments		3,072	8,498
Gains from financial assets portfolio	30	(3,811)	(148)
Gains from sale of property, plant and equipment		(90)	(208)
Gains from sale of investment properties	7	(1,098)	(33)
Loss from sale of shares in an associate	10	318	-
Other non-cash items		1,601	(1,091)
		14,481	14,202
Working capital adjustments:			
Accounts receivable and other current assets		59	3,155
Inventories, ready for sale properties and biological assets		(3,280)	(1,969)
Accounts and notes payable		(1,853)	(1,669)
Other current liabilities		3,630	117
Other non-current liabilities		(1,480)	(125)
Employees indemnity paid		(1,364)	(965)
Income tax paid		(1,196)	(1,037)
Net cash from operating activities		8,997	11,709
Investing Activities			
Purchase of shares in associates		(250)	(157)
Sale of shares in associates		3,420	-
Purchase of shares in a joint venture		(495)	-
Purchase of property, plant and equipment		(5,489)	(3,771)
Sale of property, plant and equipment		218	380
Purchase of Investment properties		-	(84)
Sale of Investment properties		1,442	400
Projects in progress		(7,217)	(3,774)
Cash dividends from associates		18,657	24,919
Dividends received		2,935	2,218
Net cash from investing activities		13,221	20,131
Financing Activities			
Distributed cash dividends paid		(4,239)	(5,187)
Repurchase of common shares		(2,001)	-
Long-term loans and borrowings		(10,763)	(3,882)
Acquisition of non-controlling interests		(36)	(28)
Change in restricted cash		284	(625)
Finance costs paid		(12,677)	(13,949)
Change in non-controlling interests		2,634	1,233
Payments of lease liabilities		(655)	(730)
Net cash used in financing activities		(27,453)	(23,168)
(Decrease) Increase in cash and cash equivalents		(5,235)	8,672
Net foreign currency translation differences		788	1,967
Cash and cash equivalents, beginning of the year		22,513	11,874
Cash and cash equivalents, end of year	16	18,066	22,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021

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, 2021 were authorized for issuance in accordance with a resolution of the Board of Directors on March 30, 2022.

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, 2021. PADICO's ownership in its subsidiaries' subscribed capital was as follows:

			Ownership %	
	Activity type	Country of origin	2021	2020
Palestine Real Estate Investment Company (PRICO) *	Real estate	Palestine	76.97	76.85
TAICO for trade and investment company	Real estate	Jordan	100	100
Palestine Industrial Investment Company (PIIC)	Industrial	Palestine	56.72	56.72
The Palestinian Waste Recycling Company (Tadweer)	Industrial	Palestine	100	100
Palestine Securities Exchange Company (PSE)	Financial market	Palestine	74.72	74.72
Jerusalem Development and Investment Company Ltd. (JEDICO)	Tourism	Britain	100	100
Palestine Development and Investment Company Private Shareholding limited	Investment	Palestine	100	100
Rawan International Investment Company	Investment	Jordan	100	100
Palestine General Trading Company Ltd.	Investment	Palestine	100	100
Palestine Company for the Transfer of Technology Ltd.	Investment	Palestine	100	100
Palestine Company for Canning and Packaging Ltd.	Investment	Palestine	100	100
Palestine Company for Basic Chemical Products Ltd.	Investment	Palestine	100	100
PADICO Services Company	Investment	Palestine	100	100
Nakheel Palestine for Agricultural investment (Nakheel Palestine) **	Agricultural	Palestine	52.41	51.32
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 76.97%.

** During the year, PADICO acquired additional shares from Nakheel's non-controlling interests, increasing its ownership interest to 52.41%.

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, 2021.

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 2021. 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of PADICO. PADICO intends to adopt those amendments in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, PADICO has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards and amendments issued but not yet effective

The new standards 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,
- the 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,
- and 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 2023 and must be applied retrospectively.

<u>**Reference to the Conceptual Framework – Amendments to IFRS 3**</u>

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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.

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

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

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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. PADICO will apply the amendments 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.

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

IAS 41 Agriculture – Taxation in fair value measurements

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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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 the consolidated financial statements of 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 will assess 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

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.

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 revenues

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

Food and beverage revenues

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

Other Revenues

Interest income

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

Dividends

Gains or losses on trading of investments in financial assets are recognized when the trading process is completed. Dividend revenue is 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 (Years)	Remaining useful lives (Years)
The right to use Al-Bireh central station	22	0.2
The right to benefit from the industrial zone - Gaza	20	-
The right to benefit from the coast land – Blue Beach - Gaza	31	23
The right to benefit from the industrial and agricultural zone – Jericho	45	42
The right to benefit from Al-Awqaf Commercial Complex-AL-Bireh	9	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.

Right of use assets

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 an original maturity of three months or less, net of restricted bank deposits.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the 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 7)
- 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.

Transactions and balances

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

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

PADICO subsidiaries

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

Name	Country of incorporation	2021	2020
		%	
Palestine Real Estate Investment Company	Palestine	23.03	23.15
Palestine Industrial Investment Company	Palestine	43.28	43.28
Palestine Securities Exchange Company	Palestine	25.28	25.28
Nakheel Palestine for Agricultural investment Company	Palestine	47.59	48.68

Accumulated balances of material non-controlling interests:	2021	2020
	U.S 000's	
Palestine Real Estate Investment Company	10,527	10,699
Palestine Industrial Investment Company	50,408	41,365
Palestine Securities Exchange Company	2,052	1,942
Nakheel Palestine for Agricultural investment Company	9,145	9,352
(Losses) Profits allocated to material non-controlling interests:		
Palestine Real Estate Investment Company	(82)	(1,562)
Palestine Industrial Investment Company	5,156	3,463
Palestine Securities Exchange Company	165	(6)
Nakheel Palestine for Agricultural investment Company	(1,393)	86
Other comprehensive income items to material non-controlling interests:		
Palestine Real Estate Investment Company	(33)	(1)
Palestine Industrial Investment Company	3,111	1,004
Palestine Securities Exchange Company	46	(80)
Change of material subsidiaries non-controlling interests:		
Palestine Real Estate Investment Company	(56)	(53)
Palestine Industrial Investment Company	1,452	601
Nakheel Palestine for Agricultural investment Company	1,187	632

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, 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 Financial Position as at December 31, 2020:

	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	26,636	41,258	7,694	9,633
Non-current assets	82,467	85,816	5,940	33,416
Current liabilities	(27,195)	(20,030)	(397)	(5,812)
Non-current liabilities	(27,303)	(24,624)	(1,149)	(18,196)
Total equity	54,605	82,420	12,088	19,041
Attributable to non-controlling interests in PADICO	10,699	41,365	1,942	9,352

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 Statement of Profit or Loss for the year ended December 31, 2020

	U.S 000's			
	Palestine Real Estate Investment Company	Palestine Industrial Investment Company	Palestine Securities Exchange Company	Nakheel Palestine for Agricultural Investment Company
Revenue	6,698	66,073	1,609	7,189
Operating costs and expenses	(4,859)	(49,832)	-	(4,838)
General, administrative and marketing expense	(1,550)	(6,819)	(1,780)	(1,269)
Finance costs	(1,380)	(1,312)	-	(1,199)
Other (expenses) revenues	(5,736)	619	525	155
(Loss) profit before income tax	(6,827)	8,729	354	38
Income tax expense	(151)	(1,014)	(71)	-
(Loss) profit for the year	(6,978)	7,715	283	38
Other comprehensive income items	(5)	1,681	(317)	-
Net comprehensive income for the year	(6,983)	9,396	(34)	38
Attributable to non-controlling interests in PADICO	(1,562)	3,463	(6)	86

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)

Summarized Cash flow information for the year ended December 31, 2020:

	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	1,721	11,124	289	1,046
Investing activities	(1,473)	(1,801)	(2)	(1,275)
Financing activities	(280)	(5,766)	(73)	453
Net (decrease) increase in cash and cash equivalents	(32)	3,557	214	224

5. Property, Plant and Equipment

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	-	-	-	-	-	-	-	-	-	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).

Property, Plant and Equipment (Continued)

	U.S. $ 000's										
2020	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
Cost											
Balance as at January 1, 2020	20,665	105,255	-	46,395	11,799	3,897	3,377	11,740	3,895	27,883	234,906
Additions	44	124	-	1,081	153	647	169	119	127	1,721	4,185
Transferred from projects in progress (Note 8)	-	-	7,106	-	-	-	-	-	-	-	7,106
Disposals	-	-	-	(234)	(155)	(442)	(140)	(369)	-	-	(1,340)
Transferred to investment properties (Note 7)	-	(2,703)	-	-	-	-	-	(169)	-	-	(2,872)
Transferred to assets held for sale (note 17)	(1,331)	(4,045)	-	(448)	(41)	-	-	-	-	-	(5,865)
Foreign currency translation differences	621	2,342	-	2,267	103	271	70	-	-	-	5,674
Balance as at December 31, 2020	19,999	100,973	7,106	49,061	11,859	4,373	3,476	11,321	4,022	29,604	241,794
Accumulated Depreciation and impairment											
Balance as at January 1, 2020	-	49,523	-	26,343	9,188	2,597	2,818	7,630	2,055	2,598	102,752
Depreciation charge for the year	-	2,586	216	2,424	444	377	189	973	332	1,174	8,715
Disposals	-	-	-	(74)	(153)	(436)	(136)	(369)	-	-	(1,168)
Transferred to investment properties (note 7)	-	(726)	-	-	-	-	-	(104)	-	-	(830)
Transferred to assets held for sale (note 17)	-	(3,869)	-	(384)	(33)	-	-	-	-	-	(4,286)
Foreign currency translation differences	-	992	-	1,287	78	172	63	-	-	-	2,592
Balance as at December 31, 2020	-	48,506	216	29,596	9,524	2,710	2,934	8,130	2,387	3,772	107,775
Net book value											
As at December 31, 2020	19,999	52,467	6,890	19,465	2,335	1,663	542	3,191	1,635	25,832	134,019

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. $ 33,648,000 (Note 22) as at December 31, 2020.

Depreciation for an amount of U.S. $ 413,420 was allocated to palm trees as at December 31, 2020 (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, 2021	3,671	3,888	16,816	7,846	3,621	6,540	-	42,382
Transferred from projects in progress (Note 8)	-	-	-	95	-	-	1,034	1,129
Additions	-	-	-	241	-	-	-	241
Balance as at December 31, 2021	3,671	3,888	16,816	8,182	3,621	6,540	1,034	43,752
Amortization and impairment								
Balance as at January 1, 2021	-	-	6,081	719	1,665	6,278	-	14,743
Amortization for the year	-	-	567	181	444	219	-	1,411
Balance as at December 31, 2021	-	-	6,648	900	2,109	6,497	-	16,154
Net book value								
As at December 31, 2021	3,671	3,888	10,168	7,282	1,512	43	1,034	27,598
As at December 31, 2020	3,671	3,888	10,735	7,127	1,956	262	-	27,639

(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. During the year 2020, the Company conducted an analysis of impairment on its leasing right from Blue beach project which resulted in an impairment loss in an amount U.S $ 2,000,000 recorded in the consolidated income statement.

(D) The right to benefit from the industrial and agricultural zone – Jericho

During 2019, 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.

(G) Programs and Information Systems

During the year, 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.

Impairment testing of goodwill and trademark

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

	U.S. $ 000's	
	2021	2020
Financial market segment	1,445	1,445
Real estate segment	2,226	2,226
Industrial segment	3,888	3,888
	7,559	7,559

<u>Key assumptions used in the calculation of the value in use</u>

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 20.74%. 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 15.95%. 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 18.5%. Cash flows beyond the 5-year period are extrapolated using a 2.7% growth rate.

7. Investment Properties

Investments properties as at December 31, 2021 and 2020 includes the following:

	U.S. $ 000's	
	2021	2020
Lands *	22,086	22,650
Buildings **	22,493	22,977
	44,579	45,627

* 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.

Up to the date of issuance of these consolidated financial statements, the legal title of some land lots has not been transferred to the name of PADICO's subsidiaries. However, it was registered through an irrevocable power of attorney. The book value of these land lots is amounted to U.S. $ 2,424,765 as of December 31, 2021.

** 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 is amounted to U.S. $ 53,663,000 as at December 31, 2021 and U.S. $ 55,136,000 as at December 31, 2020.

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. $ 4,274,000 (Note 22).

Following is the movement on the investment properties

	U.S. $ 000's	
	2021	2020
Balance, beginning of the year	45,627	44,766
Additions	-	84
Transferred from inventory and ready for sale properties (note 13)	754	249
Transferred to inventory and ready for sale properties (note 13)	(320)	-
Transferred from property, plant and equipment (note 5) *	-	2,042
Sales **	(344)	(367)
Depreciation for the year	(919)	(931)
Impairment of investment properties	(219)	(216)
Balance, end of year	44,579	45,627

* During the year 2020, PADICO Palestine (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, PRICO (a subsidiary) has sold part of its investment properties resulting in a gain of U.S. $ 1,098,000 which was recognized in the consolidated income statement.

8.Projects in Progress

	U.S. $ 000's	
	2021	2020
Balance, beginning of the year	12,652	15,608
Additions	7,217	3,774
Transferred to property, plant and equipment (note 5) *	(529)	(7,106)
Transferred to intangible assets (note 6) **	(1,129)	(16)
Foreign currency	565	392
Balance, end of year	18,776	12,652

* During the year, 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 the year, 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, it was transferred from projects in progress account to intangible assets account.

Following are the projects in progress as at December 31, 2021 and 2020:

Project Name	Company	U.S. $ 000's Costs as of December 31, 2021	December 31, 2020
Al-Shurafat lands development project	TAICO for trade and Investment Company	5,588	5,224
Establishment of a factory and administrative offices	Al Pinar General Trading	6,344	3,924
Establishment of a factory and administrative offices	Al-Rabiya for Feed and Grains	5,302	2,238
Solar energy project and waste treatment in the slaughterhouse.	Palestine Poultry Company PLC	876	577
Commercial center project – Birzeit university Board of Trustees.	Palestine Real Estate Investment Company	350	-
Production and printing assembly line and solar energy project	National Carton Industry Co.	151	-
Infrastructure preparation and processing project (phase 2)	Jericho Agro-Industrial Park - JAIP	138	58
Development of the Deposit and Transfer Center system project	Palestine Securities Exchange	-	371
Purchasing and installing a new trading system	Palestine Securities Exchange	-	250
Others	Other Companies	27	10
		18,776	12,652

The remaining costs to complete these projects are expected to reach a total of U.S. $ 45,605,000 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 2021 and 2020:

	Land	Buildings	Vehicles	Total
2021	U.S. $ 000's	U.S. $ 000's	U.S. $ 000's	U.S. $ 000's
As at December 1, 2021	5,134	4,651	252	10,037
Additions	-	50	69	119
Terminated lease contracts	-	-	(68)	(68)
Depreciation for the year *	(285)	(680)	(87)	(1,052)
Foreign currency	-	11	3	14
As at December 31, 2021	4,849	4,032	169	9,050

2020	Land U.S. $ 000's	Buildings U.S. $ 000's	Vehicles U.S. $ 000's	Total U.S. $ 000's
As at December 1, 2020	4,354	4,952	341	9,647
Additions	1,065	701	8	1,774
Terminated lease contracts	-	(291)	-	(291)
Depreciation for the year *	(285)	(741)	(100)	(1,126)
Foreign currency	-	30	3	33
As at December 31, 2020	5,134	4,651	252	10,037

* Total depreciation allocated to palm trees were U.S. $ 143,784 and U.S. $ 142,493 as at December 31, 2021 and 2020, 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 2021 and 2020:

	Lease liabilities	
	2021	2020
	U.S. $ 000's	U.S. $ 000's
As at December, 1	10,506	9,750
Additions	119	1,774
Terminated lease contracts	(65)	(317)
Finance costs *	606	639
Payments	(1,261)	(1,369)
Foreign currency	15	29
As at December, 31	9,920	10,506

* Finance costs allocated to palm trees as at December 31, 2021 and 2020 were U.S. $84,925 and U.S. $89,208, respectively (note 33).

The lease liabilities details are as follows:

	U.S. $ 000's	
	2021	2020
Short-term lease liabilities	1,491	1,423
Long-term lease liabilities	8,429	9,083
Total	9,920	10,506

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	
		2021	2020	2021	2020
Palestine Telecommunications Company (Listed)	Palestine	31.41	31.41	339,569	319,203
Jericho Gate for Real Estate Investment (Not listed)	Palestine	25.00	25.00	32,357	27,648
Vegetable Oil Industries Company (Listed) *	Palestine	32.80	32.80	27,750	20,069
Palestine Power Generating Company (Not listed)**	Palestine	20.00	20.00	3,363	3,179
Jordan Vegetable Oil Industry Company (Listed) ***	Jordan	17.00	17.00	2,032	1,965
PAL Aqar for Real Estate Company (listed)	Palestine	25.02	25.02	417	409
Golden Wheat Mills Company (Listed) ****	Palestine	-	19.41	-	3,669
				405,488	376,142

Following is a movement on investment in associates during the years 2021 and 2020:

	2021 U.S. $ 000's	2020 U.S. $ 000's
Balance, beginning of the year	376,142	389,557
PADICO's share in associates' results of operation	40,170	24,377
Distributed cash dividends from associates	(18,657)	(24,919)
PADICO's share in associates' cumulative change in fair value of financial assets	9,697	(14,049)
PADICO's share in associates' foreign currency translation differences	1,624	1,019
Purchase of associates' shares **	250	157
Sale of associates' shares ****	(3,738)	-
Balance, end of the year	405,488	376,142

* During the year, the Vegetable Oil Industry Company - VOIC (associate to PIIC) acquired additional shares in its associate (The National Beverage Company) which in turn led increasing VOIC's ownership interest in the National Beverage Company from 25% to 38.64%, also leading to an increase in PADICO's share of VOIC's results of operations.

** 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. PADICO paid U.S $250,000 and U.S $157,032 during the years 2021 and 2020, respectively, as payments to PADICO's share of the total capital increase.

*** 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.

**** During the year, Palestine Industrial Investment Company (a subsidiary) sold most of its investment in the Golden Wheat Mills (GMC), resulting in the loss of its representation on its Board of Directors. Therefore, the remainder of PADICO's investment was classified as financial assets at fair value through profit or loss. The sale resulted in losses of U.S $318,385 that were recorded in the consolidated income statement.

- Part of the associates' shares have been mortgaged to local and regional banks. The book value of the mortgaged shares as at December 31, 2021 amounted to U.S $71,751,000 (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, 2021 amounted to U.S $154,115,000 (note 23).

- The market value of PADICO's investments in listed associate companies amounted to U.S $364,012,000 and U.S $247,006,859 as of December 31, 2021 and December 31, 2020, respectively.

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

	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
<u>Associates' statement of financial position:</u>								
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)	(3,533)	-	(376,292)
Total equity	719,710	83,669	80,422	16,815	9,658	2,232	-	912,506
Equity attributable to PADICO	226,061	20,917	26,378	3,363	1,642	558	-	278,919
Adjustments	113,508	11,440	1,372	-	390	(141)	-	126,569
Carrying amount of investment	339,569	32,357	27,750	3,363	2,032	417	-	405,488
<u>Revenues and results of operations:</u>								
Revenue	484,584	49,112	29,953	-	8,565	1,713	5,087	579,014
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

	December 31, 2020							
	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	888,809	67,114	63,245	14,896	3,524	1,975	14,354	1,053,917
Current Assets	262,284	20,068	6,839	1,754	7,495	3,956	11,398	313,794
Non-current Liabilities	(179,784)	(5,419)	(10,102)	(315)	-	(189)	(763)	(196,572)
Current Liabilities	(337,994)	(16,351)	(2,978)	(441)	(1,757)	(3,543)	(2,549)	(365,613)
Total equity	633,315	65,412	57,004	15,894	9,262	2,199	22,440	805,526
Equity attributable to PADICO	198,924	16,353	18,697	3,179	1,575	550	4,355	243,633
Adjustments	120,279	11,295	1,372	-	390	(141)	(686)	132,509
Carrying amount of investment	319,203	27,648	20,069	3,179	1,965	409	3,669	376,142
Revenues and results of operations:								
Revenue	418,559	23,161	18,135	-	7,465	1,519	8,720	477,559
Results of operations	61,341	8,012	8,749	(527)	1,558	(162)	92	79,063
PADICO's share of results of operations	19,370	2,003	2,867	(105)	265	(41)	18	24,377
PADICO's share of change of fair value of financial assets	(11,972)	-	(2,006)	-	(61)	-	(10)	(14,049)
PADICO's share of foreign currency translation differences	(6)	-	1,031	-	-	-	(6)	1,019

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	
		2021	2020	2021	2020
Ilya View Tourism Company Ltd. (Ilya)	Cyprus	50	50	70	-
				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 year 2021:

	U.S. $ 000's
	2021
Balance, beginning of the year	-
Purchase of shares in a joint venture	495
PADICO's share in joint venture's results of operations	(410)
PADICO's share in joint venture's foreign currency translation differences	(15)
Balance, end of the year	70

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

	U.S. $ 000's
	2021
Joint venture statement of financial position:	
Non-current Assets	-
Current Assets	114
Non-current Liabilities	(3)
Current Liabilities	(29)
Equity attributable to joint venture shareholders	82
PADICO's share	41
Adjustments	29
Carrying amount of investment	70
Results of operations:	
Results of operations	(820)
PADICO's share of results of operations	(410)
PADICO's share of foreign currency translation differences	(15)

11. Financial Assets at Fair Value Through Other Comprehensive Income

	U.S. $000's	
	2021	2020
Quoted equities in financial markets	58,813	49,547
Unquoted equities in financial markets*	12,131	16,975
	70,944	66,522

* 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 is amounted to U.S $ 30,207,000 as at 31 December 2021 (note 22).

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

	U.S. $000's	
	2021	2020
Balance, beginning of year	(86,116)	(55,100)
Change in fair value of financial assets through other comprehensive income items	4,422	(18,918)
PADICO's share of change in fair value of financial assets of associates	9,697	(14,049)
	(71,997)	(88,067)
Attributed to non-controlling interests	(1,128)	1,951
Balance, end of year	(73,125)	(86,116)

12. Biological assets

Non-current biological assets include dairy cows, following are the details as at December 31, 2021 and December 31, 2020:

	U.S. $000's	
	2021	2020
Dairy cows – mature and productive	599	477
Dairy cows - immature	477	391
	1,076	868

Current biological assets include poultry, following are the details as at December 31, 2021 and December 31, 2020:

	U.S. $000's	
	2021	2020
Poultry – mature and productive	896	1,037
Poultry - immature	974	518
	1,870	1,555

13. Inventories and Ready for Sale Properties

	U.S. $000's	
	2021	2020
Land and ready for sale properties *	14,074	14,457
Dates	4,885	4,169
Feed mill products and materials	3,057	2,021
Carton sheets and cans	1,844	900
Poultry and eggs	1,402	1,583
Dairy products	841	804
Plastic stock	211	116
Operating supplies for hotels	183	171
Sundry	226	226
	26,723	24,447
Slow moving inventory provision	(405)	(111)
	26,318	24,336

* 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 $ 9,302,000 as at 31 December 2021 (note 22). In addition, the impairment loss on land and ready for sale properties amounted to U.S $47,000 and $1,634,000 as at December 31, 2021 and December 31, 2020, respectively, which was recognized in the consolidated income statement during the years 2020 and 2021.

Following is the movement on the slow-moving inventory provision during the years 2021 and 2020:

	U.S. $000's	
	2021	2020
Balance, beginning of the year	111	111
Additions	294	-
Balance, end of year	405	111

14. Accounts receivable and other current assets

	U.S. $000's	
	2021	2020
Trade receivables	44,464	42,671
Checks under collection	20,659	23,531
Due from Value Added Tax Department	6,669	5,902
Advance payments to suppliers, contractors and brokerage firms	6,335	2,985
Compensation due	1,783	-
Due from associates and sister companies	1,757	2,330
Advance payments on land purchase	922	922
Prepaid expenses	299	356
Other receivables	1,022	1,863
	83,910	80,560
Allowance for expected credit losses *	(36,020)	(35,487)
	47,890	45,073
Long-term accounts receivable	(6,374)	(6,867)
	41,516	38,206

* Following is the movement on the allowance for expected credit losses during the years 2021 and 2020:

	U.S.$000's	
	2021	2020
Balance, beginning of year	35,487	32,639
Additions during the year (note 35)	1,394	4,098
Write-off	(1,119)	(1,824)
Currency variance	258	574
Balance, end of year	36,020	35,487

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	
	2021	2020
Investment funds	852	883
Portfolio investments in local and regional equities	5,656	4,678
	6,508	5,561

16. Cash and Short-Term Deposits

	U.S. $ 000's	
	2021	2020
Cash on hand and current accounts at banks	14,123	12,933
Term deposits at banks	6,011	15,348
	20,134	28,281

Term deposits at banks include deposits with an original maturity of three months or less. The average interest rates on deposits in U.S. $ ranges between 0.11% and 2.5% for the year 2021 and ranges between 1.3% and 3.7% for the year 2020.

Term deposits at banks include restricted cash of U.S. $ 1,096,000 and U.S. $ 1,363,000 as a collateral against certain credit facilities granted to PADICO and its subsidiaries as at December 31, 2021 and 2020 (note 22).

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

	U.S. $ 000's	
	2021	2020
Cash on hand and current accounts at banks	14,123	12,933
Term deposits at banks	6,011	15,348
Cash and short-term deposits shown in consolidated statement of financial position	20,134	28,281
Restricted cash (note 22)	(1,069)	(1,353)
Bank Overdrafts (note 22)	(999)	(4,415)
Cash and cash equivalents	18,066	22,513

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 and the expected continuation of these effects for the coming period. This was accompanied by a decision to sell the Company's land, the established building and all property and equipment related to this activity. The Company's management expects that the sale will be completed within a year from the date of these consolidated financial statements. 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. The carrying amount of these assets amounted to U.S $ 1,520,744 as at December 31, 2021 and December 31, 2020.

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. The carrying value of these assets as of December 31, 2021 and December 31, 2020 amounted to U.S. $ 26,984 and U.S. $ 32,907, respectively.

The results of discontinued operations for the years ended December 31, 2021 and 2020 are presented below:

Results of discontinued operations	2021 U.S. $ (000)	2020 U.S. $ (000)
Revenues	10	65
Expenses	(8)	(301)
	2	(236)
Finance costs	(26)	(54)
Impairment loss resulting from revaluation of assets held for sale	(6)	(128)
Loss for the year from discontinued operations	(30)	(418)

	2021 U.S. $ (000)	2020 U.S. $ (000)
Basic and diluted earnings per share		
Basic and diluted loss per share from discontinued operations attributable to shareholders of the parent (U.S. $)	(0.000)	(0.002)

Movement on assets held for sale as at December 31, 2021 and December 31, 2020 is as follows:

	2021 U.S. $ (000)	2020 U.S. $ (000)
Beginning balance for the year	1,553	102
Transferred from property, plant and equipment (note 5)	-	1,579
Impairment loss resulting from revaluation of assets held for sale	(6)	(128)
Ending balance for the year	1,547	1,553

18. Paid-in Share Capital

Paid-in share capital as at December 31, 2021 and 2020 as follows:

	U.S. $ 000's	
	2021	2020
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 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.

20. Reserves

Statutory reserve

The statutory reserve amounted to U.S. $ 32,681,000 and U.S. $ 31,482,000 as at December 31, 2021 and 2020, 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, 2021 and 2020. This reserve is available for distribution to the shareholders.

21. Distributed Cash Dividends from Subsidiaries

Cash dividends distributed during the year 2021

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 as at December 31, 2021.

The General Assembly of Palestine Poultry Company (a subsidiary of PIIC) has decided in its meeting held on May 27, 2021 a cash dividend distribution of JD 0.18 per share, which amounted to U.S. $ 3,412,040 for 2020 results of operations. Non-controlling interests' share of the dividends was U.S. $ 391,000 as at December 31, 2021.

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 as at December 31, 2021.

Cash dividends distributed from subsidiaries during the year 2020

The General Assembly of PIIC (a subsidiary) has decided in its meeting held on April 27, 2020 a cash dividend distribution of JD 0.075 per share, which amounted to U.S. $ 1,983,000. Non-controlling interests' share of the dividends was U.S. $ 859,000.

The General Assembly of Palestine Poultry Company (a subsidiary of PIIC) has decided in its meeting held on April 27, 2020 a cash dividend distribution of JD 0.10 per share, which amounted to U.S. $ 1,896,000. Non-controlling interests' share of the dividends was U.S. $ 217,000.

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

	U.S. $000's	
	2021	2020
Long-term loans from banks and financial institutions	99,805	108,140
Long-term loans from related parties	3,954	2,993
Overdraft accounts	999	4,415
Murabaha and Istusna'a contracts	14,784	18,173
	119,542	133,721
Credit facilities, borrowings and current portion of long-term loans	(36,627)	(42,066)
	82,915	91,655

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

		U.S. $000's
Matures in	2022	36,627
Matures in	2023	25,869
Matures in	2024	22,966
Matures in	2025	13,676
Matures in	2026	12,010
Matures later		8,394
		119,542

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% and 4.15% in addition to LIBOR, and to a fixed interest rate between 4% and 8.75%. These loans are to be settled within a six-years period. The balance of outstanding loans amounted to U.S. $ 61,337,000 and U.S. $ 73,179,000 as at December 31, 2021 and 2020, 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. $ 552,700 as at December 31, 2021.
- 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. $ 9,333,000 as at 31 December 2021.
- During the year and previous years, PIIC and its subsidiaries signed loan agreements with local and regional banks in U.S. Dollars at variable interest rates of 2.5% and 4% in addition to LIBOR rates, and fixed interest rates ranging from 3.75% and 5%. These loans were obtained for the purpose of financing the investment activities and financing needs of these companies. These loans are also repayable under monthly, quarterly and semi-annual installments. The balance of existing loans amounted to U.S. $ 25,888,000 and U.S. $ 22,606,000 as at 31 December 2021 and 2020, 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. $ 2,694,000 as at December 31, 2021.

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. $ 1,767,500 as at December 31, 2021 and U.S. $ 1,365,000 as at December 31, 2020. These loans are subject to an annual interest rate between 5% and 8% and are settled in quarterly installments.

- During the 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 $ 1,503,500 as of December 31, 2021. These loans are subject for a variable interest rate of 4.4% in addition to LIBOR rates and are to be settled to 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 $ 683,000 as of December 31, 2021. The loans are subject to a variable interest rate of 6.5% and are to be settled under quarterly installments.

Overdrafts

PADICO and some of its 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, 2021 was U.S. $ 999,000 and the balance utilized from these facilities amounted to U.S. $ 4,415,000. These facilities are subject to variable interest rates ranging from 4.5% to 8.5%.

Murabaha and Istusna'a

During the previous years, PADICO was granted Murabaha financing from banks and local financial institutions with a total ceiling amounting to U.S. $ 15,000,000 as at December 31, 2021. These Murabaha agreements are subject to an annual profit margin of 5%. In addition, PRICO signed an Istusna'a agreement during 2014 with one of the local banks for an amount of U.S $ 3 million subject to an annual fixed profit margin of 4.5%. The installments are to be settled after the completion of the preparation phase and the passage of an additional grace period for the project. 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 in during the year 2017. During 2018, the National Carton Industry Co. (a subsidiary of PIIC) signed a short-term Murabaha agreement with a local financial institution in an amount of U.S. $ 500,000 for the purpose of purchasing raw materials. This Murabaha agreement is subject to an annual fixed profit margin of 4.5% and to be settled in three installments after a grace period of 3 months. During the year and 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. $ 14,784,000 and U.S. $ 18,173,000 as at December 31, 2021 and 2020, respectively.

These loans and facilities were obtained by mortgaging assets with a book value of U.S. $183,439,000, in addition to guarantee checks of U.S. $ 400,000 and cash margins of U.S. $ 1,069,000 as at 31 December 2021. The following table shows the mortgaged assets as of 31 December 2021:

Item	U.S. $000's Book value of collaterals	Note
Property, plant and equipment	32,872	Note (5)
Investment properties	4,274	Note (7)
Investments in associates	71,751	Note (10)
Financial assets at fair value through other comprehensive income	30,207	Note (11)
Inventory and ready for sale properties	9,302	Note (13)
Investments in subsidiaries	35,033	-
Total	183,439	

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 $185,859,000.

24. Provision for Employees' Indemnity

	U.S. $000's	
	2021	2020
Balance, beginning of the year	6,420	6,113
Additions during the year	1,039	1,044
Recoveries during the year	(4)	-
Payments during the year	(1,364)	(965)
Currency variances	95	228
Balance, end of year	6,186	6,420

25. Other Non-current liabilities

	U.S. $000's	
	2021	2020
Deferred rent revenues	4,302	5,406
Deferred tax liabilities	2,632	2,734
Deferred grants revenues *	2,195	2,343
Long-term postdated checks	95	221
	9,224	10,704

* 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	
	2021	2020
Trade payables	7,069	6,932
Post-dated checks	3,275	5,265
	10,344	12,197

27. Other Current Liabilities

	U.S. $000's	
	2021	2020
Accrued interest and expenses	7,805	7,711
Accrued cash dividends	6,246	6,233
Deferred revenue	8,663	4,114
Provision for claims from others	1,400	1,362
Due to related parties	295	815
Litigations' provision	620	543
Contractors' retentions	533	507
Employees' provident fund	40	367
Provision for vacation	306	279
Other liabilities and provisions	13,944	13,893
	39,852	35,824

28. Provision for Income Tax

	U.S. $000's	
	2021	2020
Balance, beginning of the year	1,622	1,484
Provision for the year *	1,235	1,186
Discount on early payments	(6)	(6)
Amortization of deferred tax liabilities	102	-
Payments during the year	(1,196)	(1,037)
Currency variances	(6)	(5)
Balance, end of the year	1,751	1,622

* 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 year 2019 and 2020. PADICO submitted its tax returns for the years 2020 and 2019 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	
	2021	2020
Accounting income before tax	25,264	5,945
Non-taxable profits	(36,158)	(24,192)
Nondeductible expenses	18,972	26,079
Taxable income	8,078	7,832
Accrued income tax	1,212	1,175
PADICO's provision for income tax	1,229	1,180

29. Revenues from contracts with customers

	U.S. $000's	
	2021	2020
Sales of poultry and eggs	34,534	30,019
Sales of feed products	18,238	21,952
Sales of dairy products	13,902	13,180
Sales of carton sheets and cans	7,195	4,585
Sales of dates	5,828	7,189
Securities exchange fees and commissions	2,602	1,535
Operating revenue from hotels, restaurants and tourist facilities	1,161	2,394
Revenue from sale of properties and land	916	868
Cars and busses parking revenue	793	705
Others	21	21
	85,190	82,448
Sales returns and allowances	(2,632)	(3,943)
	82,558	78,505

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	
	2021	2020
Distributed dividends of financial assets at fair value through other comprehensive income	2,687	2,098
Change in fair value of financial assets at fair value through profit or loss	876	(2,070)
Distributed dividends of financial assets at fair value through profit or loss	248	120
	3,811	148

31. Operating Expenses and Costs

	U.S. $000's	
	2021	2020
Cost of eggs and poultry	31,322	23,914
Cost of feed products	13,245	13,458
Cost of dairy products	8,706	9,450
Operation cost of hotels, restaurants and tourist facilities	5,185	7,172
Operational cost - real estate sector	5,570	5,399
Cost of dates sold	5,606	4,838
Cost of carton sheets and cans sold	4,959	3,011
Cost of properties and land sold	567	549
	75,160	67,791

32. General and Administrative Expenses

	U.S. $000's	
	2021	2020
Salaries and related benefits	5,135	5,196
Selling, advertising and public relations expenses	3,187	2,931
Consultancy and professional fees	1,215	1,062
Subscriptions, fees and licenses	881	813
Board of directors' fees and expenses	614	668
Rent and general services	533	373
Travel and transportation	334	223
Insurances	331	346
Telephone, fax and mail	264	182
Donations and sponsorships	158	476
Conferences, meetings and hospitality	139	139
Stationery and printings	66	81
Others	415	606
	13,272	13,096

33. Finance Costs

	U.S. $000's	
	2021	2020
Finance costs related to loans, credit facilities and debt bonds	12,564	13,432
Finance costs related to lease liabilities (note 9)	606	639
	13,170	14,071
Finance costs allocated to palm trees (note 9)	(85)	(89)
Net finance costs	13,085	13,982
Finance costs allocated to operating expenses and costs	(319)	(326)
	12,766	13,656

34. Depreciation and Amortization

	U.S. $000's	
	2021	2020
Property plant and equipment (note 5)	9,045	8,715
Intangible assets (note 6)	1,411	1,418
Right-of-use assets (note 9)	1,052	1,126
Investment properties (note 7)	919	931
	12,427	12,190
Depreciation and amortization allocated to palm trees (notes 5 and 9)	(527)	(556)
Net depreciation and amortization	11,900	11,634
Depreciation and amortization allocated to operating expenses and costs	(10,794)	(10,371)
	1,106	1,263

35. Other Provisions and Expenses, net

	U.S. $000's	
	2021	2020
Impairment loss on property, plant and equipment (note 5)	(4,000)	-
Net provision for expected credit losses, net (note 14)	(1,394)	(4,098)
Net losses from war *	(671)	-
Loss from sale of shares in an associate (note 10)	(318)	-
Slow moving Inventory provision (note 13)	(294)	-
Impairment loss on investment properties (note 7)	(219)	(216)
Litigations provision and settlements	(77)	(17)
Impairment loss on inventory and ready for sale properties (note 13)	(47)	(1,634)
Interest revenue	380	344
Deferred revenue recognized	112	224
Gain from sale of property plant and equipment	90	208
Foreign currency valuation differences	78	(617)
Impairment loss on intangible assets (note 6)	-	(2,003)
Recovery of provisions	-	514
Others	358	866
	(6,002)	(6,429)

* During the year, 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 evaluation resulted in recording net losses of U.S $671,165, which represents the net book value of assets destroyed during the war after deducting the amount of compensation agreed on with the guarantor. This event is expected to have an impact on the activities of PADICO's subsidiaries in Gaza as well as their revenue and results of operations.

36. Basic and Diluted Earnings Per Share

	U.S. $000's	
	2021	2020
Profit for the year attributable to equity holders of PADICO (U.S. $ 000's)	21,137	4,124
Weighted average of subscribed capital during the year (Shares 000's)	250,000	250,000
Less: Treasury shares (shares 000's) (Note 19)	(1,745)	(150)
	248,255	249,850
Basic and diluted earnings per share attributable to equity holders of the parent (U.S. $ 000's)	0.085	0.017
Basic and diluted earnings per share from profit for the year from continuing operations attributable to equity holders of the parent (U.S. $)	0.085	0.018
Basic and diluted loss per share from loss for the year from discontinued operations attributable to equity holders of the parent (U.S. $)	(0.00)	(0.002)

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	2021	2020
Consolidated statement of financial position balances:			
Accounts receivable and other current assets	Associates and sister companies	1,757	2,330
Other current liabilities	Associates and sister companies	295	815
Accrued cash dividends	Major Shareholders	6,246	6,233
Accrued expenses	Shareholders and Members of the Board of Directors	1,466	1,305
Loans, borrowings and credit facilities	Banks - Members of the Board of Directors	34,383	45,679
Long term loans	Major Shareholders	3,954	2,993
Debt Bonds	Banks - Members of the Board of Directors	51,500	43,000

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

	Nature of Relationship	U.S. $000's 2021	U.S. $000's 2020
Depreciation of right of use assets	A subsidiary of a major shareholder	54	54
Finance costs related to lease liabilities	A subsidiary of a major shareholder	18	21
Finance costs			
	Banks - Members of the Board of Directors and Major Shareholders	4,389	4,987
Key management personnel and Board of Directors' compensations:			
Salaries and related expenses		1,791	2,182
End of service expense		128	132
Board of Directors' fees and expenses		614	668

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, 2021:

			Fair value measurement using		
	Date of Valuation	Total	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
		U.S. $000's			
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

Following are quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2020:

			Fair value measurement using		
	Date of Valuation	Total	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level2)	Significant unobservable inputs (Level3)
			U.S. $000's		
Assets measured at fair value					
Financial assets at fair value through other comprehensive income items (note 11):					
Quoted	December 31, 2020	49,547	49,547	-	-
Unquoted	December 31, 2020	16,975	-	5,520	11,455
Financial assets at fair value through profit or loss (note 15):	December 31, 2020	5,561	4,678	883	-
Biological assets (note 12)	December 31, 2020	2,423	-	-	2,423
Financial assets held for sale (note 17)	December 31, 2020	1,553	-	-	1,553
Assets for which fair value is disclosed					
Investment properties (note 7)	December 31, 2020	55,136	-	-	55,136

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 2021 and 2020.

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, 2021 and 2020:

	U.S. $000's			
	Carrying amount		Fair value	
	2021	2020	2021	2020
Financial assets				
Accounts receivable and other current assets	40,335	40,810	40,335	40,810
Financial assets at fair value through profit or loss	6,508	5,561	6,508	5,561
Cash and short-term deposits	20,134	28,281	20,134	28,281
Financial assets at fair value through other comprehensive income items				
Quoted	58,813	49,547	58,813	49,547
Unquoted	12,131	16,975	12,131	16,975
	137,921	141,174	137,921	141,174
Financial liabilities				
Debt Bonds	120,000	120,000	120,000	120,000
Loans, borrowings and and credit facilities	119,542	133,721	119,542	133,721
Lease liabilities	9,920	10,506	9,920	10,506
Accounts and notes payable	10,344	12,197	10,344	12,197
Other financial liabilities	18,805	19,594	18,805	19,594
	278,611	296,018	278,611	296,018

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, 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
2021	(basis points)	U.S. $ 000's
Currency		
U.S.$	20	(137)

	Increase in interest rate	Effect on profit before tax
	(basis points)	U.S. $ 000's
2020		
Currency		
U.S.$	20	(523)

Credit risk

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

Trade receivables:

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

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

The maximum exposure is the carrying amount as disclosed in note (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, 2021 and 2020, 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, 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
December 31, 2020						
Loans, credit facilities, borrowings and debt bonds	2,818	10,131	161,152	95,273	5,998	275,372
Lease liabilities	322	99	1,400	5,014	10,479	17,314
Accounts payable, notes payable and other current liabilities	19,067	7,041	7,022	695	-	33,825
	22,207	17,271	169,574	100,982	16,477	326,511

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	
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

		U.S. $000's	
2020	Increase in equity price (%)	Effect on consolidated income statement	Effect on equity
Shares listed in Palestine Securities Exchange	10	-	164
Shares listed in Amman Stock Exchange	10	461	4,791
Investment portfolios	10	92	-
Shares not listed in financial markets	10	3	1,698

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. $000's
2021				
U.S.$	20	1,675	20	(155)
2020				
U.S.$	20	2,431	20	(192)

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, 2021 and 2020.

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. $ 491,233,000 as at December 31, 2021 and U.S. $ 448,871,000 as at December 31, 2020.

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 the year, 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 evaluation resulted in losses of U.S $2,455,000, which represents the net book value of assets destroyed during the war. This event is expected to have 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. $ 38,137 and U.S. $ 288,137 as at December 31, 2021 and 2020 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. $ 191,356. This amount is subject to change as a result of the completion of current investment contracts and entering into new partnerships and signing new contracts.
- The contractual commitments resulting from contracts and agreements signed with suppliers in relation to PADICO's and its subsidiaries projects amounted to U.S. $ 2,671,000, 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. $ 30,709,000 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	
	2021	2020
Within one year	4,013	4,407
After one year but less than five years	15,100	16,138
More than five years	75,649	76,661
	94,762	97,206

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, 2021	Investment sector U.S. $	Real estate sector U.S. $	Industrial and agricultural sector U.S. $	Securities market sector U.S. $	Tourism sector U.S. $	Eliminations U.S. $	Consolidated U.S. $
Revenues							
External revenues	36,409	8,812	84,117	2,783	1,161	-	133,282
Inter-segment revenues	43	66	-	420	-	(529)	-
Segment revenues	36,452	8,878	84,117	3,203	1,161	(529)	133,282
Other information							
Depreciation and amortization	222	3,279	5,237	219	3,007	(64)	11,900
Finance costs	9,308	1,255	2,351	19	441	(608)	12,766
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 and joint venture	380,527	417	28,098	-	70	(3,554)	405,558

Segment Reporting (Continued)

December 31, 2020	Investment sector U.S. $	Real estate sector U.S. $	Industrial and agricultural sector U.S. $	Securities market sector U.S. $	Tourism sector U.S. $	Eliminations U.S. $	Consolidated U.S. $
Revenues							
External revenues	23,304	6,688	74,508	1,704	2,394	-	108,598
Inter-segment revenues	26	32	-	424	-	(482)	-
Segment revenues	23,330	6,720	74,508	2,128	2,394	(482)	108,598
Other information							
Depreciation and amortization	238	3,275	4,715	282	3,188	(64)	11,634
Finance costs	9,886	1,707	2,504	20	444	(579)	13,982
Profit (loss) from continued and discontinued operations before income tax	10,392	(6,942)	9,009	353	(6,649)	(218)	5,945
Capital expenditures (notes 5,6,7,8)	1,344	2,345	5,146	782	200	-	9,817
PADICO's share of associates' results of operations	21,532	(40)	2,885	-	-	-	24,377
Assets and liabilities							
Assets	570,002	121,191	170,213	13,622	48,053	(143,216)	779,865
Liabilities	203,290	63,962	75,728	1,535	15,544	(29,065)	330,994
Investment in associate companies	355,201	409	24,086	-	-	(3,554)	376,142

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, 2020. 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 impact of the Coronavirus (Covid-19) is summarized as follows:

- The tourism sector witnessed a shutdown, considering that companies operating in this sector continued to incur fixed and current expenses. PADICO has agreed to cease some of its operating activities in light of the accumulated losses during the previous years and the effects of Covid-19.
- Some subsidiaries' sales revenues declined compared to budgeted sales for the year as a result of deteriorating economic conditions in general and a decrease in the consumer's purchasing power, in addition to interruptions in production as a result of the shutdown, whether between cities or within them.
- Difficulties in collecting some of the accounts receivable by the subsidiaries and increase in the number of bounced checks, which was reflected in the liquidity of the subsidiaries and their cash flows for the upcoming periods, this also affected the calculation of provision for expected credit losses.

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

46. Subsequent events

- Subsequent to the date of the consolidated financial statements, the current political circumstances represented by the war between Russia and Ukraine, have affected the supply chains of raw materials needed in the production processes of some of PADICO's subsidiaries as Ukraine has stopped exporting such materials and their exports from Russia decreased significantly. These conditions led to a significant increase in the prices of raw materials and transportation costs, resulting in increased manufacturing costs for subsidiaries. PADICO is currently working on finding other countries to import the raw materials needed in the production processes of its subsidiaries to reduce the increases in prices.

  The extent and impact of these circumstances remain uncertain and depend on future developments that may have an impact on future financial results.
- Subsequent to the date of the consolidated financial statements, the Extraordinary General Assembly of Palestine Telecommunications Company - PALTEL (an associate) agreed in its meeting held on March 22, 2022, to distribute shares to PALTEL's shareholders in a new company separate from PALTEL (spin-off company), which includes real estate and an investment portfolio owned by PALTEL. Each of PALTEL's shareholders will be granted shares in the new company in proportion to each shareholder's investment in PALTEL.