



باديكو القابضة  
PADICO HOLDING



ANNUAL  
REPORT



2021







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## About PADICO Holding


 Palestine Development and Investment, Ltd. (PADICO Holding) was established in 1993 as a public shareholding company with limited liability and listed in the Palestinian Exchange (PEX). Since then, PADICO has been dedicated to contributing to the development and enhancement of the Palestinian economy, alongside both the public and private sectors by aiming its investments at vital economic sectors.

PADICO has sustained its non-stop achievements, for the past 27 years, despite the most challenging political and economic circumstances. Yet, the company has also continued to present across the entire Arab region. Through its journey, PADICO has achieved consecutive achievements, that significantly contributed to supporting and uplifting the Palestinian economy and creating thousands of job opportunities via its group of subsidiaries and affiliates which operate in the most vital sectors. The company looks forward to achieving further growth and expansion in new investment sectors, per the confidence of shareholders and the wisdom of its firm and determined Board of Directors.

## Our Values and Mission

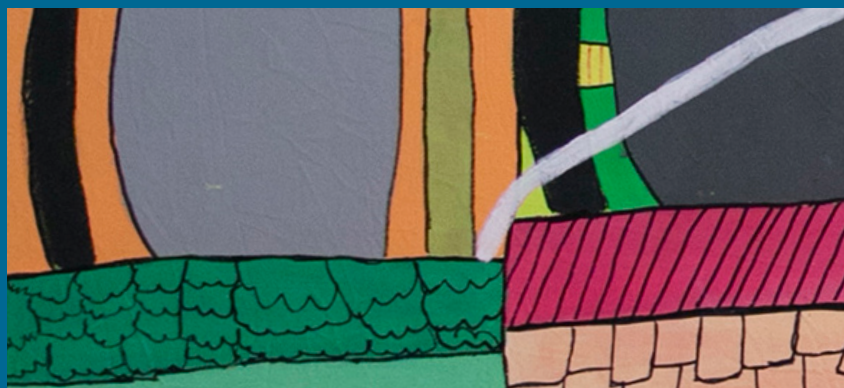
 PADICO Holding aims to always be the front runner for investors in Palestine, via its diversified investments strategy across many vital and key economic sectors, as well as geographically expanding across of Palestine in order to fulfill its commitment to the development of the Palestinian community, and the creation thousands of job opportunities.

## Strategy

 The strategy of PADICO Holding is grounded on affirming and realizing its mission and commitment towards the Palestinian economy by investing in projects across key sectors, including: Telecommunications and Information Technology, Financial Services, Industrial Zones and Real Estate, Industry, agribusiness, Tourism, as well as Energy and Infrastructure. The company's diversified investments strategy has allowed for increased returns, an enhancement of resource development and sustainability, and a reduction in investment risk. Thus, making PADICO Holding a model of investment in Palestine.



# Key Indicators of 2021



## Consolidated Revenues



133.3 USD million

## Shareholders' Profits



21.1 USD million

## Consolidated Profits



24.0 USD million

## Shareholders' Equity



406.0 USD million

## Growth in Shareholders' Profits

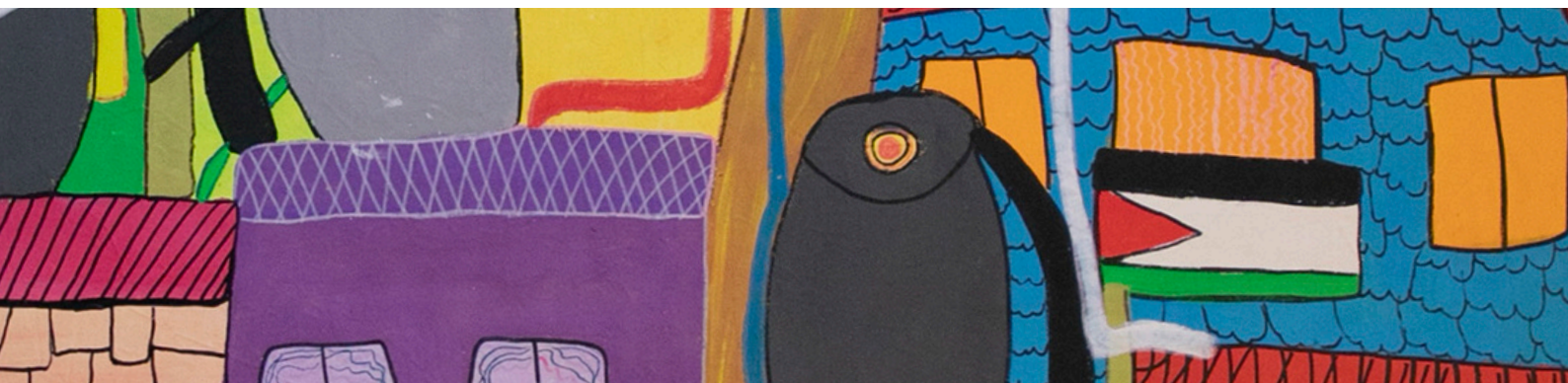


413%

## Growth in Consolidated Revenues



23%



### Consolidated Equity



**491.2** USD  
million

### Consolidated Assets



**808.1** USD  
million

### Growth in Consolidated Profits



**404%**

### Book Value per Share



**1.64** USD

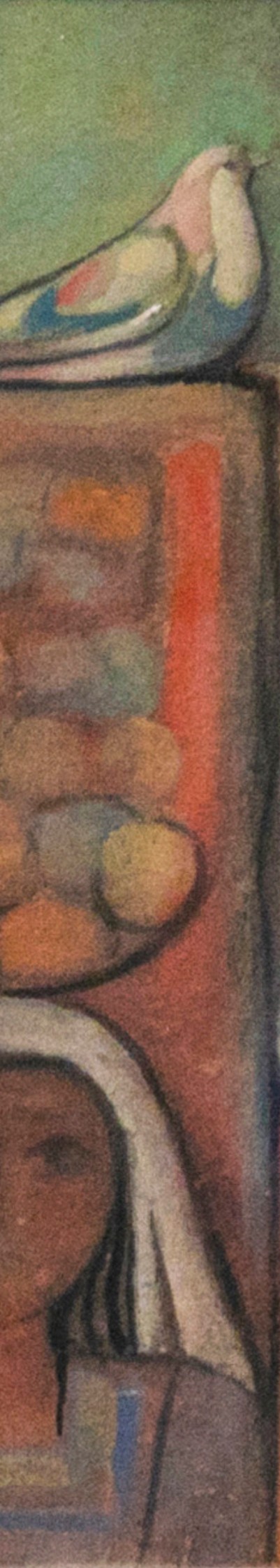




# CHAIRMAN'S LETTER







Dear shareholders,

I present to you the annual report of 2021, which includes the main achievements of our company.

The impact of the continual Covid-19 pandemic went on to affect the global economy as a whole. The most notable impact was the crisis of global supply chains, in addition to the rising prices of shipping, which hit its highest levels in 2021; global supply chains are currently facing historic shortages, beginning with raw materials to foods and goods.

Most sectors have gradually returned to production and operation; economic, financial, industrial, real estate and services. The Palestinian GDP increased by 6.7% in 2021 as opposed to 2020. Furthermore, the added value of the majority of economic activities increased as well in 2021, as the highest rate of growth was at 8% in construction activity, while industry activity grew by 7%. However, the impact of the pandemic continues to affect the tourism sector, as per the almost absent tourist arrivals. We are nothing but hopeful that the end of this pandemic is near, bringing back economic activity across all sectors to its pre-pandemic condition.

Palestine has gone through an eventful year in 2021; at the political level in particular that significantly impacts the economy. Especially with the Israeli suspension of some USD 32 million a month of the Palestinian government's tax revenues since the beginning of the year, therefore, affecting the government's ability to meet its financial obligations; particularly paying the salaries of public employees who had received 75% of their salaries, which amounted to 80% during the last months of the year. Furthermore, the Israeli occupation carried out another attack against the Gaza Strip in 2021, severely damaging a number of our investments in the area; the largest of which was in the Gaza Industrial Zone, along with the rooftop solar energy electricity-generating project, which won the 2021 United Nations Global Climate Action Award. Yet, PADICO Holding was able to make a net profit of USD 21.5 million in 2021, as opposed to a net profit of USD 4.1 million in 2020. With a nominal value of USD 120 million, the company's third issue of bonds, was also a huge success in 2021, as the bond offering received great turnout by investors, especially banks operating in Palestine, in addition to new investors joining this issue, including financial and public institutions, as well as savings funds. The subscription reached USD 138 million with a surplus of 15% over the total value of the issue; that is USD 120 million. This reflects investors' confidence as the company fulfills all of its obligations in previous issues.

The PADICO Holding share saw a 60% increase in 2021 as a result of these numbers



and successes, closing at USD 1.25. Simultaneously, all market indicators saw a noticeable growth; the trading volume of shares grew by 511% amounting to 50.7 million shares, in comparison with 8.3 million shares in 2020, and a 20% turnover ratio that is the highest in three years.

As per our investments, Paltel, the largest investment of PADICO Holding, has decided to spin off real estate assets and financial portfolio, and establish a new company for this purpose, as every shareholder at Paltel would own shares at the same rate in the new company. The spin off process is expected to be completed in 2022.

Speaking of Paltel, the company has achieved significant financial and operational growth in 2021, attaining a net profit of USD 95.1 million, a 57% growth as opposed to 2020. In 2021, the company had also begun to build the new fiber lines in the enterprise areas; the process is expected to be done during the first half of 2022.

On industrial sector level, the Palestine Industrial Investment Company (PIIC) had an outstanding performance in 2021, with a net profit of USD 9.4 million in comparison to USD 5.8 million in 2020. PIIC began the development process of renewable energy projects in the group's companies with an initial volume of 2.0 MW at Palestine Poultry Company and the National Carton Industry Company (NCI), implementation already took place in part of them, while the remaining part awaits the contracting procedures to be done. The NCI has also signed contracts to buy additional production lines as to enhance its market share. Moreover, the Pinar General Trading Company also completed advanced stages of its new factory, which will begin production in 2022, and in accordance with the highest quality specifications, using advanced equipment that serves the need of the market. The al-Rabiya Feed and Grains Company has begun supplying the main production lines in the feed factory, that is under construction in Hebron, and will begin production during the first half of 2023, contributing to Palestinian food security as the largest factory in Bethlehem and Hebron.

In the Gaza Industrial Zone, the rooftop solar energy electricity-generating project has launched commercial operations in the first quarter of 2021; the project is the largest of its kind in Palestine and the second largest in the Middle East. The project includes more than 21 thousand solar cells, with a production capacity of 7.3 MW, and a total cost of USD 12 million. The rooftop project provides power to all factories, government offices, international institutions, and commercial establishments within the Gaza Industrial Zone at a reduced tariff price.

PADICO Holding's investments were, however, affected by the latest Israeli attack against the Gaza Strip, the attack completely demolished 10 vital factories, with a total area of about 6,000 m<sup>2</sup>, as well as the complementary infrastructure. The attack also partially damaged 14 factories, with a total area of 8,000 m<sup>2</sup>. Moreover, the solar energy generation project suffered significant damage to equipment and machinery, causing a reduction in the production capacity of about 35%. It is worthy to note that the project is insured by the World Bank Group's Multilateral Investment Guarantee Agency (MIGA). The company is currently working on the reconstruction of destroyed industrial facilities and buildings and the accompanying infrastructure, as well as restarting the solar power generation project.

**Dear shareholders,**

The Nakheel Palestine Agricultural Investment Company inaugurated a new storage and sales center in Europe, a most important market, through which the company exported 206 tons of dates during the first half of 2021. The company also operated the solar power generation system, and connected it to the national electricity grid, where actual production initiated at a capacity of 585 kWh, by the end of the third quarter of 2021, which would reduce its operational costs.

On real estate sector level, Jericho Gate sold more than 530 dunums of residential and tourist land area to build the largest water park in Palestine, and the highest mixed-use building in the Jericho district at a height of 15 floors. Separately, the company was able to complete second and third phase infrastructure work, along with 75% of the fifth phase.

Furthermore, as part of an agreement with the Birzeit University Board of Trustees, the University Building project, in downtown Ramallah, is currently under development, where about 24% of the project was completed. The project is expected to be complete by the beginning of 2023.

**Valued shareholders,**

2021 has greatly strengthened our belief in our ability to face challenges, and we optimistically look forward to future prosperity. I extend my thankfulness and gratefulness to our Board of Directors and executive management for their tireless efforts. Our willpower and determination are always recharged thanks to you. God willing, we will move forward towards further achievements to serve our people and our homeland in the coming year.

Bashar Masri  
Chairman





# Governance

PADICO Holding adopts the principles of governance in all businesses as an important basis for strengthening supervision and management, and as a framework for responsibilities and duties in order to ensure improved performance. Moreover, PADICO considers governance to be an integral part of its principles and management policies that govern the company's work, the best use of resources and distribution of authorities among its Board of Directors, side committees, and executive management.

As the company considers governance a core principle that ensures the application of the best international standards and practices within the company; that is a safe work environment and a code of conduct that controls the rhythm of administrative and behavioral work environment, and regulates the company's relationship with the surrounding environment. PADICO Holding periodically and continuously issues its financial reports, quarterly and annual disclosures that comply with the requirements of the Palestinian Capital Market Authority and the Palestine Exchange.







# Board Members



**Bashar Masri**

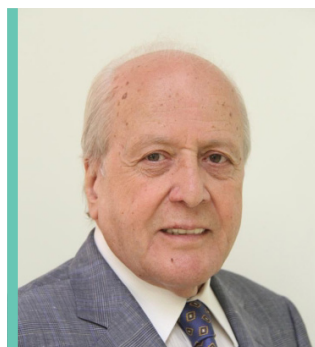
Chairman



**Sabih Masri**



**Nabil Sarraf \***



**Mahdi Saifi**



**Yahya Salqan**



**Ammar Aker**

\* Nabil Sarraf submitted his resignation from the Board of Directors on February 3rd, 2022.



**Nidal Sukhtian**



**Yazid Mufti**



**Jamal Hourani**



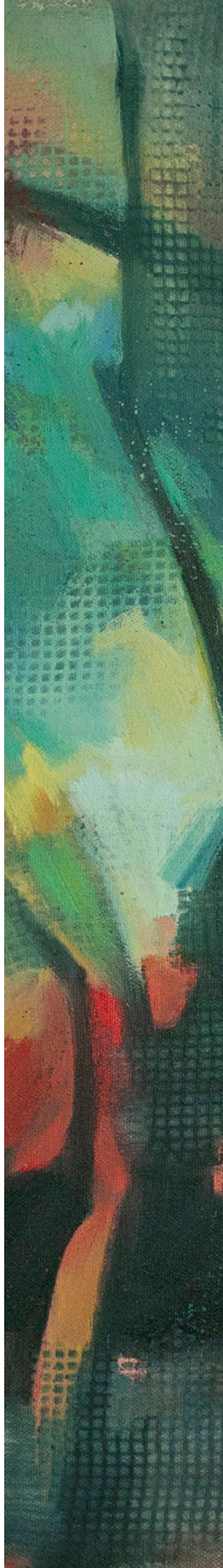
**Dina Masri**



**Hisham Masri**



**Khaled Anabtawi**







## Role of the Board

The 13-member Board of Directors of PADICO Holding follows up on the progress of the company's businesses, strategy and future plans. Members of the board are also responsible for the political and economic forecasting of the circumstances that could affect the next phase. It is the board's role as well to approve budgets, financial and investment regulations and policies, in addition to the approval of financial statements.



## Meetings of the Board

The Board of Directors regularly holds meetings. The board held 5 meetings in 2021, apart from several meetings discussing the latest developments regarding the company's achievements, businesses, financial and administrative reports, future strategies and goals.

The company discloses the dates and agendas of the meetings to the Palestine Exchange (PEX) and the Palestinian Capital Market Authority within the legal disclosure period. Recorded minutes of the meetings and resolutions and then provided to regulators.



## Audit Committee

|              |                       |
|--------------|-----------------------|
| Yazeed Mufti | Head of the Committee |
| Hisham Masri | Member                |
| Ziad Turk*   | Member                |

★ Passed away on January 9th, 2022. The Board of Directors appointed Nihad Kamal as a member of the committee on February 10th, 2022.



## Internal Audit

Internal regulations are highly emphasized by PADICO Holding as the Internal Audit Department enjoys full independence and directly reports to the Audit Committee. The department applies international standards for audits of financial and operational activities of PADICO Holding and all of its subsidiaries. The Internal Audit Department's relationship with associate and subsidiary companies was composed in accordance with decisions by the Board of Directors and in accordance with the Internal Audit Charter.

### Secretary-General

Ziad Mohammed Al-Turk \*

### External Auditors

Ernst & Young

### Legal Advisors

Sanad Law Group association with Eversheds-Internationally  
Al-Zubi Law Firm-Palestine

★ \*Passed away on January 9th, 2022. The Board of Directors appointed Nihad Kamal as a General Secretary on February 10th, 2022.

## Executive Management

|                    |  |
|--------------------|--|
| Fuad Najjab *      | Chief Executive Officer                      |
| Amjad Hassoun      | Chief Financial Officer                      |
| Nimer Abd El Wahid | Director of The Real Estate Sector           |
| Mohamed Najjar     | Director of Infrastructure and Energy Sector |
| Ziad Tafash        | Deputy Admin and HR manager                  |
| Samer Al , Safadi  | Head of the Shareholders Management Unit     |

★ Submitted his resignation on March 3rd, 2022.

## Shareholders

PADICO Holding has an estimate of 7,000 shareholders, including local and international companies and individuals.

| Major shareholders                    | Ownership % |
|---------------------------------------|-------------|
| Paltel                                | 16.9        |
| Sabih Masri and other related parties | 13.5        |
| Massar International Investment Group | 12.4        |
| Siraj Palestine Fund I                | 6.5         |
| Munib Masri and other related parties | 4.2         |

\* On November 3rd, 2021, Paltel Board of Directors approved the sale of their entire shares in PADICO Holding, accordingly, these shares were offered to Paltel shareholders.



## Communication with Shareholders

PADICO Holding communicates effectively and transparently with investors, in order to boost local, regional and international partnerships. The company constantly and directly responds to all shareholders' inquiries, and employs various means of communication to connect with investors and shareholders, including phone calls, the company's website, e-mail, annual report, media and social media platforms.

## Share Performance

| 2020  | 2021  |                                  |
|-------|-------|----------------------------------|
| 250.0 | 250.0 | Paid-in capital (million shares) |
| 1.49  | 1.64  | Book value per share (USD)       |
| 0.52  | 0.76  | P/B                              |
| 0.78  | 1.25  | Closing price (USD)              |
| 47.2  | 14.7  | P/E                              |
| 8.3   | 50.7  | Trading volume (million shares)  |
| 7.3   | 57.9  | Trading value (million USD)      |
| 3.3   | 20.3  | Turnover ratio (%)               |
| 1.13  | 1.29  | 52-week high (USD)               |
| 0.70  | 0.76  | 52-week low (USD)                |

## Disclosures

PADICO Holding is adhere in all disclosure regulations in Palestine in disclosing the company's and its subsidiaries' results. The company is also committed to delivering disclosures to its shareholders and regulators in accordance with the legal permitted, period. PADICO Holding discloses quarterly and annual financial reports, in addition.



# INVESTMENTS & PROJECTS





# Summary of The Palestinian Economy

## Performance for 2021



The Palestinian economy had begun to gradually recover as the curve of the Covid-19 pandemic began to break, in spite being face to face with several challenges: namely, the near-complete termination of external support of the Palestinian budget, "Israeli" attacks targeting the Gaza Strip for more than 10 consecutive days, and the continued withholding of part of tax revenues by Israeli Government, claiming that these are part of the debt to the Israeli electricity company.

However, driven by an improvement of the overall consumption and investment demand, the Palestinian economy recorded an increase of 6% . yet, remaining below its pre-pandemic level. Thus, leading to a 3.5% increase in the Palestinian Gross Domestic Product (GDP) per capita. As for the performance of the economic sectors, the construction sector recorded a 8% growth, that is the highest growth value, the industrial sector grew by 7%, the services sector by 4%, while the agriculture sector had a 3% decline. Moreover, according to the Palestinian Central Bureau of Statistics, the total number of workers in Palestine witnessed a rise, going from 886,000 workers in 2020 to 925,000 workers in 2021, where the unemployment rate stood at 27.8%.

## Economic Forecasts for 2022

According to 2022 forecasts by the Palestinian Monetary Authority and the Central Bureau of Statistics, which includes forecasting key indicators of the Palestinian economy, assuming that economic activities would begin to gradually return to pre-pandemic levels as per the assumption that the current stability of the health status continues. In addition to sustained political status quo with the Israeli side, the financial situation of the Palestinian Government as per the deduction of tax revenues by the Israeli side, as well as the suspension of grants by donor countries. This situation has been reflected on key assumptions used to build forecasts.

Based on the previously mentioned assumptions, forecasts indicate that the Palestinian economy could grow by about 3% in 2022, in comparison with an estimated growth of 6% in 2021, and a slight increase in GDP per capita in 2022 compared to 2021.

**Market Value of  
PADICO and its  
Listed Subsidiary  
and Associate  
Companies to  
GDP\*\***



**11%**

**Market Value of  
PADICO and its  
Listed Subsidiary  
and Associate  
Companies at  
(PEX)**



USD  
Billion

**1.7**

**Taxes and Licenses\***



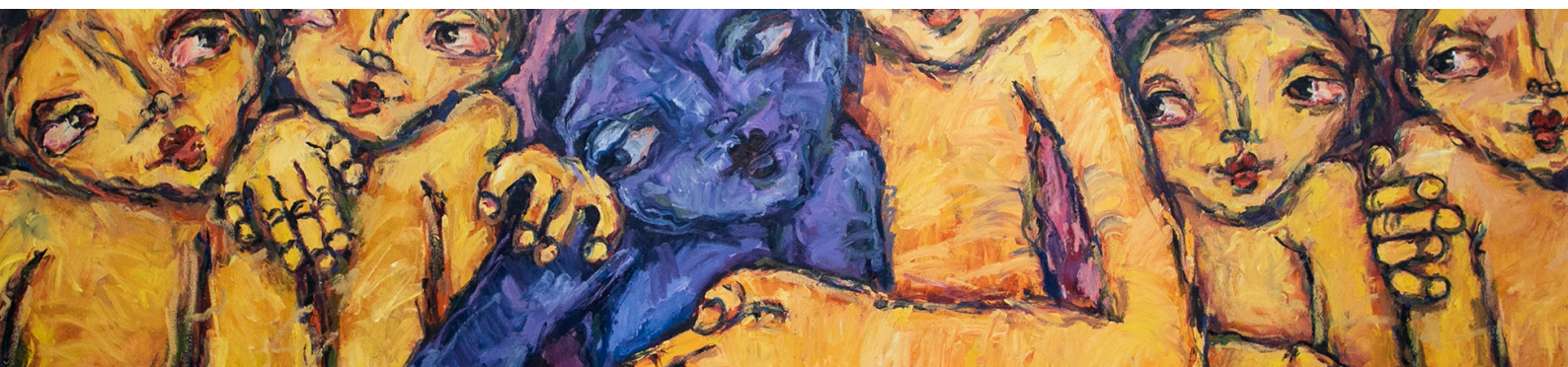
USD  
Billion

**2.1**

\* Since establishment

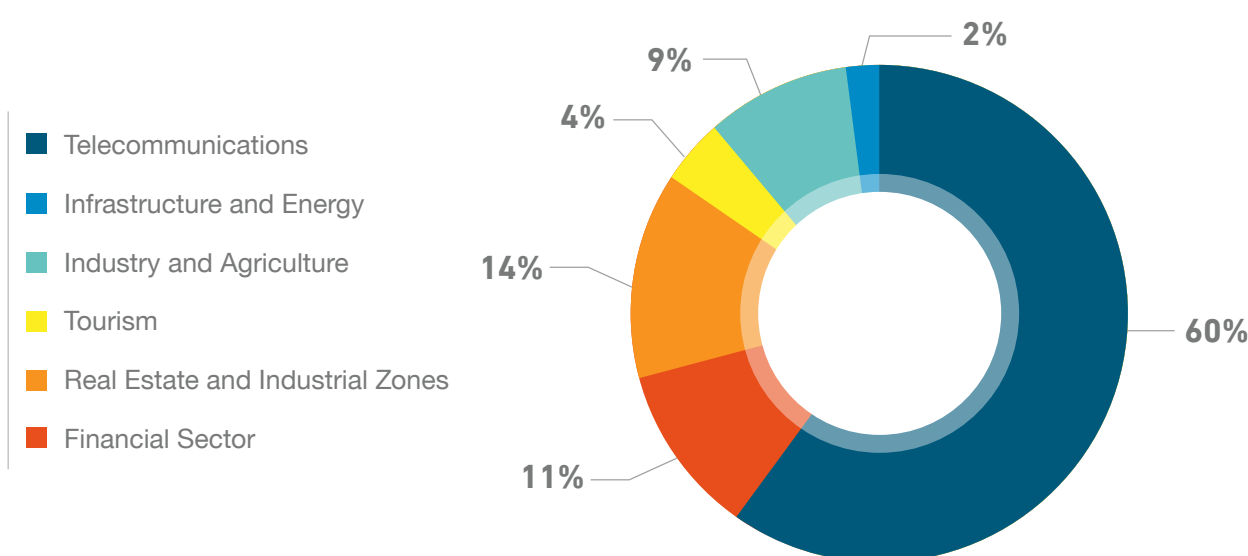
\*\* Only includes companies listed at Palestine Exchange





## ✦ Sectoral Distribution of Investments

✦ The total value of PADICO Holding's direct investment stood at a book value of USD 580.2 million at the end of 2021, distributed across several economic sectors. The following graph shows assets and investments allocation on economic sectors at the end of 2021.



## ✦ Classification of Investments for financial Reporting Purposes

| Classification       | USD Million |
|----------------------|-------------|
| Subsidiary companies | 136.8       |
| Associate companies  | 380.5       |
| Other companies      | 62.9        |
| Total                | 580.2       |

Subsidiary companies identify as the companies of which PADICO Holding controls over 50% of capital or voting rights. Thus, PADICO is entitled to actively participate in the development of financial and operational strategies and policies. Associate companies however, are those in which PADICO has the power to fundamentally influence its financial and operational policies; that is between 20% to 50% of ownership rate. Moreover, Other companies are the ones that PADICO does not have the required representation enabling the company to employ the substantial influence in these companies' financial and operational policies; that is typically less than 2% ownership.

# Geographical Distribution of Investments

PADICO Holding highly emphasizes diversity; whether sectoral or geographical, as the company's projects and investments spread among the most vital economic sectors as they also cover most Palestinian areas. PADICO also aims to invest in sensitive and important geographical areas, such as Jerusalem City and the Gaza Strip, as to contribute and add quality of investment. Thus, support the Palestinian people's resilience on their land, while also diminishing high unemployment rates.







# Telecommunications and Information Technology Sector



PADICO Holding's investments in the Telecommunications and IT sector stood at USD 346 million at the end of 2021; that is 60% of the company's total investments. Paltel Group and Vtel Holding are considered one of PADICO's most essential investments in the telecommunications sector.



مجموعة الاتصالات الفلسطينية  
PALT E L G R O U P



Total Assets

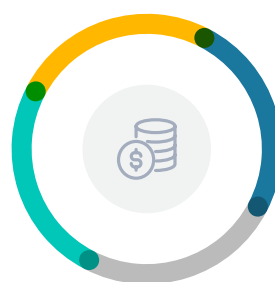
1,224.1

USD Million



PADICO Ownership

31%



Paid-in Capital

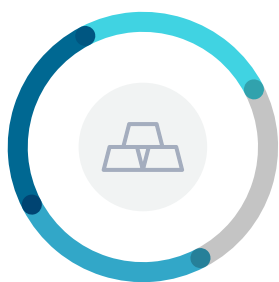
185.6

USD Million



Year Founded

1995



Total Assets

**216.7**

USD Million



PADICO Ownership

**10%**



Paid-in Capital

**98**

USD Million



Year Founded

**2006**

★ Vtel Holding and Vtel Middle East and Africa

# Palestine Communications Company

Palestine Telecommunications Company (Paltel) initiated business in 1997, it is considered a pioneer in the Telecommunications and Information Technology sector in Palestine, the company started as a public shareholder company, aiming to provide telecommunications and internet services in Palestine through the establishment and development of an operational infrastructure, capable of providing the best and most up-to-date services to subscribers, leading the telecommunications and information technology sector in Palestine. Thus, Paltel has become the largest operator in Palestine and the largest company by market value in Palestine Exchange; where it will continue to invest in the Palestinian market and pour its efforts on increasing the value of investment in the country through plans that align with the group's strategy.



Paltel provides landline services, high-speed internet, business services, and other added services.



Palestine Cellular Communications Company (Jawwal), the first mobile operator in Palestine.



Hadara for Technology Investment Company, the largest Internet service provider in Palestine.



Reach Communications Services, the first specialized call center in Palestine.



## Main Achievements in 2021



- Launching several business campaigns; for all types of subscribers.
- Decided to separate real estate assets and the investment portfolio, and transfer them to a new public joint-stock company.

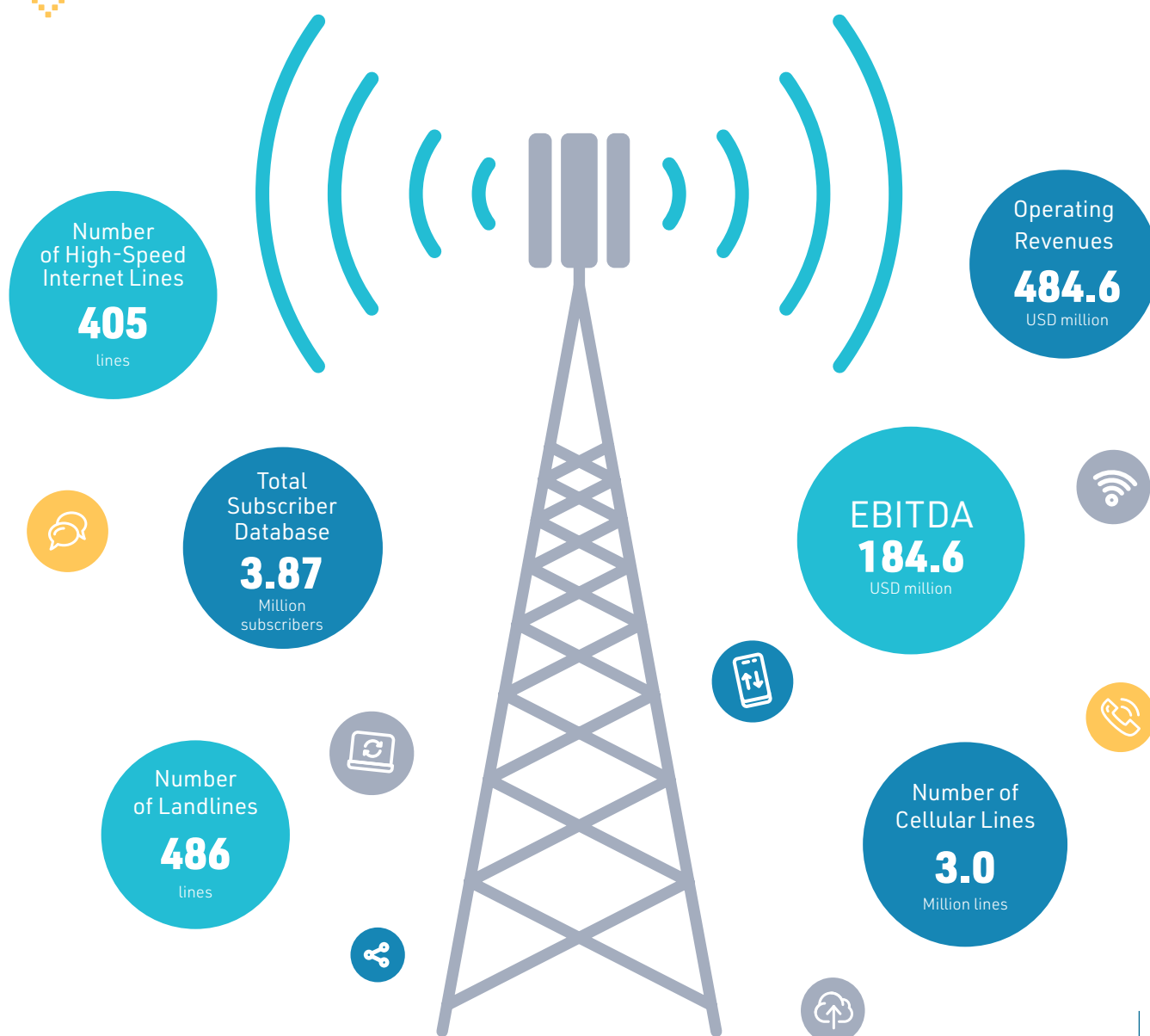


- Increasing the subscriber database of Jawwal Pay
- Application development of Ana Paltel, E-Store



- Launching a new range of integrated technology solutions services, mainly cloud computing, corporate backup, surveillance, PABX, large data management and analysis services and home fiber optic network

## Main Indicators in 2021



# Financial Sector

- PADICO Holding's investment in the financial sector stood at USD 64 million, that is 11% of the company's total investment in 2021. PEX is one of the company's most important investments in this sector, in addition to investment portfolio.



Total Assets

14.4

USD million



PADICO Ownership

75%



Paid-in Capital

10

USD million



Year Founded

1995

PALESTINE  
فلسطين



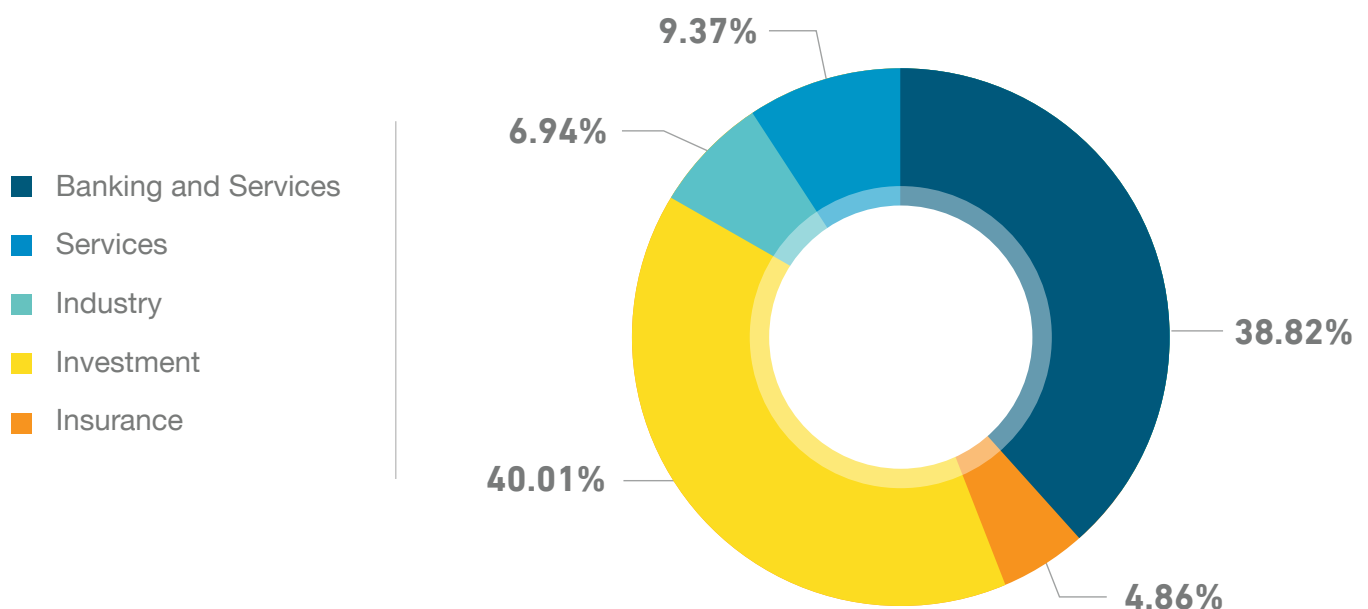
EXCHANGE  
بورصة



# Palestine Exchange

The first trading session at Palestine Exchange launched 24 years ago, as 1997 marked the beginning of stock exchange. Since then, the stock exchange has gone through ups and downs, including successes that carried it to international and regional exchanges in spite of its size and relatively short period of presence. Furthermore, the Palestine Exchange has maintained a steady and accelerated performance towards internal development and towards the use of the best regional and global practices. Listed companies are allocated to five economic sectors: Banking and Financial Services, Insurance, Investment, Industry and Services. Shares traded in Jordanian Dinars and US Dollars.

## Allocation of stock trading volumes in Palestine Exchange per sector during 2021





## Main Achievements in 2021



The Jerusalem index significantly rising by 29.11% in comparison to the year-end of 2020



PEX being elected as a member of the Audit Committee of the Board of Directors of the Federation of the European-Asian Stock Exchange (FEAS)



Listing and trading shares of Tamkeen Insurance Company



Completing the checkup of the entire electronic systems for PEX (trading systems, deposit and transfer system) in preparation for the anticipated launch in 2022



A 120.25% increase in trading value in comparison to 2020; that is some USD 419 million in 2021



A 132.78% increase in the number of traded shares; that is 201 million shares



Market value of the stock exchange at the end of 2021 was around USD 4.41 billion; that is a 27.86% increase than 2020





## Main Indicators in 2021



Total Revenue

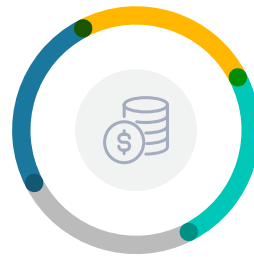
3.2

USD million



Number of Listed Companies

47



EBITDA

1.4

USD million



Operating Revenues

2.7

USD million



Total Cash and Stock Dividends for 2020\*

135

USD million



Market Value Growth Rate 2017-2021

13.25%



Number of Executed Deals

33,531

Deals



Trading Value

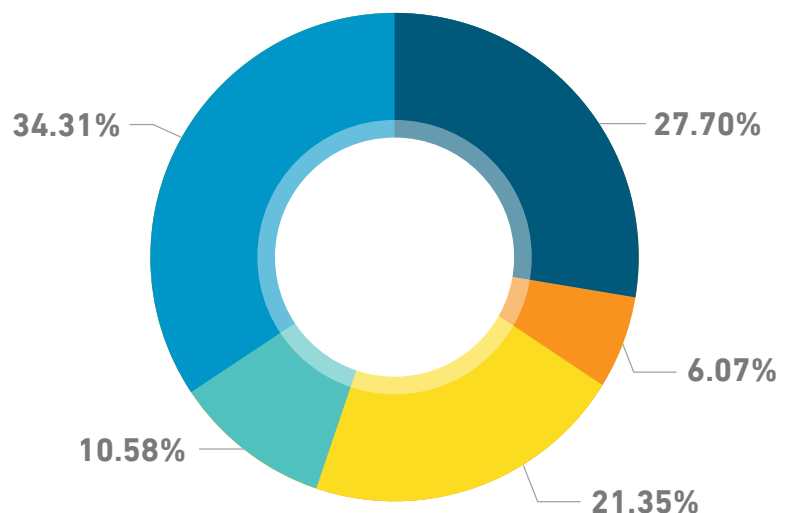
419

USD million



## Allocation of Market Value by Sector at the end of 2021

- Banking and Services
- Services
- Industry
- Investment
- Insurance



\* Listed companies\*





## Real Estate and **Industrial Zones**

PADICO Holding's investment in the Real Estate and Industrial Zones Sector amounted to USD 80.2 million, that is 14% of the company's total investments at the end of 2021. These investments include Palestine Real Estate Investment Company (PRICO) Jericho Gate and Rabiyyat al-Quds.

Industrial Zones are also considered an essential sector at which PADICO focuses its investments. The company is well aware of the market's pressing need for this sector, as well as an effective solution to setbacks faced by industrial zones. Thus, PADICO has invested in two projects that positively impact the Palestinian economy; the Gaza Industrial Zone, Jericho Agro Industrial Park which are two of the company's essential investments in this sector.

شركة فلسطين للاستثمار العقاري  
Palestine Real Estate Investment Co.



PADICO Ownership

**77%**



Paid-in Capital

**89.9**

USD million



Year Founded

**1994**





بوابة أريحا  
JERICHO GATE



PADICO Ownership

**25%**



Paid-in Capital

**49.4**

USD million



Year Founded

**2011**



# Real Estate and Industrial Zones



## Gaza Industrial City – PIEDCO Gaza



Number of Investors

**52**

investors



PADICO Ownership

**97%**



Paid-in Capital

**14.5**

USD million



Year Founded

**1996**



## Jericho Agro Industrial Park

شركة تطوير مدينة أريحا الصناعية الزراعية

JAIP



Number of  
Investors

**29**



PADICO Ownership

**58%**



Paid-in Capital

**6.5**

USD million



Year Founded

**2012**





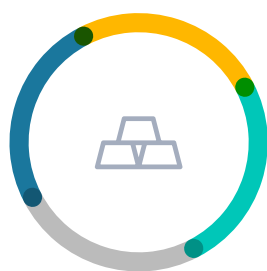
# Palestine Real Estate Investment Company

The Palestine Real Estate Investment Company (PRICO), , is considered one of the leading companies in Real Estate Development, and Establishment and Management of Industrial Zones nationwide; PRICO's main focuses are Real Estate Development, Real Estate Operation and Management, and Industrial Zones. The A-classified company by the Palestinian Contractors' Union, was able to implement many pioneer projects in various Palestinian cities, serving large sections of the Palestinian society.

## PRICO three main focuses



## Main Indicators in 2021



Total Assets

**105.3**

USD million



Shareholders' Equity

**47.0**

USD million



Operating Revenues

**8.2**

USD million



Real Estate  
Management

**193,000<sup>m2</sup>**



Residential, Commercial, and  
Industrial Construction

**625,000<sup>m2</sup>**



Land Area of  
Industrial Zones

**1,000<sup>m2</sup>**

## Main Achievements in 2021



The completion rate of the University Commercial Building in downtown Ramallah. In collaboration With Birzeit University.



Rental rate of hangars amounted to 100% due to attracting new sectors of investment within the Gaza Industrial Zone.



Anchor the company's attention on marketing, sale and rental of real estate units.



Improving the performance and development of operational projects.



JAIP signed a management, operation and maintenance agreement with the Industrial Estates Agency, for the solar energy system in JAIP, with a capacity of 2 megawatts; funded by the Japanese government. JAIP also signed an agreement with the Water Authority and the Industrial Estates Agency that provides JAIP with a new line of water at a rate of 150 m3 per day.



بوابة أريحا  
JERICHO GATE

As part of a strategic partnership between the Palestinian Telecommunications Group (Paltel) and PADICO Holding, Jericho Gate Real Estate Investment Company began, early 2011, to develop an integrated real estate project to be the first of its kind and size nationwide. The project includes the development of various tourism and recreational facilities, including the construction of residential villas, hotels and resorts, a sports city, a water park, and a mall, in favor of serving internal and foreign tourism.

## Main Indicators in 2021



Total Revenues

**49.3**

USD million



Total Assets

**126.2**

USD million



Operating Profits

**20.5**

USD million



Number of Developers

**58**

developers



Total Project Area

**3,000**

donums



## Main Achievements in 2021



Completion of second and third phase infrastructure work.



Beginning of detailed designing of the al-Maydan area.



Bidding for infrastructure and road networks for the sixth phase and part of the fourth phase.



Contracting with construction company to develop and build the largest water park in Palestine on an area of 150 dunums.



Sale of more than 520 dunums of the Jericho Gate project land, under various categories, for development purposes.



Sale of Jericho Tower land the 12-dunum to build a 15-floor multi-use building; that us the highest in the Jericho district; containing several projects, including tourism, residential, and recreational projects.



# Tourism Sector

PADICO Holding's total investments in the tourism sector stood at USD 22.4 million, that is 4% of the company's total investments at the end of 2021. The Jerusalem Development and Investment Company (JEDICO) is the investment arm of PADICO in the tourism sector

The Jerusalem Development and Investment Company (JEDICO) operates several five-star hotels: the Jacir Palace Hotel in Bethlehem, the al-Mashtal Hotel and the Blue Beach Resort in Gaza, and St. George's Hotel in Jerusalem.

Jacir Palace Hotel-Bethlehem: the palace was built in 1910 and is one of the premier hotels in Palestine due to its unique historical significance as a former palace. The hotel is rated with five stars and includes 250 rooms and suites.

JACIR PALACE HOTEL  
BETHLEHEM

Blue Beach Resort-Gaza: the resort is known for its stunning views of the Mediterranean Sea. Blue Beach includes 160 upscale chalets and suites.

منتجـم بلو بيتش  
Blue Beach Resort

Gaza Strip. Al Mashtal Hotel includes 220 hotel rooms and suites.

ALMASHTAL G - HOTEL  
فندق المشتل - غزة

St. George Hotel: a hotel located in Jerusalem, known for its unique view of the Old City's holy sites.

ST GEORGE HOTEL  
JERUSALEM

The Covid-19 pandemic continues to affect tourism companies, due to the imposed procedures and closures on all tourism sector facilities; most operations were completely suspended across all hotels, namely the Jacir Palace Hotel, St. George's Hotel was partially opened in July 2021. The al-Mashtal Hotel was also opened, focusing on internal tourism. The opening period of both hotels included maintenance and development work.





جیدیکو



PADICO Ownership

**100%**



Paid-in Capital

**77**

USD million



Year Founded

**1997**



Total Assets

**44.7** USD million



# Industrial Agricultural Sector

- PADICO Holding's investment volume in the industrial & agricultural sector stood at USD 55.4 million; that is 9% of the company's total investments at the end of 2021.



Palestine Industrial Investment Company



PADICO Ownership

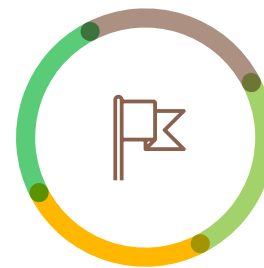
**57%**



Paid-in Capital

**26.4**

USD million



Year Founded

**1995**



PADICO Ownership

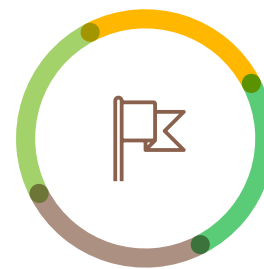
**52%**



Paid-in Capital

**22**

USD million



Year Founded

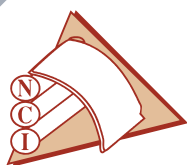
**2010**





### National Carton Industries Company (NCI)

NCI has the largest market share in the cardboard industry in Palestine.



### Pinar General Trading Company

one of the main specialized companies in dairy production in Palestine.



### Jordan Vegetable Oil Industries Company

one of the oldest vegetable oil manufacturers in the Arab world.



### Palestine Poultry Company (Aziza)

one of the company's largest animal wealth projects in Palestine. In addition to serving as an abattoir, the plant specializes in the production of feed, and broiler chicken farm. Production and sale of eggs and hatching.



### Vegetable Oil Industries Company (VOIC)

one of the oldest Palestinian companies specializing in vegetable shortening and oils in accordance with international quality standards.



### Palestine Plastic Industries Company (PPIC)

the company focuses on producing tubes and plastic containers of all shapes and according to the market requirements.











## Main Indicators in 2021



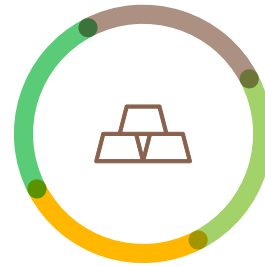
Shareholders'  
Equity

**79.5**  
USD million



Total Sales

**71.4**  
USD million



Total Assets

**147.4**  
USD million



Number of Farms

**15**



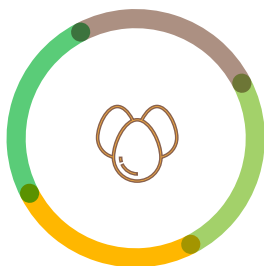
Number of Factories

**9**



Number of Products

**29**



Egg-Producing Farms

Production power of up to

**30**  
million eggs Annually



Feed Factory

Production power of

**150,000**  
tons per year



Broiler Chicken Farms

Production power of

**1,200-1,400**  
tons per year

# Main Achievements in 2021



Development of production lines within the slaughterhouse.



The new Pinar factory- Nabi-Saleh is expected to launch in mid-2022.



National Carton Industries Company (NCI) has expanded its range of products through the purchase of a new Case Maker machine, and a lamination line.



The Vegetable Oils Company (VOIC) share price increased.




Production of "Burger Aziza"; the first processed meat product.



Completion of the al-Rabyeh Factory for Animal Feed- Hebron, that is being implemented in partnership with a local investor, the company contracted for purchasing production lines that are currently being installed. The plant is expected to operate in the last quarter of 2022.



# Nakheel Palestine Agricultural Investment Company

 Nakheel Palestine specializes in the planting, marketing, and exporting of the finest Palestinian Medjoul and Barhi dates.



Number of  
Trees

**42,000**



Land Area  
of Farms

**3.5**  
million m2



Total Assets

**41.7**  
USD million



Operating  
revenues

**5.8**  
USD million



Exporting to

**17**  
countries



Storage Capacity

**3,000**  
tons



Annual Production  
Power

**2,300**  
tons





## Main Achievements 2021



Launching storage and sales center in the Netherlands, through which the company exported 206 tons of dates during the first half of 2021.



Increasing the water supply by introducing a new well into the irrigation system.




Operating the solar power generation system, and connecting to the national electricity grid, where actual production initiated at a capacity of 585 kWh.





# Infrastructure and Energy Sector

 PADICO's investment in this sector stood at around USD 12.6 million, that is 2% of the company's total investments at the end of 2021.

## Solar Energy Project in Gaza Industrial Zone



PADICO Ownership

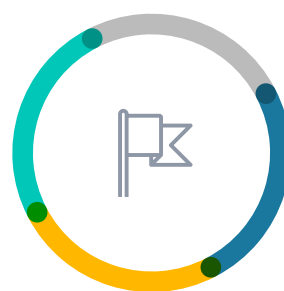
**100%**



Paid-in Capital

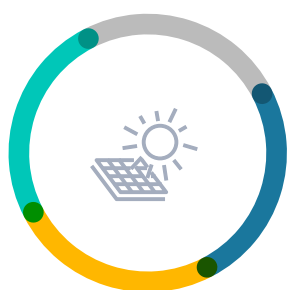
**2.9**

USD million



Year Founded

**2018**



Production Capacity

**7.3**

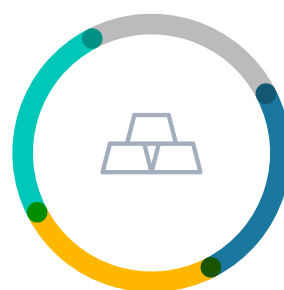
MW



Project Cost

**12.0**

USD million



Total Assets

**9.5**

USD million



# ✦ Main Achievements in 2021

Launch and inauguration of the rooftop solar energy electricity-generating project in Gaza Industrial Zone in March 2021; that is the largest in Palestine and second largest in the Middle East.

The rooftop solar energy project in Gaza Industrial Zone was awarded the United Nations Global Climate Action Award under the category of "Financing for Climate-Friendly investments" at the United Nations Climate Change Conference (COP26).

Rehabilitating the rooftop solar energy project in Gaza Industrial Zone following the war, and restoring its production capacity of 6.4 MW (out of 7.3 MW).







الشركة الفلسطينية للكهرباء م.ع.م



PADICO Ownership

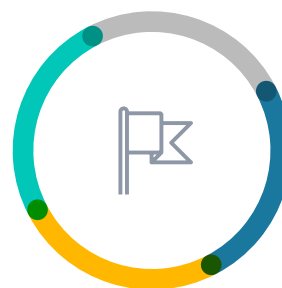
**6%**



Paid-in Capital

**60**

USD million



Year Founded

**1999**

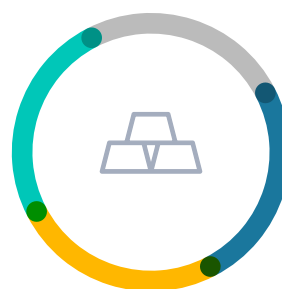
## Main Indicators in 2021



Production Capacity

**140**

MW



Total Assets

**115.2**

USD million



# Palestine Power Generation Company



شركة فلسطين لتوليد الطاقة  
Palestine Power Generation Co.



PADICO Ownership

**20%**



Paid-in Capital

**22**

USD million



Year Founded

**2010**



## Main Indicators in 2021



Production Capacity

**455**

MW



Investment Cost

**600**

USD million



Total Assets

**17.7**

USD million







# PADICO and Social Responsibility



## Our Community Commitment and Intellectual Leadership

PADICO Holding has been unique in its exceptional developmental and social orientation ever since its launch more than two decades ago. The company has since been committed to the implementation and support of outstanding community programs, leading the company to the forefront of pioneer Palestinian institutions.

Thus, PADICO Holding has been keen to develop, enrich and diversify its community programs to include various vital and qualitative extents as to achieve sustainable development; that includes the fields of economic, social, educational, artistic, cultural and leadership. The company has also paid special attention to the youth segment, considering it to be the cornerstone and driving force for any real renaissance.



## Education Sector

Coming from its belief that education is the cornerstone to achieving the desired developmental goals, PADICO Holding continues to prioritize the education sector through multiple means, including: supporting educational funds, providing scholarships, networking, connecting with universities and sponsoring various purposeful educational activities. The company continued its direct annual support of students through various educational activities during 2021 via its own university scholarship program, aiming to help students in need by covering their tuition fees at local universities. PADICO Holding is always keen to support graduates by offering the necessary expertise and skills for the labor market through the company's cooperation with "Massarak" ("your path" career path program), which allows graduates to explore different career paths in the labor market, thus, enabling them to find promising job opportunities.



Number of  
Employees in  
the Group

**3,500**

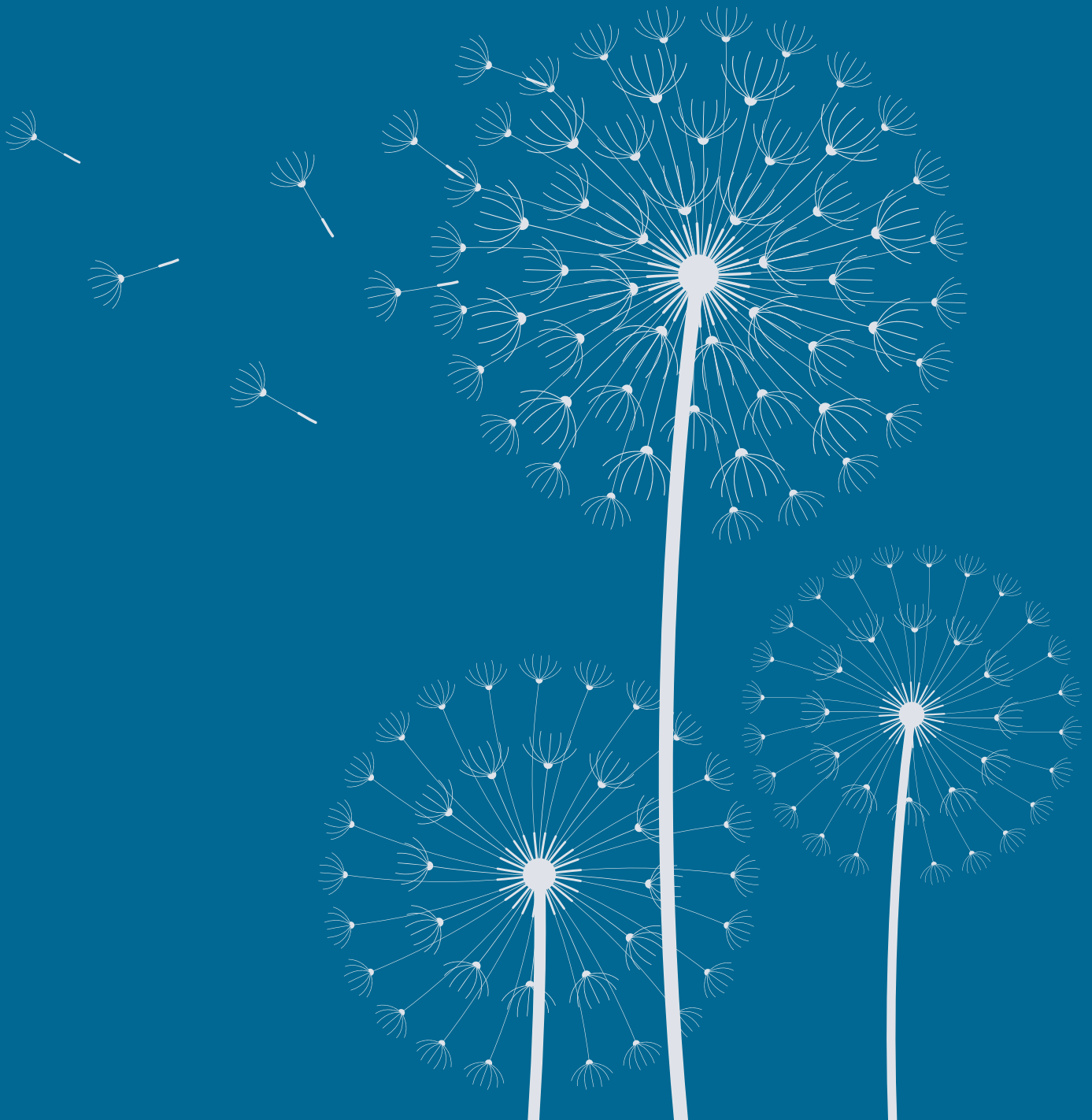
عامل وموظف



Group Investment in  
Social Responsibility  
Since its Establishment

**115.2**

USD million





# Future Visions

- Following is PADICO Holding's general framework and future visions for the next few years:



Focusing on improving operational processes across all companies and projects where PADICO Holding and its subsidiaries invest.



Paying particular attention to projects and companies that PADICO Holding is currently investing in, especially the real estate, industrial cities and alternative energy sectors. Thus, turning these investments into a main driving force for the foreseeable future.



Investing in new vital developmental projects in promising sectors, and focusing on clean energy and infrastructure sectors.







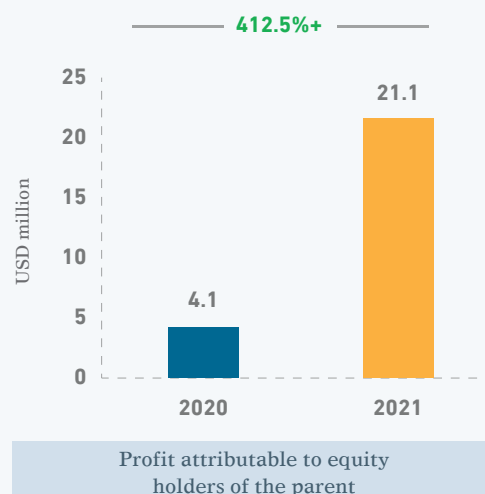
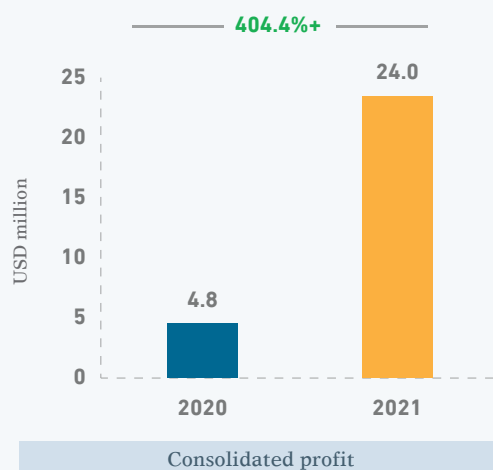
# Financial Performance Summary





# Financial Performance

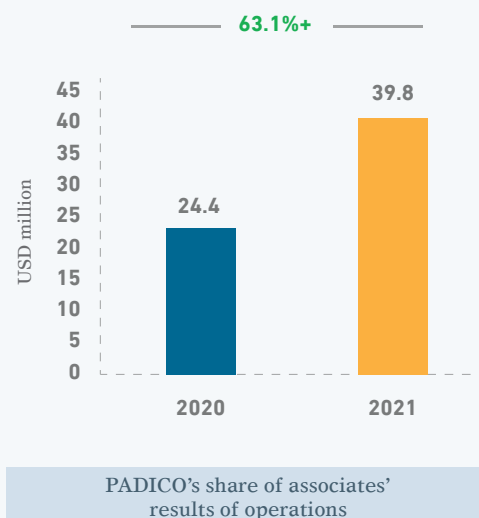
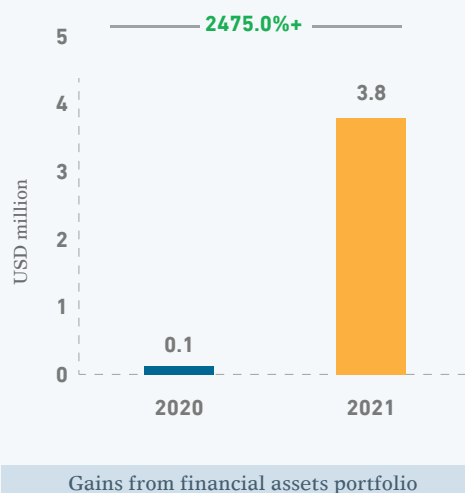
PADICO Holding recorded a consolidated profit of USD 24.4 million in 2021 compared to USD 4.8 million in 2020. The attributable profit to equity holders increased from USD 4.1 million to USD 21.5 million.



## Consolidated Revenues

Consolidated revenues increased by 22.3% from USD 108.6 million in 2020 to USD 132.8 million in 2021, this increase is mainly due to the increase in PADICO's share of associates' results from USD 24.4 million to USD 40.2 million, an increase of 64.7%.

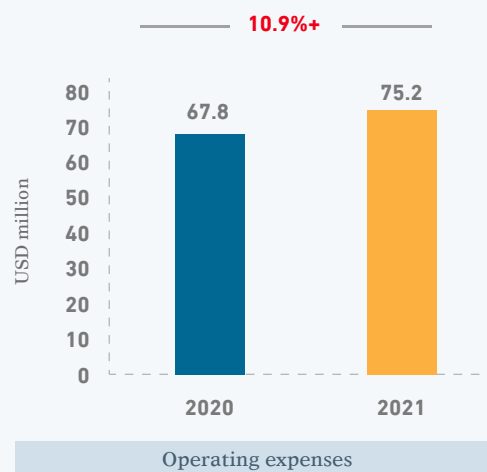
Gains from financial assets portfolio increased from USD 0.1 million to USD 3.8 million, and also the Subsidiaries operating revenues increased by 4.9% from USD 84.0 to USD 88.1 million.





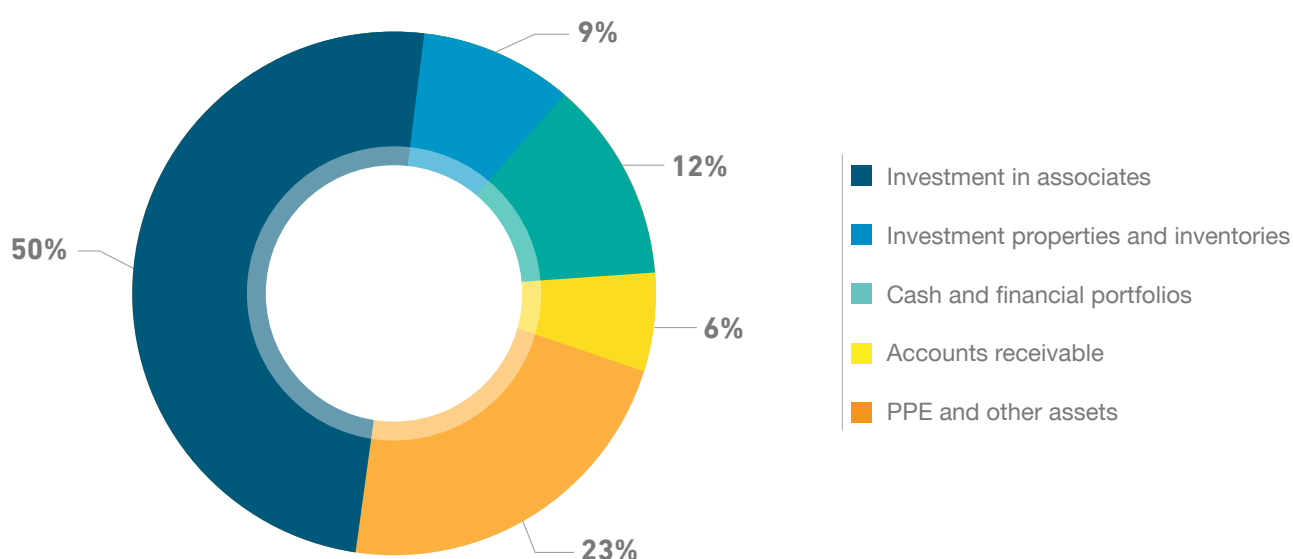
## Consolidated Expenses

Operating expenses amounted to USD 75.2 million in 2021 compared to USD 67.8 million in the last year, this increase is mainly a result of the increase in the production costs which in turn increased due to the rise in the global shipping costs. G&A expenses increased slightly by 1.3% from USD 13.1 million to USD 13.3 million. Finance costs decreased by 6.5% from USD 13.7 million to USD 12.8 million.



## Assets & Investments

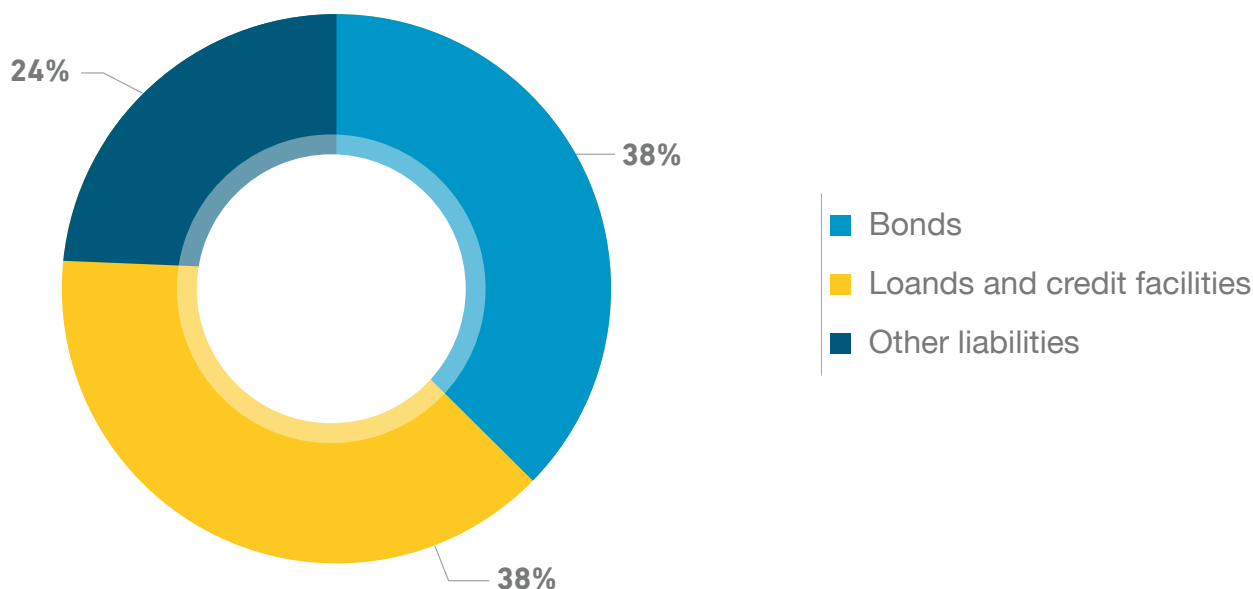
Total assets increased by 4.5% from USD 780.0 million at the end of 2020 to USD 814.9 million at the end of 2021. Consolidated assets consist of 12.1% current assets and 87.9% non-current assets. The following chart shows the distribution of the company's assets and investments at the end of 2021.



Assets and investments allocation 31/12/2021

## Liabilities

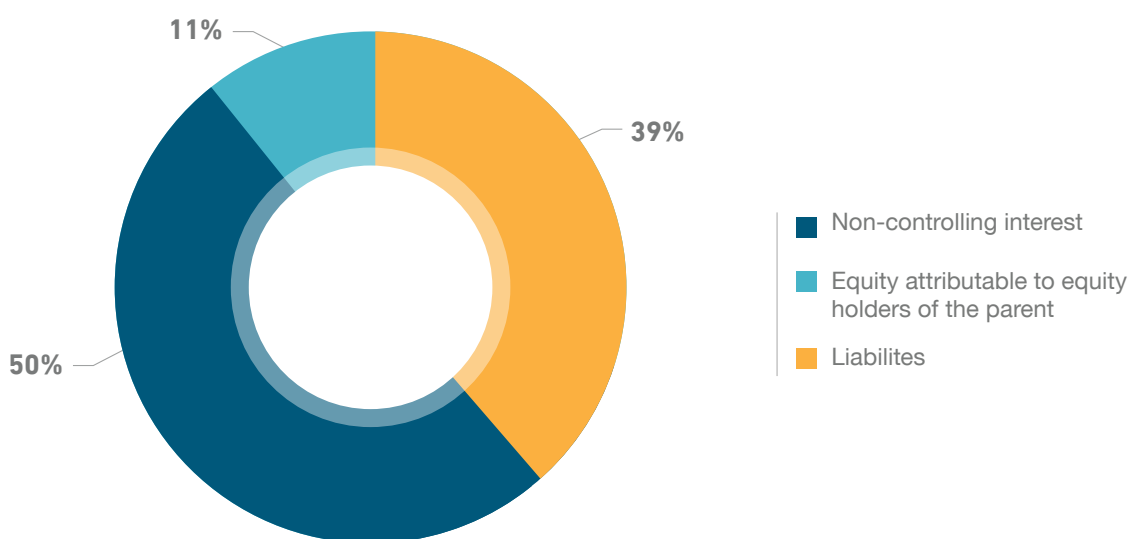
Total liabilities amounted to USD 317.3 million at the end of 2021 compared to USD 331.1 million at the end of 2020, a decrease of 4.2%. Total borrowing, which constitute 75.5% of total liabilities, decreased by 5.6%, from USD 253.7 million to USD 239.6 million.



Liabilities allocation

## Equity

Total equity increased by 10.8% from USD 448.9 million at the end of 2020 to USD 497.6 million at the end of 2021, an increase of USD 48.7 million, as PADICO recorded unrealized gains from the revaluation of its financial assets at fair value through other comprehensive income by USD 20.0 million, in addition to the consolidated profit 2021.



Allocation of consolidated liabilities & equity 31/12/2021





# Auditors' Report and Consolidated Financial Statements







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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   |
|---|--|
| <p><b>Revenue Recognition</b></p> <p>PADICO's revenues from contracts with customers for the year ended December 31, 2021 amounted to U.S. \$ 82,558,000.</p> <p>PADICO's revenues are derived from a range of services and sales transactions resulting from various contractual relationships with customers.</p> <p>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.</p>  | <p>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.</p> <p>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.</p> <p>In addition, we assessed the related disclosures made in note (29) to the accompanying consolidated financial statements.</p>  |
| <p><b>Expected credit losses</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> | <p>Our audit procedures included obtaining a detailed understanding of the key sources of inputs and assumptions used in the calculation of expected credit losses.</p> <p>We also assessed the objectivity and consistency in applying the data and assumptions used to calculate expected credit losses.</p> <p>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.</p> <p>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.</p> |

### **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.



Amman - Jordan  
March 31, 2022





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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Palestine Development and Investment Limited (PADICO)

### Opinion

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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

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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.

PALESTINE DEVELOPMENT AND INVESTMENT  
LIMITED LIABILITY HOLDING COMPANY (PADICO)  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

(U.S. \$ 000's)

|   | Notes | 2021<br>U.S. \$ | 2020<br>U.S. \$ |
|---|-------|-----------------|-----------------|
| <b>Assets</b>   |       |                 |                 |
| 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             |
|   |       | <u>710,159</u>  | <u>680,373</u>  |
| 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          |
|   |       | <u>96,346</u>   | <u>97,939</u>   |
| Assets held for sale  | 17    | <u>1,547</u>    | <u>1,553</u>    |
| Total assets  |       | <u>808,052</u>  | <u>779,865</u>  |
| <b>Equity and liabilities</b>   |       |                 |                 |
| <b>Equity</b>   |       |                 |                 |
| 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   |       | <u>169,459</u>  | <u>149,501</u>  |
| Equity attributable to equity holders of the parent                     |       | 405,954         | 371,415         |
| Non-controlling interests   | 4     | <u>85,279</u>   | <u>77,456</u>   |
| Total equity  |       | <u>491,233</u>  | <u>448,871</u>  |
| 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    | <u>9,224</u>    | <u>10,704</u>   |
|   |       | <u>226,754</u>  | <u>117,862</u>  |
| 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    | <u>39,852</u>   | <u>35,824</u>   |
|   |       | <u>90,065</u>   | <u>213,132</u>  |
| Total liabilities   |       | <u>316,819</u>  | <u>330,994</u>  |
| Total equity and liabilities  |       | <u>808,052</u>  | <u>779,865</u>  |

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



Palestine Development and Investment Limited (PADICO)

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

|   | Notes | 2021<br>U.S. \$ | 2020<br>U.S. \$ |
|---|-------|-----------------|-----------------|
| <u>Revenues</u>   |       |                 |                 |
| 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              |
|   |       | <u>133,600</u>  | <u>108,598</u>  |
| <u>Expenses</u>   |       |                 |                 |
| 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)         |
|   |       | <u>31,296</u>   | <u>12,792</u>   |
| Other provisions and expenses, net  | 35    | (6,002)         | (6,429)         |
| Profit before income tax from continuing operations   |       | <u>25,294</u>   | <u>6,363</u>    |
| Income tax expense  | 28    | (1,229)         | (1,180)         |
| Profit for the year from continuing operations  |       | <u>24,065</u>   | <u>5,183</u>    |
| Loss for the year from discontinued operations  | 17    | (30)            | (418)           |
| Profit for the year   |       | <u>24,035</u>   | <u>4,765</u>    |
| Attributable to:  |       |                 |                 |
| Equity holders of the parent  |       | 21,137          | 4,124           |
| Non-controlling interests   |       | 2,898           | 641             |
|   |       | <u>24,035</u>   | <u>4,765</u>    |
| Basic and diluted earnings per share from profit for the year attributable to equity holders of the parent (U.S. \$)                            | 36    | <u>0.085</u>    | <u>0.017</u>    |
| Basic and diluted earnings per share from profit for the year from continuing operations attributable to equity holders of the parent (U.S. \$) |       | <u>0.085</u>    | <u>0.018</u>    |

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

Palestine Development and Investment Limited (PADICO)

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

|  | Notes | 2021<br>U.S. \$ | 2020<br>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           |
|  |       | <u>4,388</u>    | <u>6,493</u>    |
| 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)        |
|  |       | <u>14,119</u>   | <u>(32,967)</u> |
| Total other comprehensive income items for the year                                    |       | <u>18,507</u>   | <u>(26,474)</u> |
| Net comprehensive income for the year  |       | <u>42,542</u>   | <u>(21,709)</u> |
| Attributable to:   |       |                 |                 |
| Equity holders of the parent   |       | 36,520          | (23,273)        |
| Non-controlling interests  |       | 6,022           | 1,564           |
|  |       | <u>42,542</u>   | <u>(21,709)</u> |

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

Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the Year Ended December 31, 2021  
(U.S. \$ 000's)

|  | Attributable to equity holders of the parent |                  |                    |                      |                      |                          |   |                      |          |                                  |                 |
|--|--|------------------|--------------------|----------------------|----------------------|--------------------------|---|----------------------|----------|----------------------------------|-----------------|
|  | Paid-in<br>share<br>capital                  | Share<br>premium | Treasury<br>shares | Statutory<br>reserve | Voluntary<br>reserve | Fair<br>value<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Total    | Non-<br>controlling<br>interests | Total<br>equity |
|  | U.S. \$                                      | U.S. \$          | U.S. \$            | U.S. \$              | U.S. \$              | U.S. \$                  | U.S. \$                                       | U.S. \$              | U.S. \$  | U.S. \$                          | U.S. \$         |
| 2021   |  |                  |                    |                      |                      |                          |   |                      |          |                                  |                 |
| Balance as at January 1, 2021                          | 250,000                                      | 16,932           | (361)              | 31,482               | 1,594                | (86,116)                 | 8,383   | 149,501              | 371,415  | 77,456                           | 448,871         |
| Profit for the year                                    | -  | -                | -                  | -                    | -                    | -                        | -   | 21,137               | 21,137   | 2,898                            | 24,035          |
| Other comprehensive income items                       | -  | -                | -                  | -                    | -                    | 12,991                   | 2,392   | -                    | 15,383   | 3,124                            | 18,507          |
| Net comprehensive income for the year                  | -  | -                | -                  | -                    | -                    | 12,991                   | 2,392   | 21,137               | 36,520   | 6,022                            | 42,542          |
| 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         |

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



Palestine Development and Investment Limited (PADICO)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

(U.S. \$ 000's)

|  | Notes | 2021<br>U.S. \$ | 2020<br>U.S. \$ |
|--|-------|-----------------|-----------------|
| <u>Operating Activities</u>                                  |       |                 |                 |
| 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          |
| <u>Working capital adjustments:</u>                          |       |                 |                 |
| 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          |
| <u>Investing Activities</u>                                  |       |                 |                 |
| 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          |
| <u>Financing Activities</u>                                  |       |                 |                 |
| 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          |

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

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:

|   | Activity type    | Country of origin | Ownership |       |
|---|------------------|-------------------|-----------|-------|
|   |                  |                   | %         |       |
|   |                  |                   | 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.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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.

#### Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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<br>(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 finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is 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<br>lives<br>(Years) | Remaining<br>useful<br>lives<br>(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 is 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 applicable 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 latter 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<br>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<br>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<br>Real Estate<br>Investment<br>Company | Palestine<br>Industrial<br>Investment<br>Company | Palestine<br>Securities<br>Exchange<br>Company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>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<br>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<br>Real Estate<br>Investment<br>Company | Palestine<br>Industrial<br>Investment<br>Company | Palestine<br>Securities<br>Exchange<br>Company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>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<br>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<br>Real Estate<br>Investment<br>Company | Palestine<br>Industrial<br>Investment<br>Company | Palestine<br>Securities<br>Exchange<br>Company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>Company |
| Revenue  | 7,534   | 71,383   | 2,672  | 5,828   |
| Operating costs and expenses                           | (4,791)   | (58,231)   | -  | (5,606)   |
| General, administrative<br>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<br>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<br>items                    | (174)   | 6,563  | 182  | -   |
| Net comprehensive income<br>for the year               | (1,575)   | 17,541   | 1,185  | (3,012)   |
| Attributable to non-controlling<br>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<br>Real Estate<br>Investment<br>Company | Palestine<br>Industrial<br>Investment<br>Company | Palestine<br>Securities<br>Exchange<br>Company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>Company |
| Revenue  | 6,698   | 66,073   | 1,609  | 7,189   |
| Operating costs and expenses                           | (4,859)   | (49,832)   | -  | (4,838)   |
| General, administrative<br>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<br>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<br>items                    | (5)   | 1,681  | (317)  | -   |
| Net comprehensive income<br>for the year               | (6,983)   | 9,396  | (34)   | 38  |
| Attributable to non-controlling<br>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<br>Real<br>Estate<br>Investment<br>company | Palestine<br>Industrial<br>Investment<br>company | Palestine<br>Securities<br>exchange<br>company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>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<br>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<br>Real<br>Estate<br>Investment<br>company | Palestine<br>Industrial<br>Investment<br>company | Palestine<br>Securities<br>exchange<br>company | Nakheel<br>Palestine for<br>Agricultural<br>Investment<br>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<br>cash and cash equivalents | (32)   | 3,557  | 214  | 224   |

## 5. Property, Plant and Equipment

| U.S. \$ 000's                                    |        |                             |                     |                         |                                |                |           |                        |   |            |         |
|--|--------|-----------------------------|---------------------|-------------------------|--------------------------------|----------------|-----------|------------------------|---|------------|---------|
|  | 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   |
| 2021   |        |                             |                     |                         |                                |                |           |                        |   |            |         |
| 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                                  |         |                             |                     |                         |                                |                |           |                        |   |            |         |
|--|---------|-----------------------------|---------------------|-------------------------|--------------------------------|----------------|-----------|------------------------|---|------------|---------|
|  | 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   |
| 2020   |         |                             |                     |                         |                                |                |           |                        |   |            |         |
| 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                                  |              |               |   |  |   |  |                                      |
|--|--------------|---------------|---|--|---|--|--------------------------------------|
|  |              |               | 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) |
| Cost   | Goodwill (A) | Trademark (B) |   |  |   |  | Total                                |
| 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                         |
| <u>Amortization and impairment</u>             |              |               |   |  |   |  |                                      |
| 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        |
|                          | <u>7,559</u>  | <u>7,559</u> |

### Key assumptions used in the calculation of the value in use

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

#### Discount rate

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

#### Growth rate estimates

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

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

#### Financial market segment

The recoverable amount of the financial market segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 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        |
|              | <u>44,579</u> | <u>45,627</u> |

\* 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                |
|   |  | <u>18,776</u>     | <u>12,652</u>     |

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         |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | U.S. \$ 000's | U.S. \$ 000's | U.S. \$ 000's | U.S. \$ 000's |
| 2021                        |               |               |               |               |
| 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     | <u>4,849</u>  | <u>4,032</u>  | <u>169</u>    | <u>9,050</u>  |

|                             | Land    | Buildings | Vehicles | Total   |
|-----------------------------|---------|-----------|----------|---------|
|                             | U.S. \$ | U.S. \$   | U.S. \$  | U.S. \$ |
| 2020                        | 000's   | 000's     | 000'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. \$           | U.S. \$ |
|                            | 000'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<br>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          |
|  |                   |             |       | <u>405,488</u>                   | <u>376,142</u> |

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

|   | 2021<br>U.S. \$ 000's | 2020<br>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  | <u>405,488</u>        | <u>376,142</u>        |

\* 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<br>Telecommunications<br>Company | Jericho<br>Gate for<br>Real Estate<br>Investment | Vegetable<br>Oil<br>Industries<br>Company | Palestine<br>Power<br>Generating<br>Company | Jordan<br>Vegetable<br>Oil Industry<br>Company | Pal Aqar<br>for Real<br>Estate<br>Company | Golden<br>Wheat<br>Mills<br>Company | Total     |
| Associates' statement of<br>financial position:                  |  |  |   |   |  |   |                                     |           |
| Non-current Assets   | 869,579                                    | 63,002   | 105,476                                   | 15,578                                      | 3,959  | 1,711                                     | -                                   | 1,059,305 |
| Current Assets   | 354,500                                    | 63,199   | 10,693                                    | 2,145                                       | 7,570  | 4,327                                     | -                                   | 442,434   |
| Non-current Liabilities  | (189,631)                                  | (171)  | (22,481)                                  | (385)                                       | -  | (273)                                     | -                                   | (212,941) |
| Current Liabilities  | (314,738)                                  | (42,361)   | (13,266)                                  | (523)                                       | (1,871)  | (3,533)                                   | -                                   | (376,292) |
| Total equity   | 719,710                                    | 83,669   | 80,422                                    | 16,815                                      | 9,658  | 2,232                                     | -                                   | 912,506   |
| Equity attributable to<br>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<br>investment                                 | 339,569                                    | 32,357   | 27,750                                    | 3,363                                       | 2,032  | 417                                       | -                                   | 405,488   |
| Revenues and results of<br>operations:                           |  |  |   |   |  |   |                                     |           |
| 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<br>of operations                       | 29,426                                     | 4,709  | 5,776                                     | (66)  | 248  | 9   | 68                                  | 40,170    |
| PADICO's share of change<br>of fair value of financial<br>assets | 8,484                                      | -  | 1,154                                     | -   | 59   | -   | -                                   | 9,697     |
| PADICO's share of foreign<br>currency translation<br>differences | (50)                                       | -  | 1,674                                     | -   | -  | -   | -                                   | 1,624     |

December 31, 2020

U.S. \$ 000's

|  | Palestine<br>Telecommunications<br>Company | Jericho<br>Gate for<br>Real Estate<br>Investment | Vegetable<br>Oil<br>Industries<br>Company | Palestine<br>Power<br>Generating<br>Company | Jordan<br>Vegetable<br>Oil Industry<br>Company | Pal Agar<br>for Real<br>Estate<br>Company | Golden<br>Wheat<br>Mills<br>Company | Total     |
|--|--|--|---|---|--|---|-------------------------------------|-----------|
| Associates' statement of<br>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<br>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<br>investment                                 | 319,203                                    | 27,648   | 20,069                                    | 3,179                                       | 1,965  | 409                                       | 3,669                               | 376,142   |
| Revenues and results of<br>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<br>of operations                       | 19,370                                     | 2,003  | 2,867                                     | (105)                                       | 265  | (41)                                      | 18                                  | 24,377    |
| PADICO's share of change<br>of fair value of financial<br>assets | (11,972)                                   | -  | (2,006)                                   | -   | (61)   | -   | (10)                                | (14,049)  |
| PADICO's share of foreign<br>currency translation<br>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<br>origin | Ownership % |      | U.S. \$ 000's<br>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<br>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<br>2021 |
|--|-----------------------|
| <u>Joint venture statement of financial position:</u>      |                       |
| 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                    |
| <u>Results of operations:</u>                              |                       |
| 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        |
|   | <u>70,944</u> | <u>66,522</u> |

\* 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)        |
|   | <u>(71,997)</u> | <u>(88,067)</u> |
| Attributed to non-controlling interests   | (1,128)         | 1,951           |
| Balance, end of year  | <u>(73,125)</u> | <u>(86,116)</u> |

## 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        |
|                                    | <u>1,076</u> | <u>868</u> |

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          |
|                                 | <u>1,870</u> | <u>1,555</u> |

### 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)         |
|                                      | <u>26,318</u> | <u>24,336</u> |

\* 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           | <u>405</u>   | <u>111</u> |

#### 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        |
|  | <u>20,134</u> | <u>28,281</u> |

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  | <u>18,066</u> | <u>22,513</u> |

## 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:

|  | 2021<br>U.S. \$ (000) | 2020<br>U.S. \$ (000) |
|--|-----------------------|-----------------------|
| <u>Results of discontinued operations</u>  |                       |                       |
| 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<br>U.S. \$ (000) | 2020<br>U.S. \$ (000) |
| <u>Basic and diluted earnings per share</u>  |                       |                       |
| 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<br>U.S. \$ (000) | 2020<br>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)      |
|  | <u>82,915</u> | <u>91,655</u> |

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          |
|               |      | <u>119,542</u> |

#### 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 to 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<br>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<br>comprehensive income | 30,207                       | Note (11) |
| Inventory and ready for sale properties                              | 9,302                        | Note (13) |
| Investments in subsidiaries  | 35,033                       | -         |
| Total  | <u>183,439</u>               |           |

### 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           | <u>6,186</u> | <u>6,420</u> |

## 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           |
|                            | <u>9,224</u> | <u>10,704</u> |

\* 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         |
|                   | <u>10,344</u> | <u>12,197</u> |

## 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        |
|                                  | <u>39,852</u> | <u>35,824</u> |

## 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                 | <u>1,751</u> | <u>1,622</u> |

\* 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 pursuing 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           |
|  | <u>75,160</u> | <u>67,791</u> |

### 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           |
|  | <u>13,272</u> | <u>13,096</u> |

### 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           |
|  | <u>13,170</u> | <u>14,071</u> |
| 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)         |
|  | <u>12,766</u> | <u>13,656</u> |



### 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           |
|   | <u>12,427</u> | <u>12,190</u> |
| Depreciation and amortization allocated to palm trees (notes 5 and 9)   | (527)         | (556)         |
| Net depreciation and amortization                                       | <u>11,900</u> | <u>11,634</u> |
| Depreciation and amortization allocated to operating expenses and costs | (10,794)      | (10,371)      |
|   | <u>1,106</u>  | <u>1,263</u>  |

### 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            |
|  | <u>(6,002)</u> | <u>(6,429)</u> |

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

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

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

|   | Nature of Relationship   | U.S. \$000's |       |
|---|--|--------------|-------|
|   |  | 2021         | 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:

|  | Date of Valuation | Total  | Fair value measurement using              |  |  |
|--|-------------------|--------|---|--|--|
|  |                   |        | Quoted Prices in active markets (Level 1) | Significant observable inputs (Level2) | Significant unobservable inputs (Level3) |
|  |                   |        | U.S. \$000's                              |  |  |
| <b>Assets measured at fair value</b>   |                   |        |   |  |  |
| 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                                    |
| <b>Assets for which fair value is disclosed</b>                                    |                   |        |   |  |  |
| 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:

|  | Date of Valuation | Total  | Fair value measurement using                          |   |   |
|--|-------------------|--------|---|---|---|
|  |                   |        | Quoted<br>Prices in<br>active<br>markets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level2) | Significant<br>unobservable<br>inputs<br>(Level3) |
|  |                   |        | U.S. \$000's  |   |   |
| <u>Assets measured at fair value</u>   |                   |        |   |   |   |
| Financial assets at fair value<br>through other comprehensive<br>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<br>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<br>(note 17)  | December 31, 2020 | 1,553  | -   | -   | 1,553   |
| <u>Assets for which fair value is<br/>disclosed</u>                                      |                   |        |   |   |   |
| 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           |
| <b>Financial assets</b>   |                 |                |                |                |
| 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         |
|   | <u>137,921</u>  | <u>141,174</u> | <u>137,921</u> | <u>141,174</u> |
| <b>Financial liabilities</b>  |                 |                |                |                |
| Debt Bonds  | 120,000         | 120,000        | 120,000        | 120,000        |
| Loans, borrowings 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         |
|   | <u>278,611</u>  | <u>296,018</u> | <u>278,611</u> | <u>296,018</u> |

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

- The fair values of 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:

|             | <u>Increase in<br/>interest<br/>rate<br/>(basis<br/>points)</u> | <u>Effect<br/>on profit<br/>before tax<br/>U.S. \$<br/>000's</u> |
|-------------|---|--|
| <u>2021</u> |   |  |
| Currency    |   |  |
| U.S.\$      | 20  | (137)  |
|             | <u>Increase in<br/>interest<br/>rate<br/>(basis<br/>points)</u> | <u>Effect<br/>on profit<br/>before tax<br/>U.S. \$<br/>000's</u> |
| <u>2020</u> |   |  |
| 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          |
| <u>December 31, 2021</u>                                      |               |                    |                |                |                   |                |
| 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         |
|   | <u>14,271</u> | <u>20,275</u>      | <u>42,320</u>  | <u>239,288</u> | <u>12,524</u>     | <u>328,678</u> |
| <u>December 31, 2020</u>                                      |               |                    |                |                |                   |                |
| 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         |
|   | <u>22,207</u> | <u>17,271</u>      | <u>169,574</u> | <u>100,982</u> | <u>16,477</u>     | <u>326,511</u> |

## 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                            |                  |
|--|------------------------------|---|------------------|
|  | Increase in equity price (%) | Effect on consolidated income statement | Effect on equity |
| <u>2021</u>                                    |                              |   |                  |
| 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>2020</u>                                    |                              |   |                  |
|  | 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<br>New Israeli<br>Shekel to<br>U.S. \$<br>% | Effect on<br>consolidated<br>income<br>statement<br>U.S. \$000's | Increase in<br>other<br>currencies<br>to U.S. \$<br>% | Effect on<br>consolidated<br>income<br>statement<br>U.S. \$000's |
|-------------|---|--|---|--|
| <u>2021</u> |   |  |   |  |
| U.S.\$      | 20  | 1,675  | 20  | (155)  |
| <u>2020</u> |   |  |   |  |
| 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        |
|   | <u>94,762</u> | <u>97,206</u> |

#### 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:

|  | Industrial and Securities |                    |                     |               |                | Eliminations | Consolidated |
|--|---------------------------|--------------------|---------------------|---------------|----------------|--------------|--------------|
|  | Investment sector         | Real estate sector | agricultural sector | market sector | Tourism sector |              |              |
| December 31, 2021  | U.S. \$                   | U.S. \$            | U.S. \$             | U.S. \$       | U.S. \$        | U.S. \$      | U.S. \$      |
| <u>Revenues</u>  |                           |                    |                     |               |                |              |              |
| 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      |
| <u>Other information</u>   |                           |                    |                     |               |                |              |              |
| 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       |
| <u>Assets and liabilities</u>  |                           |                    |                     |               |                |              |              |
| 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      |

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#### 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.





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