صندوق الاستثمار الفلسطيني
Palestine Investment Fund

ANNUAL REPORT

2013

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As our efforts to set the foundations of an independent Palestinian state continues, PIF plays an active and distinctive role, in building a strong Palestinian economy, and fulfilling the aspirations of the Palestinian people who has long suffered from occupation, and who deserves a decent life, like the rest of the nations.

I am proud of PIF and its employees, for the role it plays towards achieving a sustainable economy. It has my best wishes for brighter future and more accomplishments to come.

Mahmoud Abbas
President of Palestine

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Letter from the Chairman;

Ladies and Gentlemen:

On behalf of the Board of Directors; I am pleased to present you with Palestine Investment Fund's ("PIF") annual report for the year 2013, which highlights PIF's financial performance in 2013, and provides a summary of PIF's achievements and new programs launched during the year.

The political impact of the upgrade of Palestine status in the UN to an observer state in late 2012 has gained momentum in 2013. The effort at the political front was supported by a national effort at all fronts including the economic front to establish the Palestinian state on the ground.

The difficult situation the Palestinian economy is going through which is reflected by slowdown in the economic growth, high unemployment rate, poverty, public budget deficit and trade deficit. To exit for this situation, the Palestinian economy is required to create thousands of job opportunities during the next decade, and to grow at multiples of its current rate.

To that end, we continue our efforts to build a strong independent economy that can overcome the current challenges and obstacles imposed by the Israeli occupation, and to deal with the Palestinian economy's structural distortions which limited its growth potentials, to create job opportunities and to increase productivity.

PIF plays a leading role in the national economic development plan to establish the basis for a strong independent economy, through originating and investing in developmentally sound strategic projects in vital and viable economic sectors, in partnership with the public and private sectors.

Ladies and Gentlemen:

Allow me to brief you on PIF achievements in 2013. We have launched "Sharakat" Fund, a dedicated fund for investment in small and medium sized enterprises "SMEs", to develop this vital sector of the Palestinian economy and to overcome the access to finance challenge that faces this sector.

"Sharakat" had invested in a number of projects in vital economic sectors in addition to projects in certain important geographic areas including Jerusalem and the Dead Sea and Jordan valley region, through providing additional capital to expand activities, increase operational capacity, enter new markets and create job opportunities.

Over the past year "Sharakat" invested more than US$10 million in projects in a number of sectors including; agriculture, tourism, information technology, microfinance and Islamic finance. "Sharakat" investment has enabled these projects to improve their operations, expand their business activities, and to attract and recruit qualified labor force.

Ladies and Gentlemen:

On the real estate sector, Amaar Group which manages PIF's real estate investment portfolio implements a number of residential, hospitality , and commercial real estate projects including; Al Rehan and Al Jinan neighborhoods , Al Ersal commercial center, a number of hotels in Ramallah, Bethlehem, Jericho and Jerusalem, and "Madinat Al Qamar" in Jericho.

Amaar projects are in line with PIF strategy to provide affordable housing for Palestinian citizens, in addition to developing certain politically important regions such as the Jordan Valley where Ammar is implementing "Madinat Al Qamar" project that will revitalize the Jordan Valley economy, create job opportunities for its residents, and strengthen the Palestinian presence in the area and improve the living standards of its residents, to keep them on their land and to support their steadiness against the occupation.

Ammar projects have created business opportunities for the Palestinian private sector, where these projects are implanted by private real estate development and construction companies. In addition to the real estate companies, a number of complementary sectors have benefited from these projects including; stone and marble, and engineering firms.

On the construction materials sector, Palestine Commercial Services Company ("PCSC") has started the transformation process from being an importer and distributer of cement, into a producer of Cement and other construction materials. PCSC has published the tendering documents for full study to establish the first cement factory in Palestine. The study will include the feasibility, location, geological tests, raw materials tests, in addition to the technical and logistical details along with determining the required technology details including; equipment, production lines and energy.

Regarding infrastructure, PIF and its partners continue to put forth significant efforts to start the development Gaza gas project and to improve the project conditions. In addition, we are working with partners on establishing two power generation companies in the west bank, one in the Jenin governorate and the other in Hebron governorate. Beside the development of Rantis oil field in the West Bank.

On the other hand; PIF had paid special attention to the development of Jordan Valley and Dead Sea areas as part of its strategy to utilize area (C) resources for the benefit of the Palestinian economy, and to overcome the obstacles imposed by Israeli occupation that hindered the development of this area. Therefore; PIF has started implementing a comprehensive development program which includes a number of developmental projects across vital economic sectors including agriculture, manufacturing, real estate, and hospitality, which will revive the region's economy and create job opportunities for its residents. These projects include; Jericho agro-industrial park, which will help promoting Jordan Valley's agricultural and industrial products, and Madinat Al Qamar which will be the first tourism destination in Palestine with a number of residential and touristic facilities.

Ladies and Gentlemen:

On the financial front, PIF's 2013 profit before taxes reached US$40.8 million, exceeding budget by 18%, and bringing total profits since inception to US$868.4 million.

On the assets side, PIF assets have reached US$771 million by end of 2013, after the PIF's Board approval of US$20 million in dividend distribution to the Palestinian treasury, bringing total dividend distribution since inception to US$713.6 million, which reflects a growth in assets to US$1,583 million assuming no dividend distribution was made and that shareholder current account of US$100 million was settled.

Sisters and Brothers:

Finally, I would like to express my sincere gratitude, as well as the gratitude of my colleagues at PIF's Board of Directors, and PIF's staff members, to His Excellency President Mahmoud Abbas, for his continued support and his guidance. I would also like to express my gratitude to the Palestinian Government and its public institutions. Furthermore, I would like to thank all of our partners, within Palestine and abroad, for their contribution towards building an independent Palestinian State and an independent economy.

Our deepest gratitude is also expressed to the General Assembly, the Board of Directors, and the staff of PIF and its subsidiaries for their continued efforts.

Sincerely,

Dr. Mohammad Mustafa

Chairman

Chapter One

About Palestine Investment Fund

About Palestine Investment Fund

Palestine Investment Fund was established as a public shareholding Company, financially and administratively independent, it has an independent Board of Directors and General Assembly. PIF manages a strategic investment program in a number of vital sectors directly, through a number of fully owned subsidiaries, or in partnership of private sector PIF is managed in a professional manner based on the principles of transparency, accountability and governance.

PIF's Mission

PIF's main mission is to actively contribute to the building of a strong and independent Palestinian national economy with focus on sustainable development. In fulfilling its mission, PIF has adopted an investment strategy according to which PIF's investments are allocated among the vital sectors of the Palestinian economy including: small and medium enterprises sector, real estate and tourism sector, infrastructure sector, and capital markets sector, in addition to an investment program for Jordan Valley and Area (C) development.

PIF's Vision

PIF's main objective is to build a sustainable and independent Palestinian economy, This objective compliments the Palestinian Government efforts on the political front to build the Palestine Independent State. PIF's vision stems from its developmental role of contributing to the steadfastness of the people of Palestine and to build a healthy foundation for the independent Palestinian state.

Transparency and Governance

PIF entrenches the principles of corporate governance and transparency, Strong corporate governance practices assure the shareholder, the People of Palestine, that PIF is being operated in their interests, and made PIF's more attractive to business partners, locally and internationally.

Since inception, PIF has implemented a number of policies and procedures that formed the key elements of its strong corporate governance structure. These elements include:

- Having an Independent General Assembly and Board of Directors.
- Subjecting its operations to internal audit by a leading international auditing firms.
- Auditing its financial statements by one of the leading international auditing firms.
- Subjecting its operations to state audit by the Government's Audit and Administration Bureau.
- Adopting financial and administrative policies and procedures based on international best practices and standards.
- Adhering to transparency and disclosure principles.
- Adopting a corporate governance manual based on international best practices and standards.

General Assembly

The General Assembly represents PIF's ultimate shareholder, the people of Palestine. It executes its obligations in accordance with PIF bylaws and the Palestinian Companies law. The General Assembly provides strategic guidance to the Board of Directors, reviews annual reports, and approves the distribution of dividends to the Palestinian treasury. The General Assembly also appoints the external auditor on the basis of the Board of Directors recommendations. The General assembly is appointed by the president for three years term.

Board of Directors

PIF operations are overseen by an independent eleven members Board of directors, responsible for setting and overseeing PIF's goals and objectives. The Board is appointed by the President for a three years term. Members of the Board are reputable experts in finance and management with extensive knowledge of the local market. An executive management team oversees daily operations, reporting directly to the Board of directors.

Governance Mannual

PIF adopts a comprehensive governance code that covers the Board of Directors and its committees, conflict of interests, transparency and disclosure, compliance and internal and external audit. The code was developed with the assistance of a leading international consulting firm based on best practices. This manual forms the basis for all the policies and procedures that govern PIF.

Policies and Procedures

PIF adopts detailed policies and procedures that are in line with best practices. These policies and procedures regulate managerial and investment decision making process. It is also subject to a strict authority matrix for investment decision making. According to this authority matrix all investment decisions reviewed by PIF's executive committee, and approved either by the Board investment committee or the Board of Directors.

Transparency and Disclosure

PIF is committed to the transparency and disclosure principles, which is manifested in the commitment to disclose its mission, its organization structure, its investment programs, and its operational and financial performances. This is done using several outlets, including; PIF's website, annual report, press releases and conferences and various printed materials in both Arabic and English.

PIF also issues annual reports highlighting PIF's annual activities, audited financial statements approved by the Board of Directors, PIF's financial position, and transactions with related parties.

PIF Financial, Economic, and Institutional Performance

PIF has achieved positive results at the three levels: financial, economic, and institutional building. Thus presenting a model of a Palestinian institutions ability to sustain and deliver in an unstable economic environment.

1. Financial

PIF's investment program has achieved an annual return of US$40.8 million before tax in 2013, an 18% over budget, bringing PIF total profit since inception to US$868.4 million.

On the dividend side, PIF had transferred US$20 million to the Palestinian Ministry of Finance as an advanced payment of 2013 profit, bringing the total dividend distribution since inception to US$713.6 million. PIF assets has reached US$771 million by the end of 2013, which could have been reached US$1583 million assuming no dividend distribution, while the owners' equity reached US$676.6 million. PIF has launched Sharakat Fund for small and medium enterprises during 2013, Sharakat has invested in a number of SMEs during the year with a total value of US$10.2 million.

Khazanah, PIF's capital markets investment arm, has achieved 26% growth in the net income in 2013, where net income reached US$19.9 million compared to US$15.7 million in 2012. While comprehensive income has increased by 184% reaching US$39.8 million compared to US$14 million in 2012.

Palestine Commercial Services Company "PCSC" operating income grew by 8% in 2013 reaching US$26.8 million compared to US$24.8 million in 2012. PCSC's pre-tax income increased by 11% in 2013 reaching US$24 million compared to US$21.6 million in 2012.

As for Amaar Real Estate Group, PIF Real Estate investment arm, it has achieved a pre tax income of US$4.9 million in 2013.

Wataniya Mobile has achieved growth of 14% in operating income which reached US$40 million in 2013 compared to US$35 million in 2012. Its net losses has declined by 10% in 2013 to US$21.3 million compared to US$23.8 million in 2012. Wataniya's EBIDTA has reached US$9 million in 2013 compared to US$6.4 in 2012.

2. Economic

PIF has made significant contributions to the national economy. These contributions were multidimensional including supporting the private sector through launching a number of programs and projects in partnership with the private sector in vital sectors of the Palestinian Economy. These partnerships brought additional capital, knowledge, expertise, infrastructure and other sources of value to the Palestinian private sector and increased its competitiveness.

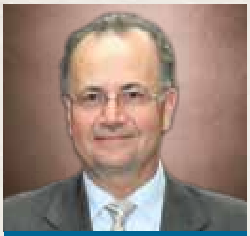
PIF has worked during the past few years to transfer much of its assets into Palestine. The goal of this strategic shift is to optimize the developmental impact of PIF's overall activities. By end of 2013, Palestinian investments accounted for 82% of PIF's total investments.

3. Institutional

PIF believes strongly that good corporate governance is critical to its long-term success.

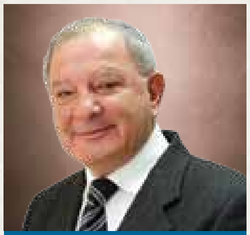
PIF adopts detailed policies and procedures that are in line with best practices. These policies and procedures regulate managerial and investment decision making process.

Board of Directors



Dr. Mohammad Mustafa – Chairman of the Board

Deputy Prime Minister for Economic Affairs. Dr. Mustafa is the chairman of the board of directors of Palestine Investment Fund. He holds a Doctorate and a Master's degree in management and economics from George Washington University in the United States, and a Bachelor's degree in engineering from the University of Baghdad. He also serves as the chairman and board member of number of companies. Dr. Mustafa previously held senior positions at the World Bank and a number of regional and local companies and funds.



Mr. Maher Al Masri

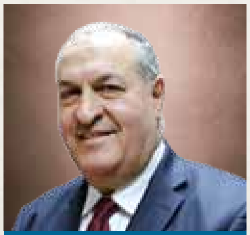
Former Minister of the National Economy and former Chairman of the Board of directors of Palestine Capital Market Authority. Mr. Al-Masri is a member of the board of trustees of Palestine Economic Policy Research Institute (MAS). He holds Master's degree in Economics. He has worked as an economist at the Associated Consulting Engineers in Beirut and London during the 1970s. He returned to the West Bank to manage the Vegetable Oil Company in Nablus till 1996, he was the Minister of Commerce and Economy till 2005. Mr. Al-Masri was the head of the Palestinian Investment Promotion Agency, the Palestine Standards Institution, and the Industrial Cities Authority.

Dr. Jihad Al Wazir

Dr. Al Wazir is the Governor and Chairman of the Board for Palestine Monetary Authority since 2008. He is the Deputy Chairman of the Board of Trustees for the Arab American University in Jenin. He holds a Doctorate degree in Business Administration. Dr. Al Wazir is the founder of the Palestinian internet domain (.ps), he is also the Chairman of the Board for the Palestinian National Internet Authority.

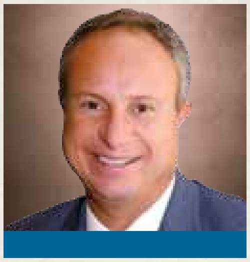
Mr. Mohammad Abu Ramadan

Mr. Abu Ramadan is the Planning Affairs Minister till june 1, 2014. He was the Chairman of Abu-Ramadan Investment Group, the Chairman and CEO of the Gaza Bus Company, Deputy Chairman of Palestine Insurance Company and PalTrade. Furthermore; he was a Board of Directors member of the Palestine Monetary Authority. Mr. Abu-Ramadan holds a Bachelor's degree in Business Administration from Syracuse University in the United States.



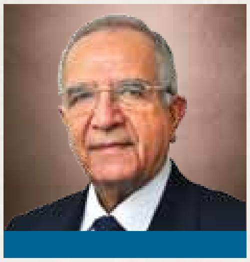
Mr. Mazen Sinokrot

Mr. Sinokrot is the founder of Sinokrot International Group. He holds a Bachelor's degree in Production Management and Industrial Engineering from Nottingham University in the UK in 1980. He led the national efforts to establish many private sector institutions, such as Palestinian Food Industries Union which he had run for many years. Moreover; he is the founder of Paltrade and the first Chairman of the Board at that time and the founder of the first Jerusalem-based Holding Company "Al-Quds Holding". Mr. Sinokrot is the former Minister of National Economy.



Mr. Samer Khoury

Mr. Khoury is the Executive Vice President for Engineering, and Construction at the Consolidated Contractors Company (CCC); one of the most popular engineering and construction companies in the Middle East. He is an economic activist; he is a Board Member in more than 28 entities around the world. Mr. Khoury holds a Bachelor degree in Civil Engineering from California State University and a Master Degree from University in Southern California.

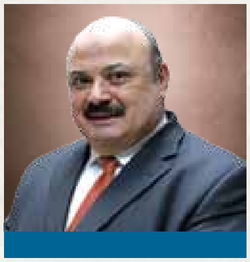


Eng. Nabil Al Sarraf

Mr. Al-Sarraf is the Chairman of the Board of the Palestine Real Estate Investment Company (PRICO) and the Deputy Chairman of the Palestine Development and Investment Company (PADICO). Furthermore; he is a Board Member in some of the leading Arab and Palestinian companies including Gaza Power Generation Company (GPGC). Mr. Al-Sarraf holds a Master's degree in Civil Engineering from Aachen University in Germany.

Mr. Tareq Al Aggad

Mr. Al Aggad is the Chief Executive Officer and the Chairman of the Board for the Arab Palestinian Investment Company (APIC), and an Executive Board Member at Al Aggad Investment Company (AICO). In addition he is a Board Member at many manufacturing, distributing and servicing companies in Palestine, Jordan and Saudi Arabia. More so; he hold a Bachelor Degree in Economics from Harvard University in the United States.



Mr. Azzam Al Shawwa

Former Minister of Energy. Mr. Shawwa is currently the General Manager of Palestine Commercial Bank. He was the Chairman of the Palestinian Banks Association in 2012. Mr. Shawwa is an active Board Member in many local and international Organizations, Institutions and NGOs. Mr. Al Shawwa holds a Bachelor's Degree in Mathematics from Memphis University in the United States.

Mrs. Lana Abu Hijleh

Mrs. Abu Hijleh is a local and international developmental expert who holds a Bachelor Degree in Civil and Environmental Engineering; she has worked with International Associations in Palestine. Mrs. Abu Hijleh is currently the General Director of CHF International in Palestine. She is an active volunteer in a number of Palestinian and international nongovernmental organizations and private sector institutions.

Dr. Mohammad Nasr

Dr. Nasr is the Dean of the Faculty of Business and Economics at Beir Zeit University besides being the Chairman of the Board of the Palestinian Governance Institute. Formerly he was Palestine Economy Research Institute (MAS) General Manager, the Head of the MBA program at Beir Zeit University,and the Head of the Economics Department in Al Yarmouk University in Jordan. Mr. Nasr holds a Doctorate Degree in Economics from Ohio University in the United States and a Masters Degree in Business Administration from Wayne University in the United States.

Executive Management

Dr. Durgham Maraee
Chief Investment Officer (CIO)

Emad Qamhieh
Chief Finance Officer (CFO)

Abed Al Hamid Al Abwah
Chief Operating Officer (COO)

Basem Abed Al Halim
General Manager of Khazanah Asset Management Company

Eng. Muneif Treish
Chief Executive Officer of Amaar Real Estate Group

Louai Kawas
General Manager of Palestine Commercial Services Company

Anas Arfaeya
Head of Legal Department

Fadi Dweik
Head of Internal Audit Department

PIF's General Assembly

1. Dr. Mohammad Mustafa
2. Governor of the Palestine Monetary Authority
3. Chairman of the Board of Directors, Palestine Stock Exchange
4. Chairman of the Federation of the Palestinian Chambers of Commerce
5. Chairman of the Board, Capital Markets Authority

6. President of the Private Sector Coordination Council
7. Presidential Court Director
8. Representative of Palestinian Business Women Forum Board of Directors
9. Mr. Samer Khoury
10. Mr. Nabil Al-Sarraf
11. Mr. Mazen Sinokrot
12. Mr. Mohammad Abu Ramadan
13. Mr. Tareq Al-Aggad
14. Mr. Azzam Al-Shawwa
15. Mrs. Lana Abu Hijleh
16. Dr. Mohammad Nasr
17. Dr. Khalil Hindi
18. Dr. Mohammad Shtayyeh
19. Dr. Khaled Al-Qawasmeh
20. Mr. Kamal Hassouneh
21. Mr. Waleed Salman
22. Mr. Jawdat Al-Khudari
23. Dr. Hani Nijem
24. Mr. Sam Bahour
25. Mr. Abdulkader Al-Husseini
26. Mrs .Dina Al-Masri
27. Mr. Hashim Shawa
28. Mr. Ahed Bseiso
29. Mr. Nassar Nassar
30. Mr. Eyad Joudeh

Chapter Two
Investment Portfolios

Small and Medium Enterprises Portfolio

The Micro, Small and Medium sized Enterprises (MSMEs) sector plays a critical role in the social and economic development of Palestine. It employs 85% of the private sector labor force and contribute more than 55% to the country's GDP. As such, the sector has proved to be the most important sector of the Palestinian economy. It has also contributed in developing some vital sectors, such as; manufacture, agriculture and information technology.

Palestine Investment Fund Realized the importance of this sector in developing the Palestinian economy and creating job opportunities. Accordingly, PIF has allocated significant resources to the SME sector. It has launched a number of vital programs to invest in this sector

These programs include the following:

- Sharakat Fund
- Palestine Growth Capital Fund
- Financing Programs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Sharakat for Small and Medium Enterprises Investments

Sharakat was launched as an investment and financing platform, structuring, managing and monitoring the investment fund that was allocated to work on micro, small and medium sized enterprises, in addition to monitoring some funding and financing programs in this sector managed by PIF's partners.

"Sharakat" Investment Fund targets specific vital economic sectors, such as industry, agro-business, information technology, microfinance, health and education; in certain geographic areas including Jerusalem and Jordan Valley.

Sharakat involvement in the SMEs sector takes different forms that range between direct and indirect equity investments to direct and indirect loan provisions and loan guarantee schemes.

Below is a brief about Sharakat investment and financing portfolios:

Souktel

Sharakat invested US$200K in Souktel, a job search company. Souktel's services allow targeted clients to search for jobs and reach out to potential employers through their mobile phones (SMS). Sharakat's investment in Souktel will allow the company to further develop its services, and to expand its existing activities and will enable it to grow and expand locally as well as regionally."

Ijara Palestine

Sharakt has launched the first Palestinian Islamic leasing Company in partnership with the Islamic Corporation for the Development of the Private Sector and Palestine Islamic Bank. Ijara's Capital is US$ 12 million, of which Sharakat contributed US$ 4 million. Ijara will provide Shariah-compliant leasing services targeting small and medium-sized entities.

Pal Farm

Sharakat had invested US$1.65 million to establish Pal Farm which is specialized in milk production in partnership with Al Jibreeni Company. The established company will include a storage area, cooling tanks, transportation vehicles, administration building and other needed equipment. This investment will contribute in developing the food industry sector. It will help developing and expanding the farm improve production and create job opportunities at the farm.

Strand Hotel

Strand Hotel was established in Jerusalem in 1970 and was recently rented by a company owned by Sharakat Fund and Al Quds Holding Company. The company will renovate the hotel and upgrade its services. Sharakat Fund had invested US$870K in the joint company capital. The capital will be used in renovating and rehabilitating the hotel and will provide job opportunities during the construction phase and after opening the hotel which will be a prominent tourist mark in the Holy City.

Al Anoud for Educational Games

PIF had invested US$200K in Al Anoud Company to help the company improve its operations and to facilitate to access new markets. Al Anoud aims to assist in the provision of quality education through dissemination of educational aid models that will enhance children participatory learning.

Transcend-Support Company

Transcend Support Ltd. specializes in offering voice and non-voice business support services to local, regional, and international companies.

Sharakat had invested US$300K in this company to expand Transcend activities, to attract more qualified locals employees, to develop its management system, and in order to design and implement advertisements and promotional campaigns.

Palestine for Credit & Development- Faten

Faten is the largest microfinance institution in Palestine; it manages a lending portfolio of US$44 million. This institution provided 130 thousand loans in various economic sector. Sharakat had invested US$3 million in this company that were used for financing micro projects in areas that were affected by the separation wall and were also used in the agriculture sector.

Palestine Growth Capital Fund

Palestine Investment Fund had launched Palestine growth capital fund, a private equity fund for investment in small and medium enterprises in partnership with Abraaj Capital in the United Arab Emirates with an investment amount of around US$50 million. Later on other partners such as; the European Investment Bank (EIB), CISCO, and the International Financing Company (IFC) were attracted to the fund.

PGCF covers a number of economic sectors, such as communication and information technology, education, health care, industry, tourism, trade and agriculture. The Fund will contribute to expanding the activities of a select number of projects through providing them with investment capital, technical assistance, and working side by side with them to expand their target markets locally and abroad.

PGCF had invested in Thimar, a leader in fresh herbs production and marketing in Palestine as well as regional and international markets including the United States and Europe. PGCF also invested Al Anoud, a designer and producer of interactive educational games. The fund has plans to invest in other sectors during 2014.

Financing Programs

Sharakat Financing Facilities support a wide section of MSMEs, cover a wide geographic area, and include direct lending facilities (both conventional and microfinance), and loan guarantee facilities. Sharakat's Financing Facilities, which are managed by partners, include: Loan Guarantee Facility, Jerusalem SME Lending Facility, and Lebanon Refugee Camps Microfinance Facility.

Loan Guarantee Program

The main obstacle facing Palestinian SME's and inhibiting their growth and development is their limited access to capital. Local banks usually require guarantees that can reach up to 200% of the loan value. With such extreme requirements, SMEs are unable to get the funds needed to develop their businesses. Therefore, and to solve this daunting problem facing all Palestinian SMEs, the Loan Guarantee Facility (LGF) aims to help small businesses by providing loan guarantees to local banks.

LGF is a landmark program that PIF launched in partnership with leading international and local investors and development agencies to facilitate SMEs access to affordable finance by offering local banks the guarantees needed to loan SMEs over $230 million over five years. PIF share of the program is US$ 50 million.

Economic Empowerment Program For Palestinian Refugees In Lebanon

Out of PIF commitment to support the Palestinian refugees in Lebanon, it has launched the Economic Empowerment Program with US$1.5 million for SMEs in refugees. The program is managed through a number of microfinance institutions in Lebanon to provide microloans of US$500 – US$5,000 per loan to create new business and support existing ones to provide job opportunities for Palestinians in refugee camps.

Jerusalem SME Lending Facility

This program was established in collaboration with the Palestinian Development Fund, and aims to provide loans with a total amount of US$ 2 million for small and medium enterprises in Jerusalem, while each loan ranges from US$25K to US$100K. The purpose of these loans to expand the activities of these SMEs and to activate the vital economic sectors in the city, and to support the inhabitants' steadiness.

Our Partners in SME Sector

Abraaj Group

Manage Palestine Growth Capital Fund (PGCF) & Co-investor in Anoud Games

Abraaj Capital is the largest private equity firm in the Middle East and North Africa and a leading investor operating in emerging markets of Asia, and Latin America. It was founded in 2002, and currently has US$7.5 billion in assets under management.

Islamic Corporation for the Development of the Private Sector (ICD)

Co-Investor in Ijara Company

The Islamic Corporation for the Development of the Private Sector is a multilateral organization affiliated with the Islamic Development Bank Group. The Corporation aims at supporting the economic development of its 49 Islamic member countries through provisions to financially fund and support private sector projects in accordance with the principles of the Islamic law. ICD is PIF's co-investor in Ijara Company.

Arab Fund for Economic and Social Development

Partner in Jerusalem SME Lending Facility

The Arab Fund for Economic and Social Development is a Kuwaiti-based Arab regional financial institution focused on funding economic and social development by financing public and private investment projects and providing grants and financial expertise. The Arab Fund is PIF's partner in Jerusalem SME Lending Facility.

Overseas Private Investment Corporation (OPIC)

Partner in Loan Guarantee Facility (LGF)

Overseas Private Investment Corporation is an American governmental agency that supports the economic development of developing countries by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC is PIF's partner in the Loan Guarantee Facility (LGF).

Palestine Islamic Bank

Co-Investor in Ijara Company

Palestine Islamic Bank was established in 1997 as a limited liability company that aims at offering and strengthening the presence of Islamic banking. Palestine Islamic Bank is PIF's partner in Ijara Company.

Al-Quds Holding

Co-investor in Strand Hotel

Al-Quds Holding was launched through the efforts of a number of businessmen from Jerusalem, Palestine Investment Fund and a few other partners and was dedicated towards the development of Jerusalem city. The company invests in several sectors including real estate, tourism, health, education, and the services sector. Al-Quds Holding is PIF's co-investor in Strand Hotel.

Middle East Investment Initiative (MEII)

Manage Loan Guarantee Facility (LGF)

The Middle East Investment Initiative is a non-profit investment organization that aims to stimulate Middle Eastern economies by breaking from traditional aid models and designing innovative development initiatives that foster economic opportunities and create sustainable and independent economies. The Middle East Investment Initiative is PIF's partner in the Loan Guarantee Facility (LGF).

Palestine Development Fund

Manage Jerusalem SME Lending Facility

Palestine Development Fund was established in 1996 with the goal of supporting small and medium sized companies in Palestine. The Fund aims at encouraging healthy growth in the private sector through funding programs that create job opportunities in the Palestinian market. Palestine Development Fund is PIF's partner in Jerusalem SME Lending Facility.

Chapter Two
Investment Portfolios

Real Estate and Hospitality- Amaar Real Estate Group

Real State and Hospitality is a significant sector of the Palestinian national economy, with 560 businesses in the sector employing over 12% of the Palestinian workforce. PIF has established Amaar Group to manage investment in the Real Estate Sector.

Amaar Group manages a number of programs in the following fields:

- Residential real estate projects
- Development of Jordan Valley and Area (C)
- Commercial real estate
- Tourism

Amaar Real Estate Group

Amaar Real Estate Group was established with a total capital of US$140 million to manage PIF's real estate and hospitality portfolio that includes a group of residential, commercial and hospitality real estate projects.

Amaar aspires to lead the real estate development in Palestine, particularly within the tourism, industrial, commercial and residential fields, and to help expand economic horizons through premier real estate solutions, in partnership with the Palestinian private sector companies. Ammar manages a number of projects including; Al-Reehan and Al-Jinan neighborhoods in the residential real estate sector, and Ersal Center in the commercial real estate sector, the Moon City and Grand Park hotel in the hospitality sector, and Jericho agro industrial park on the industrial real estate sector.

Residential Real Estate

Al Reehan Residential Neighborhood

Around 150 families have moved to live in Al Rehan after the completion of the first phase of the project to enjoy the commercial health and education facilities provided by Amaar group. Upon completion, Al Reehan will have about 1600 residential unit in a community with best infrastructure, internal and external paved streets, sewage system, telecommunication, and house use gas.

Now more than 45% of the second phase is finalized, this phase will include 250 residential units in 16 buildings. The second phase is sold to the provident fund of Jawwal employees.

The residents of the neighborhood have access to the required facilities, including health, education , and a three buildings commercial center with 60 commercial stores.

The construction works of the Arab Consulting Hospital were completed during the year. The hospital consists of 14 floors with a total area of 25,000 square meters and will have a capacity of 250 beds. The total investment in the hospital will be around US$ 30 million. Once operational, the hospital will provide several medical services, not only to the residents of

Al-Reehan, but also to those residing in the neighboring areas.

This project didn't only provide residential units but also had contributed in the local economy by providing more than 450 thousand working days for hundreds of construction workers, engineers, technicians and Palestinian contactors, in addition to directly affecting the Palestinian economy by supplying millions of dollars during the construction of the first phase and through the taxes and the fees.

Al Jinan Residential Neighborhood

Amaar Group has completed the first phase of Al Jinan Residential neighbourhood in Jenin governorate, The neighborhood is located on the eastern hills of Jenin, surrounded by trees and scenic views on all sides. Al-Jinan represents an integrated community composed of residential buildings and semi independent units.

Many families have moved to live in Al Jinan, where the all needed infrastructure elements were provided, in addition to other facilities, so the inhabitants can enjoy the great nature in residential units with competitive prices in Jenin and the surrounding area.

Development of Aghwar and Area (C)

The Aghwar region is considered the most resource rich area of the West Bank, due to the combination of abundant natural resources, unique climate and rich historic and cultural offerings. The region also represents Palestine's gateway to the world as it lies on Palestine's borders with neighboring Jordan. As a result of these factors, the region possesses a tremendous growth potential and could evolve into a key stimulant for the Palestinian economy.

Ammar is implanting an investment program that will have a significant economic and developmental impact on the region. The program is targeting vital economic sectors including agriculture, manufacturing, real estate, and hospitality. This program will have both political and economic dimensions. The program will develop the region's economy, create job opportunities for its residents, and strengthen the Palestinian presence in the area and improve the living standards of its residents.

Madinat Al Qamar

Madinat Al-Qamar is a real estate development initiative. The project will be located on a 2,500 dunum plot in the Nouaimeh area in northern Jericho. This project will host a number of residential and commercial areas, resorts and recreational facilities, as well as agricultural areas.

In addition to an entertainment park, Water Lake, agriculture academy, hotels, solar panels to generate energy, along with wide palm fields, chalets, and commercial and tourist facilities.

Amaar Group has started to implement the project and The first phase's structural scheme has been completed. Plans for streets and land division to developmental plots, along the lines of their intended usage and construction conditions, have also been completed.

At the first phase Madinat Al Qamar will include around 900 residential units, in addition to a tourism project and a central commercial area for the project residents and its visitor in the future. For the first stage; 2000 meters of streets were completed which serve 200 dunums.

Jericho Agro- Industrial Park

Jericho agro industrial Park is implemented by PIF through Amaar Group in partnership with PRICO and Al Sanabel for Trade and Investment Company. The Park will include production facilities, storage facilities and cooling facilities. It will provide the infrastructure needed for agro industrial sector.

The park will play a significant role in promoting the industrial and agro-business sectors in the region, as it will lay the infrastructure to facilitate the growth of high value agricultural and food processing industries. Moreover, the park's location will promote regional exports, given its close proximity to export-routes via Jordan.

Japanese Government had supported this project through financing some of the technical and financial feasibility studies, and had pledged to also finance some of the infrastructure.

Moonlight Tourism City

PIF has also embarked on a strategic plan for developing the Palestinian side of the Dead Sea.

The plan includes developing large mixed-use tourism facilities that will include a number of hotels, health spas, convention facilities, open spaces, beach front cabins, and private and public beaches.

The projected investment outlay for this project is US$1.4 billion and is expected to create over 10,000 job opportunities. The development will follow the commercially successful developments of tourism facilities on the Jordanian side of the Dead Sea.

Development of the project is contingent upon Israeli relinquishment of control over Dead Sea area and transfer of control to the Palestinian government.

Commercial Real Estate

Al Ersal Center

Ersal Center is one of Amaar's largest commercial real estate developments and is set to become Palestine's business hub. Ersal is a multi-purpose project, on an area of 50 thousand sqm in Ramallah and Al-Bireh governorate, and will form a new commercial center of the governorate. The project will include a number of office buildings and retail spaces, and will serve over 800,000 people from the central West Bank.

A number of leading companies in Palestine have chosen Ersal Center as the location for their headquarters. Among these are Amaar Real Estate Group, Bank of Palestine, Quds Bank, the Consolidated Contractors Company (CCC), and Jerusalem district electricity company.

The construction works of Amaar's 13 floors tower; is close from completion The tower will host in addition to Ammar, PIF and its subsidiaries.

Hospitality

Grand Park Hotel

Grand Park Hotel represents a milestone in the Palestinian tourism sector, its outstanding location and the development of its facilities and services had made it the first accommodation and recreation choice for enjoying the original Palestinian hospitality.

The hotel has 83 single and double modern rooms that has been recently redesigned and refurnished, in addition to having Arabic and International Restaurants, like Fakhreldin Lebanese Restaurant that has been lately opened. The hotel also has swimming pools and GYMs that are available for the roomers and guests.

Moreover; the hotel offers selective services in particular for the Businessmen, as the hotel has a newly equipped business center that has modern computers and high speed internet along with office equipment to follow up their work easily and smoothly.

Grand Park Hotel had been recently classified as the First Palestinian Five Stars Hotel.

Grand Park Hotel Bethlehem

After Ramallah Grand Park has opened a new hotel in Bethlehem City "Grand Park Bethlehem". The hotel provides the best services to its guests and is located in the center of the City close to many tourism attractions.

Jacir Palace

Jacir Palace is a prominent tourism landmark in Bethlehem City, it holds the Intercontinental Franchise and has been classified as a five stars hotel. Amaar Group is the second largest shareholder in the company that owns the hotel; Palestine Tourism Investment Company. During the last year Jacir Palace hosted many activities and events.

Jericho Intercontinental Hotel & Resort

The Jericho Intercontinental Hotel and Resort stands as a landmark for tourism in the historical city of Jericho. The hotel was established in the year 2000 and is frequented by domestic and international tourists and business guests. A part of the worldwide Intercontinental Group, this five-star hotel boasts a haven of leisure with 181 rooms, 15 luxurious suites as well as a number of banquets and conference facilities. The hotel also offers a host of amenities including a swimming pool, a dead-sea water pool and a tennis court.

Chapter Two

Investment Portfolios

Infrastructure Portfolio

Infrastructure has a direct impact on building a strong and independent economy, more so; it encourages the performance of other sectors and assists in the economic and social development. PIF's infrastructure portfolio is geared toward building infrastructure companies and projects capable of contributing to fostering growth of the Palestinian economy and propelling long-term growth in multiple sectors, particularly energy and telecommunication.

PIF investments in the infrastructure sector include the following:

- Wataniya Mobile
- Gaza Gas Project
- Development of Ranteis Oil Field
- Palestine Power Generation Company
- Palestine Electric Company

Wataniya Mobile

Al Wataniya Mobile have widened significant improvement in a number of key business indicators during 2013; its subscriber's base reached 638 thousand subscriber, its the revenue, operating income and the market share have increased, number of employees have reached 420 employees with a growth rate of 14% since 2009.

Moreover; the company has proved itself as the fastest growing telecommunication company in Palestine. It has successfully increased its market share to 29% by the end of 2013, its share of the net increase of the Palestinian telecommunication market in 2013 reached 46%. The reason behind this increase is the adoption of successful strategies in attracting and retaining subscribers, in addition to its adoption of best practices in management and operations by virtue of the partnership with Ooredoo and Palestine Investment Fund.

Gaza Gas Project

After the discovery of more than 30 billion cubic meters of natural gas off the Gaza shore in 1999 Palestinian National Authority had granted the PIF and a group of partners including BG and CCC exclusive rights to excavate for natural gas near the Gaza coast.

Studies indicates that there is Gas in two fields, Gaza Marine Field, the largest one, which is entirely located within the Palestinian territorial waters, while the other field; Boarder field is located on the boarders with Israel, and is considered an extension to Noa South Field that is located in the Israeli territorial waters.

The value of gas in the two fields is estimated to be billions of dollars while the exploration and development cost is expected to reach around US$ 1.05 billion within the coming few years.

Project Development

Israeli policies have previously prevented the project development so far. PIF and its partners continue to put forth significant efforts to secure the necessary Israeli approvals to commence the project. Positive developments concerning the project on the political and commercial levels have been achieved, and PIF hopes the positive conditions currently surrounding the project will carry on.

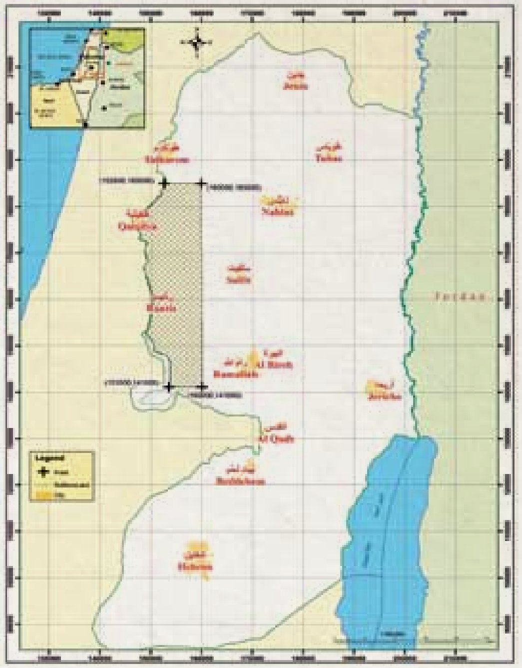
PIF foresees the development of the Gaza Gas project as a critical component of its overall energy strategy. The development of the Gaza Gas project will go hand in hand with the development of the Palestinian Power Generation Company in the West Bank and modification of the Power Generation Company in Gaza. Both facilities will be equipped with gas-fired electricity generators to utilize the newly explored natural gas.

Project Benefits

Successful utilization of the Gaza Gas project will yield the Palestinian economy wide-spread benefits in several key areas:

- Tremendous savings on the energy bill of the Palestinian Government. Preliminary studies shows that replacement of the highly expensive imported energy in the form of electricity and fuel by locally explored natural gas will result in annual savings of over US$ 700 million.
- Direct revenues to the Palestinian Government are estimated at 45-50% of the total project revenues, which will reach up to US$ 2.4 billion over the life of the project.
- Creating massive investment opportunities in the energy sector by independent private sector power generation companies, which will contribute to the development of the energy sector in Palestine.
- Higher overall energy independence. The existence of a more reliable source of energy will replace the highly expensive energy imports, and will go a long way in lowering the dependence on Israeli.

Oil Field Development Project in Ranteis



The Palestinian government approved issuing an international tender for oil exploration in the West Bank, mainly in Ranteis Field which is located over 432km between North Qalqilya City and Northwest Ramallah City.

The presence of oil in Palestine represents a strategic opportunity with great benefit for the Palestinian national economy, as the Palestinian market currently depends entirely on the Israeli side to import all kinds of fuel, which is a huge financial burden on the state treasury.

Initial studies have indicated that the license area may hold oil reserves ranging between 30 million and 186 million barrels. It is expected that revenues to the Palestinian Government from the project will reach US$1.04 billion, in the form of royalties, taxes and others, bringing government share to 60% to 70% of total project revenues.

PIF will participate in the project through entering with the selected bidder into a joint venture (JV) in which the PIF will have an ownership stake subject to bidding (with a minimum value of 25%). The PIF will participate in the JV by providing its share of the JV's capital. Consequently, the PIF will be part of the consortium in charge of developing the project, as is the industry norm for state investment arms in international oil projects.

The project tender was launched in March 2014 and it is expected that the developing company will be selected and the project will commence in 2015.

Palestine Power Generation Company – West Bank

PIF is one of the founding shareholders of the Palestine Power Generation Company (PPGC). PPGC is currently in the process of developing Palestine's second (and the West Bank's first) power generation plant, which will be located in the northern West Bank region of Jenin. The plant will utilize natural gas for power generation and will have a maximum power generation capacity of 221 megawatt. The project's total development cost, which is estimated to reach US$ 351 million, will be secured through equity investment and project financing.

Project Development

Pursuant to the establishment of the company in 2010, efforts were launched to secure the key components necessary to the commencement of the project. This has included acquiring the land on which the project will be constructed, securing sustainable resources needed for the operation of the project, acquiring the remaining regulatory approvals, and outsourcing the project's design and construction contracts. When all necessary components are secured, the development of the project is expected to take between 24 to 30 months. Project construction is expected to commence in 2014.

Project Benefits

PPGC is an integral component of PIF's overall energy strategy in Palestine. The company is expected to play a major role in the development of the Palestinian power generation capacity, in addition to the reduction in the country's energy costs and energy dependency on neighboring countries. Furthermore, PPGC will fuel economic development in the northern part of the West Bank by improving the current energy infrastructure, while at the same time creating hundreds of employment and business opportunities in different economic sectors during the construction phase of the project and thereafter.

Palestine Electric Company – Gaza Strip

With a 6% stake, PIF is one of the co-founders and shareholders of the Palestine Electric Company (PEC). PEC is the owner and operator of Palestine's first power generation plant in Gaza. The plant has a generation capacity of 140 megawatt, but currently generates about 70 -80 megawatt, which covers approximately 10% of the Gaza Strip's total demand. The inadequate infrastructure in the Gaza Strip, including the weak transmission lines, combined with the high cost of fuel; prevent the plant from operating at full capacity.

The Gaza Power plant has dual turbines, which allow it to run on either natural gas or oil. The World Bank estimates that the modification of the plant to make it run entirely on natural gas requires an investment of US$ 3 million, and would achieve over US$ 80 million in annual savings for the Palestinian Government at the current production levels. However, as it is the case with the Gaza Gas Project, Israeli restrictions have prevented the modification of the plant until now.

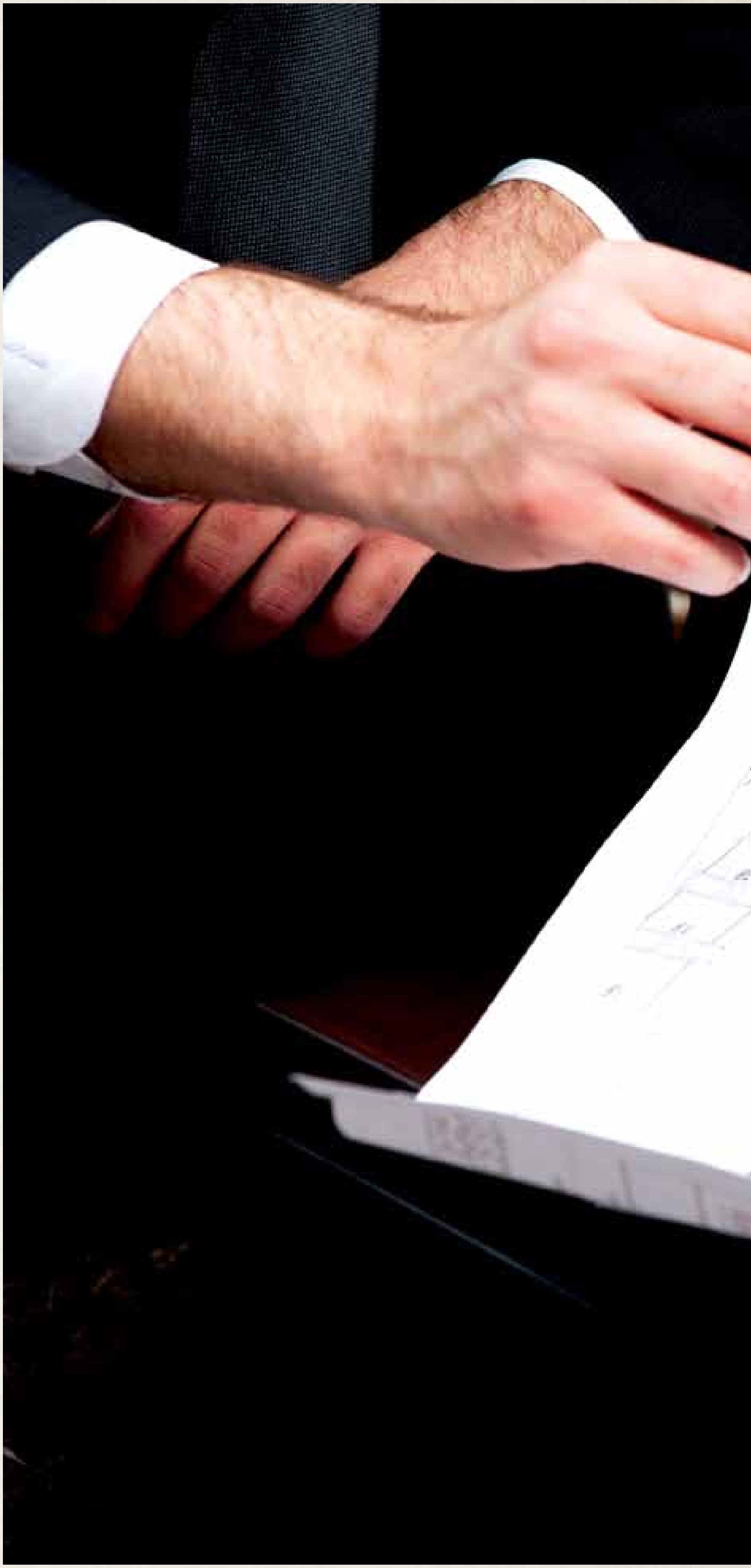
Chapter Two
Investment Portfolios

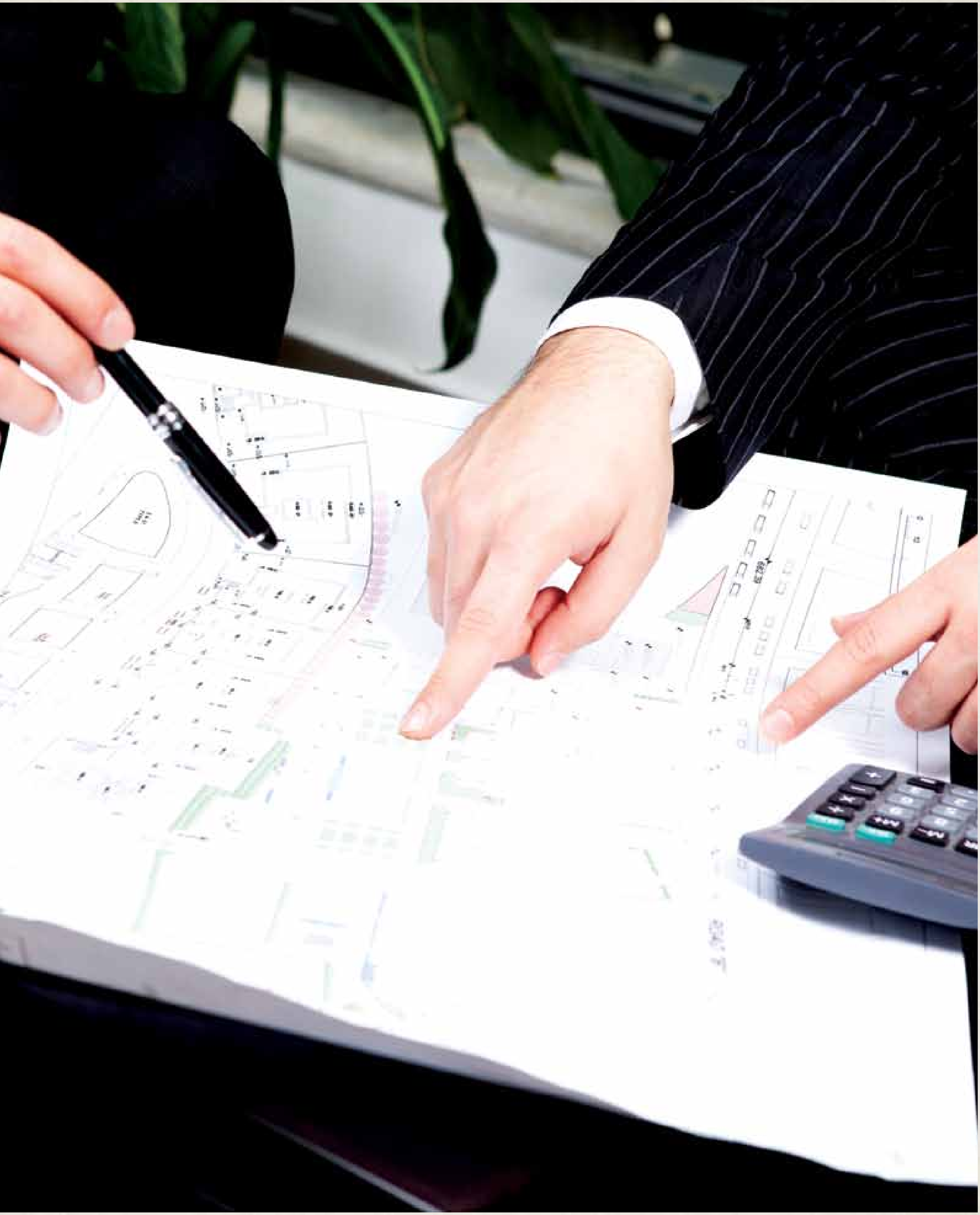
Large Caps

PIF defines its large caps portfolio to include strategic investments in companies operating in vital sectors and with high capitalization that are typically in the mature stage and have stable earnings.

PIF investment in Large Caps include the followoing:

- Palestine Commercial Services Company
- Palestine Islamic Bank
- Al Quds Holding
- The Arab Palestinian Investment Company (APIC)
- Arab Islamic Bank





Palestine Commercial Services Company

Palestinian Commercial Services Company PCSC, fully owned subsidiary of PIF, was established in 1994 to meet the demand of the Palestinian market for cement. PCSC is a majority shareholder in “Bulk Express”, the largest cement transport company in the West Bank.

The company aims to shift from being a cement importer and distributor to a producer of cement. PCSC is in the process of establishing Palestinian Cement Factory with an estimated cost of $300 million. PCSC has attracted other Arab companies to be partners in the new Cement factory. PCSC is keen on providing the cement with high quality standards and competitive prices.

Palestine Islamic Bank

Palestine Islamic Bank (ISBK) was incorporated as a public shareholding company in 1995 and commenced its operations in early 1997. The Bank is licensed as an Islamic Bank and operates in accordance with Sharia rules. The Bank has an authorized capital of US$ 100 million and a paid in- capital of US$ 50 million.

The Bank is currently operating through 17 branches, including 7 in the Gaza Strip, and employs 400 staff members. ISBK’s performance witnessed a notable improvement in 2013, where the bank was awarded the best Islamic Bank in Palestine award through a study conducted by “ The Banker”, an International Magazine; that is specialized in the banking sector.

البنك الإسلامي الفلسطيني
Palestine Islamic Bank

The Bank’s financial performance has improved significantly over the past few years. The 2013 income before tax grew by 22% reaching US$ 9 million, while assets grew by 19% reaching US$ 502 million.

During 2013 ISBK continues playing a major role in the community, through a number of initiatives including; the adoption of the sign language and Braille language in all of its branches to help hearing and visually impaired customers.

Al Quds Holding

Al-Quds Holding is a Jerusalem - based independently managed investment company dedicated to investing in Jerusalem. The Company aims at developing Jerusalem economy through investing in vital economic sectors in the city.

The Company invests in projects in a number of sectors including; real estate, tourism, education, health care and SMEs.

ALQUDS HOLDING ®
القدس القابضة

The company’s total capital is US$ 20 million. PIF total investment in the company is US$ 2 million.

The Arab Palestinian Investment Company

The Arab Palestinian Investment Company (APIC) is a leading private shareholding corporation, formed and established in 1995 by a group of Palestinian investors to be a prominent name in the manufacturing, retail & wholesale trade sectors. PIF is a major shareholder in APIC with a stake of 20.2%. APIC holds a diversified portfolio of investments, including automobile distribution, advertisement, aluminum manufacturing, medical services, food processing, and commercial shopping centers.

APIC has achieved a net profit of US$11 million during 2013, in addition to a sales growth of 19.1%, where the company's revenue reached US$436.5 in 2013.

APIC runs its operations through its subsidiaries specialized in various economic sectors:

Subsidiary	Location	Ownership
National Aluminum & Profile Company	Palestine	70.6%
Siniora Food Industries	Palestine/ Jordan	61.2%
Unipal General Trading Company	Palestine	83.7%
Medical Supplies and Services	Palestine	50.0%
Palestine Automobile Company	Palestine	100%
Arab Palestinian Shopping Centers Company	Palestine	68.0%
Sky Advertising Company	Palestine	100%
Central and West Africa for Commercial Agencies Company	Africa	50.0%
Arab Palestinian Storage Company	Palestine	64.6%

Arab Islamic Bank

The Arab Islamic Bank (AIB) is the second Islamic bank in Palestine and has a 45% share of the Islamic banking market. The bank has 10 branches and employs around 264 employees. AIB's assets reached US$ 339 million and its outstanding credit facilities are valued at US$ 191 million by end of 2013.

Currently, PIF holds around 20.79% of AIB's shares, as PIF's desires to promote and strengthen Islamic banking in Palestine.

Chapter Two

Investment Portfolios

Capital Markets Portfolio

PIF manages capital markets portfolios in local, regional and international capital markets. Investment in capital market is part of the PIF's asset allocation strategy. PIF invests in low risk equity securities and fixed income securities to optimize the use of its asset base and achieve growth and profitability, while maintaining sufficient liquidity to finance its strategic investment program.

PIF's investments in the capital markets are managed by:

- Khazanah AssetManagement Company
- Rasmala Palestine Equity Fund

Khazanah Asset Management Company

Khazanah Asset Management Company is the capital markets investment arm of Palestine Investment Fund, managing investment portfolios across three main geographies that include domestic (Palestine), regional (MENA region) and global markets. The main objective of Khazanah is to generate sustainable income through investments that fall within the investment mandate. Khazanah manages the investment portfolios in accordance with the best asset management practices and relies on a team of specialized professional managers to oversee the different asset classes, including equities and fixed income.

PIF's Investments in The Palestine Exchange

In line with its mission of fostering growth in the Palestinian private sector, PIF focuses the majority of its capital market investments in the Palestinian market. PIF's investment in the Palestine Exchange (PEX) amounts to over US$ 205 million and represents over 70% of Khazanah's US$ 289 million by the end of 2013. PIF contributes to the depth and efficiency of the Palestinian capital market, as well as boosting foreign direct investments by attracting regional and international institutional investors.

PIF investments in the PEX focus on a set of vital economic sectors, including telecommunication, banking, and industrial sectors – all of which play a crucial role in the economic growth and creating jobs in Palestine.

Rasmala Palestine Equity Fund

In early 2011, PIF partnered with the UAE-based Rasmala Investment Bank (RIB) to launch the Rasmala Palestine Equity Fund (RPEF) with the goal of encouraging and facilitating institutional investment in PEX. Drawing upon PIF's commitment to investing in the national economy and RIB's management expertise, the fund was launched with an initial investment of US$ 15 million.

RPEF aims to achieve high returns through medium- and long-term capital appreciation and constant dividends from the investment in a number of leading existing stocks, as well as securities at their initial public offering in the PEX.

The fund also aims to stimulate the Palestinian capital market by introducing new investment tools. The goal is to provide unique investment opportunities for regional and international investors, in addition to improving market liquidity by facilitating institutional investments in the Palestinian market.

Furthermore; Rasmala Fund has succeeded in attracting a number of leading institutional investors. including the Arab Bank Group, the Palestine Telecommunications Group, Palestine Development and Investment Company (PADICO), and Bank of Palestine, which increased total assets under management from US$ 15 million in 2011 to US$ 60 million by the end of 2013.

Chapter Three

Corporate Social Responsibility Program

Palestine Investment Fund has developed an ambitious plan to launch and develop programs for the benefit of Palestinian society. Over the past few years, PIF has worked diligently to launch and support various initiatives, and programs that have a direct impact on the lives of certain sectors of our community.

PIF's corporate social responsibility program focuses on supporting specific initiatives and programs with clear developmental impact and potential for stainability.

My Project Starts with an Idea

While acknowledging the importance of developing Palestinian youth and equipping them with the necessary skills to be competitive in the job market, PIF launched an extensive nine-months training program for university students in partnership with six Palestinian universities. The program aims to refine the professional and managerial skills of university students, which will enable them to start their own businesses. The program targets students of different backgrounds including business, engineering, agriculture, and IT.

Why “My Project Starts with an Idea”

PIF realized the importance of maintaining a competitive young generation, both by education and by profession, to the development of a strong, growing, and sustainable economy. As part of this vision, PIF has been working hand-in-hand with Palestinian universities on several programs that target both students and universities faculty to provide them with the necessary skill set to turn their ideas into reality. Through workshops across a wide variety of areas, such as management and innovation, students are trained and prepared to make their ideas viable projects

Program Stages

- Training of university faculty members (Train the Trainer).
- Building of students’ entrepreneurial capabilities.
- Training on commercial and technical aspects of small businesses.
- Coaching and supervising students’ work and discussion of proposed projects.
- Business plan presentations and competition

Program Results

This program was students as the program provides trainings for all university majors unlike the other programs that focus on information technology. My project starts with an idea has benefited more than 520 university students. The variety of majors has contributed in submitting business in different sectors such as; agriculture, industry, regenerated energy and information technology.

These outcomes encouraged Palestine Investment Fund to develop the program to support the university students in starting their own business.

Developing such program requires a comprehensive cooperation with various educational institutions and organizations that support similar initiatives, in order to consolidate the efforts and resources contributing in the development of the largest and most important segments in the Palestinian society.

Economic Empowerment Program for Palestinian Refugees Camps in Lebanon

In early 2012, and in partnership with the “Mahmoud Abbas” Foundation”, PIF launched the Empowerment program, which aims to benefit Palestinian refugees in Lebanon. The program endeavors to improve the standard of living of Palestinian refugees by improving their economic and social conditions and by decreasing unemployment rates.

The program grants loans to finance small income-generating projects for Palestinians in refugee camps. The goal is to improve their ever-deteriorating economic conditions, creating job opportunities, and supporting their steadfastness until their return to their home country, Palestine, is realized.

Palestine Investment Fund currently works on increasing the program size from US$ 1 million to US$ 5 million within the coming five years by attracting other Palestinian and Arab investors.

Program Goals

- Improving the living conditions of Palestinian refugees in Lebanon.
- Establishing projects that are owned by Palestinian refugees.
- Creating new job opportunities to decrease unemployment rates.
- Securing economic independence for refugees and reducing reliance on donor aid.

Program Mandate

- The amounts of the loan offered ranges between US$ 500 and US$ 5,000.
- Charged interest rates are reasonable compared to other microfinance facilities to ensure the sustainability of the program.
- The program targets projects in different economic sectors including: industry, agriculture, trade, services, IT, health, and education, and other productive sectors, in compliance with proper laws and regulations in Lebanon.
- The program offers its services to all Palestinians in Lebanon whether living in refugee camps or outside, as long as they are operating legally in Lebanon.
- The program is managed by local micro-finance insinuations in Lebanon on behalf of Palestine Investment Fund.

Program Development by 2013

- The program has financed around 600 projects by the end of 2013 with US$ 806,194, 45% of them were for women.
- The value of the financing portfolio has increased from US$ 1 million to US$1.5 million after the contribution of the Arab Economic and Social Development Fund with US$ 0.5 million.
- PIF aims at the second stage to increase the number of benefited projects and the investment portfolio to be US$5 million.
- PIF has prepared development program for the staff of the partner micro- finance institutions and for loans beneficiaries to improve their project managing capabilities.

Jerusalem City

Throughout Palestine Investment Fund belief in supporting the steadiness of Jerusalem City and its people, it has contributed in supporting many initiatives in various activities in the city. PIF has directly supported active institution working on fields concerning the Jerusalemites. The support has covered many vital sectors as follows;

Health

PIF supports the four years doctors' specialization and training program at Al Maqased Hospital. The program will help develop the health infrastructure in Palestine by providing specialized doctors in various fields of medicine.

Support of Jerusalem Institutions

PIF has supported a number of institutions working in Jerusalem, where it has contributed in financing various institutions activities concerned in different vital humanitarian and charity sectors. Some of these institutions are specialized in developing the cultural and health sectors all in Jerusalem. Moreover; PIF has implemented Ramadanak initiative during the holy month of Ramadan to support needy Jerusalemites families and institutions.

Culture

In addition to the aforementioned initiatives; PIF has supported Mamilla Poem Festival that aims to shed the light on Mamilla Cemetery that faces Israeli schemes which aims to obliterate its Arab and Islamic landmarks and confiscate it to build Israeli facilities.

Chapter Four
Financial Statements

Palestine Investment Fund Company P.L.C

Consolidated Financial Statements

December 31, 2013

Building a better working world

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90 Years in MENA

Independent Auditors' Report to the Shareholders of

Palestine Investment Fund Company P.L.C

We have audited the accompanying consolidated financial statements of Palestine Investment Fund Company P.L.C (PIF), which comprise the consolidated statement of financial position as of December 31, 2013, 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 a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PIF as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young – Middle East

Ernst & Young

April 7, 2014
Ramallah, Palestine

Palestine Investment Fund Company P.L.C

Consoliadted Statement of Financial Position

As at December 31, 2013

(U.S $ 000's)

	Notes	2013	2012
		U.S. $ 000's	
Assets			
Non-current assets			
Property, plant and equipment	4	69,297	71,198
Goodwill	5	26,521	26,521
Investment properties	6	66,224	63,874
Projects in progress	7	52,293	66,266
Investments in associates	8	98,523	74,899
Investment in joint ventures	9	4,735	5,664
Held- to–maturity financial assets	10	12,682	6,506
Available-for-sale investments	11	202,414	234,791
Other financial assets	12	54,595	51,659
		587,284	**601,378**
Current assets			
Properties ready for sale	13	10,726	-
Accounts receivable	14	26,595	25,767
Other current assets	15	23,418	26,800
Cash and deposits at banks	16	122,880	70,677
		183,619	123,244
Assets held for sale	6	-	58,162
		183,619	**181,406**
Total assets		**770,903**	**782,784**
Equity and liabilities			
Equity			
Paid-in share capital	17	625,000	625,000
Shareholder's current account	18	(119,271)	(72,657)
Statutory reserve	19	86,929	83,623
Voluntary reserve	19	22,507	19,201
Foreign currency translation reserve		1,032	234
Available-for-sale reserve	11	32,440	12,564
Retained earnings		26,525	40,188
Total equity attributable to shareholder		**675,162**	**708,153**
Non-controlling interests		1,400	1,204
Total equity		**676,562**	**709,357**
Non-current liabilities			
Long-term loans	22	43,079	21,056
Deferred tax liabilities	23	8,677	2,415
		51,756	23,471
Current liabilities			
Current portion of long-term loans	22	3,957	350
Accounts payable	24	21,124	28,058
Provisions and other current liabilities	25	16,621	19,850
Provision for income tax	26	883	1,698
		42,585	**49,956**
Total liabilities		**94,341**	**73,427**
Total equity and liabilities		**770,903**	**782,784**

Palestine Investment Fund Company P.L.C

Consolidated Inoome Statement

For the Year Ended December 31, 2013

(U.S $ 000's)

	Notes	U.S. $ 000's 2013	2012
Operating income	27	187,041	151,656
Cost of sales	27	(140,950)	(108,562)
Operating expenses	27	(14,462)	(13,653)
		31,629	**29,441**
Gain from investment in financial assets	28	14,939	12,397
Interest revenues	29	1,912	2,388
Change in fair value of investment properties	6	6,063	10,344
Share of associates' results of operations	8	(3,772)	(7,015)
Share of joint ventures results of operations	9	(929)	(1,248)
Investment expenses	30	(2,671)	(3,811)
Gain from sale and acquisition of associates	31	3,641	11,919
Other revenues	32	4,394	4,801
		55,206	**59,216**
General and administrative expenses	33	(12,293)	(13,408)
Finance costs		(466)	(186)
Donations		(799)	(1,548)
Depreciation of property, plant and equipment		(1,283)	(1,390)
Assets impairment losses	34	-	(743)
Currency exchange gain		1,740	337
(Provision) Recovery of doubtful receivables and advances	35	(1,320)	981
Profit before income tax		**40,785**	**43,259**
Income tax expense	26	(7,206)	(6,742)
Profit for the year		**33,579**	**36,517**
Attributable to:			
The shareholder		33,063	36,191
Non-controlling interests		516	326
		33,579	**36,517**

Palestine Investment Fund Company P.L.C

Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2013

(U.S $ 000's)

	Notes	U.S. $ 000's 2013	2012
Profit for the year		33,579	36,517
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain (loss) on available for sale financial assets	11	25,217	(1,675)
Income tax effect	11	(5,341)	-
		19,876	**(1,675)**
Foreign currency translation		684	234
Total other comprehensive income		**20,560**	**(1,441)**
Total comprehensive income for the year		**54,139**	**35,076**
Attributable to:			
The shareholder		53,623	34,750
Non-controlling interests		516	326
		54,139	**35,076**

ConSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2013

(U.S. $ 000's)

Attributable to the shareholder

2013	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained earnings	Total	Non-controlling interests	Total equity
At January 1, 2013	625,000	(72,657)	83,623	19,201	234	12,564	40,188	708,153	1,204	709,357
Profit for the year	-	-	-	-	-	-	33,063	33,063	516	33,579
Other comprehensive income	-	-	-	-	684	19,876	-	20,560	-	20,560
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**684**	**19,876**	**33,063**	**53,623**	**516**	**54,139**
Shareholder's current account (note 18)	-	(66,614)	-	-	-	-	-	(66,614)	-	(66,614)
Distributed dividends (note 20)	-	40,000	-	-	-	-	(40,000)	-	(320)	(320)
Interim dividends (note 20)	-	(20,000)	-	-	-	-	-	(20,000)	-	(20,000)
Transfers	-	-	3,306	3,306	114	-	(6,726)	-	-	-
At December 31, 2013	**625,000**	**(119,271)**	**86,929**	**22,507**	**1,032**	**32,440**	**26,525**	**675,162**	**1,400**	**676,562**

Attributable to the shareholder

2012	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained Earnings	Total	Non-controlling interests	Total equity
At January 1, 2012	625,000	(20,000)	80,004	15,582	-	14,239	31,071	745,896	4,875	750,771
Profit for the year	-	-	-	-	-	-	36,191	36,191	326	36,517
Other comprehensive income	-	-	-	-	234	(1,675)	-	(1,441)	-	(1,441)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**234**	**(1,675)**	**36,191**	**34,750**	**326**	**35,076**
Shareholder's current account (note 18)	-	(42,657)	-	-	-	-	-	(42,657)	-	(42,657)
Distributed dividends (note 20)	-	20,000	-	-	-	-	(20,000)	-	(933)	(933)
Interim dividends (note 20)	-	(30,000)	-	-	-	-	-	(30,000)	-	(30,000)
Transfers	-	-	3,619	3,619	-	-	(7,238)	-	-	-
Acquisition of non-controlling interest in a subsidiary (note 21)	-	-	-	-	-	-	164	164	(3,064)	(2,900)
At December 31, 2012	**625,000**	**(72,657)**	**83,623**	**19,201**	**234**	**12,564**	**40,188**	**708,153**	**1,204**	**709,357**

Palestine Investment Fund Company P.L.C

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2013

(U.S. $ 000's)

	Notes	U.S. $ 000's 2013	2012
Operating activities			
Profit before tax		40,785	43,259
Adjustments:			
Net interest		(1,446)	(2,202)
Share of associates results of operations		3,772	7,015
Share of joint ventures result of operations		929	1,248
Change in fair value of investment properties		(6,063)	(10,344)
Gain from investment in financial assets		(14,939)	(12,397)
Gain from sale of investment properties		(555)	-
Gain from sale and acquisition of associates		(3,641)	(11,919)
Assets impairment loss		-	743
Provision (recovery) of doubtful receivables and advances		1,320	(981)
Other non-cash items		3,517	6,314
		23,679	**20,736**
Working capital adjustments:			
Increase in accounts receivable		(2,304)	(12,905)
Decrease (increase) in other current assets		3,494	(5,942)
(Decrease) increase in accounts payable		(6,934)	2,673
Decrease in provisions and other current liabilities		(3,229)	(6,775)
Income tax paid		(7,460)	(12,250)
Change in restricted cash		(485)	3,565
Change in term deposits maturing after three months		(14,916)	10,826
Net cash flows used in operating activities		**(8,155)**	**(72)**
Investing activities			
Purchase of available-for-sale financial assets		(18,382)	(64,231)
Sale of available-for-sale financial assets		59,226	51,598
Purchase of held-to-maturity financial assets		(980)	(6,506)
Purchase of property, plant and equipment		(1,968)	(39,008)
Sale of property, plant and equipment		171	29
Investment properties		2,733	(4,902)
Joint ventures		-	(139)
Purchase of investment in associates		(7,578)	(8,003)
Sale of investment in associates		-	8,409
Projects in progress		2,987	(12,761)
Loans granted		(3,180)	(1,542)
Collections from granted loans		470	150
Dividends and interest received		14,182	14,143
Net cash flows from (used in) from investing activities_		**47,681**	**(62,763)**
Financing activities			
Cash dividends paid		(20,000)	(30,000)
Shareholder's current account		(8,452)	-
Proceeds from term loans		26,502	12,806
Settlement of term loans		(872)	-
Acquisition of non-controlling interests		-	(2,900)
Dividends to non-controlling interests		(320)	(933)
Finance costs paid		(466)	(186)
Net cash flows used in financing activities		**(3,608)**	**(21,213)**
Increase (decrease) in cash and cash equivalents		**35,918**	**(84,048)**
Cash and cash equivalents, beginning of the year		**62,285**	**146,099**
Foreign currency translations differences		**884**	**234**
Cash and cash equivalents, end of year	**16**	**99,087**	**62,285**

Notes to The Consolidated Financial Statements

December 31, 2013

1. Corporate information

The Palestine Investment Fund (PIF), a Public Shareholding Company, was incorporated in Gaza under registration number 562600718 on March 17, 2003.

The shareholders of PIF are the Palestinian people represented by a General Assembly that is composed of thirty members from the Palestinian public.

PIF aims to engage in various types of investments that promote economic growth and infrastructure development in Palestine. PIF seeks to achieve sustainable long-term economic prosperity for Palestine through domestic private sector investments as well as attracting foreign-investments.

PIF's consolidated financial statements as at December 31, 2013 were authorized for issuance by the Board of Directors on April 7, 2014.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2013. PIF's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

		Ownership	
		%	
	Activity	2013	2012
Palestine Commercial Services Company	Trade	100	100
Bulk Express Company	Transportation	60	60
Amaar Real Estate Group	Real estate investment	100	100
Red Sea International Investment Company	Financial investment	100	100
Khazaneh Financial Investments Company	Financial investment	100	100
Dead Sea Company	Tourism and real estate investment	100	100
Sharakat for Small and Mid-size investments	Financial investment	100	-
Others	Investment in real estate and securities	100	100

Most of PIF subsidiaries operate in the Palestinian National Authority territories.

3. Basis of preparation

The consolidated financial statements of PIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and investment properties that are measured at fair value as of the financial statements date. The consolidated financial statements have been presented in U.S Dollars which is the functional currency of PIF. All values except when otherwise indicated, are rounded to the nearest thousand dollars (U.S. $ 000's).

Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as at December 31, 2013. Control is achieved when PIF 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, and
- The ability to use its power over the investee to affect its returns

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

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

PIF 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 PIF obtains control over the subsidiary and ceases when PIF loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date PIF gains control until the date PIF ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of PIF and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group balances, unrealized profits or losses and cash dividends relating to transactions between subsidiaries are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If PIF loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests

- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if PIF had directly disposed of the related assets or liabilities

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that PIF has adopted the following new and amended IFRS as of December 31, 2013:

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC13 Jointlycontrolled Entities — Nonmonetary Contributions by Venturers.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future date would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on PIF's financial position or performance.

The adoption of the new standards and amendments did not affect the financial position or performance of PIF.

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the PIF's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. PIF will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. This new standard is effective for annual periods beginning on or after January 1, 2017.

Investment Entities - Amendments to IFRS 10

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to PIF. These amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. PIF does not expect that IFRIC 21 will have material financial impact in future financial statements. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

Significant accounting judgments, estimates and assumptions

The preparation of PIF'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.

The key areas involving a higher degree of judgment or complexity are described below:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Provision for doubtful debts receivables, loans and advances

PIF's subsidiaries provide services to a broad base of clients, using certain credit terms, while PIF provides loans for some of its associates and investment projects. Where PIF and its subsidiaries have objective evidence that they will not be able to collect certain debts, an estimate of the provision is made based on PIF and subsidiaries' historical experience, to determine the level of debts that will not be collected.

Useful lives of tangible and intangible assets

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

Provision for income tax

PIF and its subsidiaries use certain estimates in determining the provision for income tax. PIF management believes that the estimates and assumptions used are reasonable.

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 appropriate 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. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

Provision for litigation

PIF's management provides, based on its legal consultants opinions, provisions against any litigations.

Investment properties

The management relies on certified appraisers to determine the fair value of the investment properties.

Summary of significant accounting policies

Revenue recognition

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

Real estate sale revenue

Real estate sale revenue is recognised when the major risks and the real estate ownership are transferred to the buyer, which is usually when the real estate is delivered. Interest revenues on properties instalments are recognised in the period in which it occurs for all the instalment period.

Sale of goods

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

Hotel services revenue

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

Media revenues

Revenues from media services are recognized when the outcome of the transaction can be estimated reliably.

Interest income

Revenue is recognised as interest accrues 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.

Investment income

Gains or losses on sale of investments in securities are recognised at the date of sale. Dividend revenue is recognised when the right to receive the dividend is established.

Expenses recognition

Expenses are recognised 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 capitalised as part of the cost of the respective assets. All other finance costs are charged to the consolidated income statement in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

PIF provides for income tax in accordance with the Palestinian Income Tax Law (or in accordance with the applicable tax regulations where the entity operates and generates taxable income) and IAS 12, which requires recognising the temporarily differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred taxes.

Income tax expense represents the accrued income tax which is calculated based on PIF's subsidiaries taxable income. Taxable income may differ from accounting income as the later includes nontaxable income or nondeductible expenses. Such income/expenses may be taxable/deductible in the following years.

Fair value measurement

PIF measures financial instruments and non-financial assets, such as investments properties, at fair value at each financial statements date. PIF also discloses the fair value of the held to maturity financial assets in the notes to the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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.

PIF 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 (unadjusted) 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. PIF decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, PIF 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.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Useful lives (years)
Buildings	33 - 50
Transportation means, equipment and spare parts	4 - 10
Computers and systems	3 – 5
Furniture and decoration	14 - 15

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.

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, at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, PIF measures the non-controlling interest in the acquiree at fair value. Acquisition costs incurred are expensed.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost being the excess of the consideration transferred over PIF's fair value of 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 recognised 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 PIF'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.

Investments in associates

PIF's investment in its associates is accounted for using the equity method. An associate is an entity in which PIF has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is 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 PIF's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement and the statement of comprehensive income reflect the share of the result of operations of the associates. Profits and losses resulting from transactions between PIF and the associates are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of PIF.

PIF determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case PIF calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

When step acquiring an associate, PIF's share is measured at fair value as at the date of acquiring significant influence over the associate. Any resulting differences are recognized in the consolidated income statement.

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.

PIF has a joint control in joint ventures which constitute jointly controlled entities. Investment in joint ventures is accounted for using the equity method of accounting. According to the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in PIF's share in the joint ventures net assets.

PIF's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between PIF and the joint ventures are excluded to the extent of PIF's share in the joint ventures.

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

Projects in progress

Projects in progress constitute the costs incurred on incomplete projects, which include cost of the land, design, construction, direct wages and portion of the indirect costs. Upon completion, all projects' costs are capitalized and transferred to property, plant and equipment or to properties ready for sale.

The carrying values of projects in progress are reviewed for impairment when events or charges in circumstances indicate that the carrying value may not be recoverable. If any indication exists, projects in progress value are written down to its recoverable amount.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

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 fair value at the date of change in use. If owner-occupied property becomes an investment property, PIF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in financial assets

PIF's financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets or available-for sale investments. PIF determines the classification of its financial assets upon initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses, including changes in fair values, on investments held for trading are recognized in the consolidated income statement.

PIF evaluates its financial assets held for trading whether the intent to sell them in the near term is still appropriate. In rare circumstances, when PIF is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseable future significantly changes, PIF may elect to reclassify these financial assets. The reclassification to other categories depends on the nature of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Held-to-maturity financial assets

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which PIF has the intention and ability to hold-to-maturity.

Held-to-maturity financial investments are initially recognized at cost plus acquisition costs. Subsequently, such investments are re-measured at amortized cost, less any impairment losses, using the effective interest rate method.

Amortized cost is calculated taking into account any discount or premium on acquisition. Amortization is recognized in the consolidated income statement.

Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are not designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement and removed from the available-for-sale reserve.

Available-for-sale investments are stated at cost when their fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

Impairment of financial assets

An assessment is made at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

- For assets carried at amortized cost: impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- Equity investments classified as availableforsale: objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Impairment is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income;
- Debt instruments classified as availableforsale: impairment is the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement.

Properties ready for sale

Properties ready for sale are measured at cost less any impairment loss, costs of properties ready for saleeinclude cost of construction, studies, design, financetcosts, land and indirect costs.

Accounts receivable

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

Cash and deposits at banks

For the purpose of the consolidated statement of cash flows, cash and deposits at banks consist of cashnon hand and bank balances and shortterm deposits with an original maturity of three months or less, net of restricted bank deposits and outstanding bank overdrafts.

Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets are not depreciated once classified as held for sale.

Accounts payable and accrual

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when PIF and its subsidiaries have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Leases

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

PIF as a lessee

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

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

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

PIF as a lessor

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

Foreign currency translation

PIF consolidated financial statements are presented in U.S. $, which is also the parent's functional currency. PIF'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 PIF'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 available-for-sale financial assets were any foreign exchange differences are recognised in other comprehensive income.

PIF subsidiaries

The assets and liabilities of PIF'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 translations are recognised in other comprehensive income. On disposal of these subsidiaries, the component of other comprehensive income relating to that particular subsidiary is recognised in the consolidated income statement.

4. Property, plant and equipment

U.S. $ 000's

	Land	Buildings	Transportation means, equipment and spare parts	Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2013	9,155	30,503	62,037	5,694	4,598	**111,987**
Additions	-	161	1,236	455	116	**1,968**
Transferred from projects in progress (note 7)	-	260	-	-	-	**260**
Transferred from investments properties (note 6)	1,535	-	-	-	-	**1,535**
Disposals	-	(1,068)	(604)	(749)	(181)	**(2,602)**
Foreign currency translation	-	364	-	-	-	**364**
At December 31, 2013	**10,690**	**30,220**	**62,669**	**5,400**	**4,533**	**113,512**
Accumulated depreciation and impairment						
At January 1, 2013	526	11,129	25,147	2,755	1,232	**40,789**
Depreciation charge for the year	-	640	4,228	581	425	**5,874**
Disposals	-	(1,068)	(479)	(748)	(176)	**(2,471)**
Foreign currency translation	-	23	-	-	-	**23**
At December 31, 2013	**526**	**10,724**	**28,896**	**2,588**	**1,481**	**44,215**
Net carrying amount						
At December 31, 2013	**10,164**	**19,496**	**33,773**	**2,812**	**3,052**	**69,297**

- Property, plant and equipment include U.S. $ 22,838,000 of fully depreciated assets owned by PIF and its subsidiaries that are still operational as at December 31, 2013.
- Part of the depreciation expense in the amount of U.S. $ 4,570,000 was reclassified as operating expenses for 2013.
- Part of the depreciation expense in the amount of U.S. $ 21,000 was reclassified as additions on projects in progress for 2013.
- Property, plant and equipment include an amount of U.S. $ 43,352,000 of properties mortgaged to local and regional banks against credit facilities (note 22).

U.S. $ 000's

	Land	Buildings	Transportation means, equipment and spare parts	Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2012	9,155	23,934	24,558	3,427	3,143	**64,217**
Additions	-	239	37,615	986	168	**39,008**
Transfer from projects in progress (note 7)	-	6,350	-	1,334	1,306	**8,990**
Disposals	-	(20)	(136)	(53)	(19)	**(228)**
At December 31, 2012	**9,155**	**30,503**	**62,037**	**5,694**	**4,598**	**111,987**
Accumulated depreciation and impairment						
At January 1, 2012	**526**	**9,612**	**20,486**	**2,362**	**1,036**	**34,022**
Depreciation charge for the year	-	794	4,778	444	207	**6,223**
Impairment loss (note 34)	-	743	-	-	-	**743**
Disposals	-	(20)	(117)	(51)	(11)	**(199)**
At December 31, 2012	**526**	**11,129**	**25,147**	**2,755**	**1,232**	**40,789**
Net carrying amount						
At December 31, 2012	**8,629**	**19,374**	**36,890**	**2,939**	**3,366**	**71,198**

- Property, plant and equipment include U.S. $ 22,977,000 of fully depreciated assets owned by PIF and its subsidiaries that are still operational as at December 31, 2012.
- Part of the depreciation expense in the amount of U.S. $ 4,833,000 was reclassified as operating expenses for 2012.
- During the year, a subsidiary purchased transportation means in the amount of U.S. $ 37,059,000 to be used in the company's operations.
- Property, plant and equipment include an amount of U.S. $ 3,554,000 of properties mortgaged to local and regional banks against credit facilities (note 22).

5. Goodwill

For impairment testing goodwill has been allocated to two cash generating units, which are also the reportable business segments of PIF. The goodwill carried in the statement of financial position is as follows:

	U.S. $ 000's	
	2013	2012
Trade and transportation	25,604	25,604
Tourism	917	917
	26,521	**26,521**

Trade and transportation

The recoverable amount of the trade and transportation 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 14%, and cash flows beyond the five-year period are extrapolated using a 1% growth rate.

Tourism

The recoverable amount of the tourism 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 six-year period. The pre-tax discount rate applied to cash flow projections is 12%.

Key assumptions used in the calculation of the value in use

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

Discount rate: Discount rate reflects management's estimate of the risks specific to each business segment. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each business segment, regard has been given to each segment's weightedaverage cost of capital using the Capital Asset Pricing Model to determine cost of equity and an estimated borrowing rate to determine cost of debt.

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 of the value in use of all business segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the business segments to materially exceed its recoverable amount.

6. Investment properties

Following is the movement on investment properties:

	U.S. $ 000's	
	2013	**2012**
Balance, beginning of year	63,874	108,632
Additions	550	4,902
Sale of investment properties	(2,728)	-
Transferred to property, plant and equipment (note 4)	(1,535)	-
Transferred to projects in progress (note 7)	-	(1,842)
Change in fair value of investment properties	6,063	10,344
	66,224	122,036
Transferred to assets held for sale*	-	(58,162)
Balance, end of year	**66,224**	**63,874**

* This item represents land lots in Al-New'emeh near Jericho city that were classified as assets held for sale during 2012. During 2013 PIF returned these land lots to the Palestinian National Authority.

7. Projects in progress

	U.S. $ 000's	
	2013	**2012**
Balance, beginning of year	66,266	63,933
Additions	14,730	18,341
Land sold out from projects in progress	(597)	(8,743)
Transferred to properties ready for sale (note 13)	(27,800)	-
Transferred to property, plant and equipment (note 4)	(260)	(8,990)
Transferred from investment properties (note 6)	-	1,842
Other	(46)	(117)
Balance, end of year	**52,293**	**66,266**

Following are details of the projects in progress:

	U.S. $ 000's	
	2013	**2012**
Al Reehan project	11,280	28,931
Ersal Center project	18,130	17,865
Amaar Tower project	17,363	9,411
Al Jenan project	708	5,934
Tourism projects	4,420	3,780
Other projects	392	345
	52,293	**66,266**

Projects in progress include land lots with a carrying value of U.S. $ 24,538,000 mortgaged to local and regional banks against loans (note 22).

8. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2013	2012	2013	2012
	%	%	U.S. $ 000's	
Wataniya Palestine Mobile Telecommunications Company (Listed)	34.03	34.03	31,091	38,348
Palestinian Islamic Bank (Listed)	34.18	34.18	19,723	17,824
Arab Palestinian Investment Company (APIC)	20.20	20.20	13,920	12,123
Arab Islamic Bank (Listed)	20.27	-	12,810	-
Palestine Tourism Investment Company	28.25	28.25	6,108	6,503
Palestine Industrial Investment Company (Listed)	20.6	-	9,149	-
Hospitality Holly Company	33.3	-	3,279	-
Others	30-40	30	2,443	101
			98,523	**74,899**

- The market value of PIF investments listed in Palestine Exchange amounted to U.S. $ 138,658,000.
- PIF investment in Wataniya Palestine Mobile Telecommunication Company includes 77,658,000 shares with a total market value of U.S. $ 79,211,000 mortgaged against a syndicated loan granted from banks to Wataniya Palestine Mobile Telecommunication Company.
- During 2012, PIF sold part of its shares in Wataniya Palestine Mobile Telecommunication Company in the amount of U.S. $ 8,455,000, which resulted in a gain of U.S. $ 5,554,000 recognized in the consolidated income statement.
- During 2013, a subsidiary acquired additional shares in Arab Islamic Bank (the Bank) and Palestine Industrial Investment Company (PIIC), which increased its ownership in the Bank's and PIIC's capital as of December 31, 2013 to 20.27% and 20.60%, respectively. PIF's management believes that it has significant influence over the Bank and PIIC. According to IFRS, PIF re-evaluated its previously owned equity in the Bank and PIIC at fair value as of the date of classifying the investment to investment in an associate and recognized a total amount of U.S. $ 3,641,000 as a gain in the consolidated income statement.
- During the year, a subsidiary together with other investors, established the Hospitality Holly Company (the company) with a subscribed capital of U.S. $ 9,900,000, the subsidiary's ownership in the company's capital is 33.3%. The company operates in Palestine.
- During 2012, PIF, together with a subsidiary, acquired additional shares in the Palestinian Islamic Bank (the bank) and the Arab Palestinian Investment Company (APIC), which increased its ownership in the bank's and APIC's capital as of December 31, 2012 to 34.18% and 20.20%, respectively. PIF's management believes that it has significant influence on the bank and in APIC. According to IFRS, PIF and its subsidiary re-evaluated their previously owed equity in the bank and in APIC at fair value as of the date of classifying the investment to investment in an associate and recognized an amount of U.S. $ 6,365,000 as a gain in the consolidated income statement for the year of 2012.

The following schedule summarizes the financial information related to PIF's investments in associates:

U.S. $ 000's

December 31, 2013	Wataniya Mobile Company	Palestinian Islamic Bank	Arab Palestinian Investment Company	Arab Islamic Bank	Palestine Tourism Investment Company	Palestine Industrial Investment Company	Hospitality Holly Company	Others	Total
Statements of Financial Positions:									
Non-current Assets	222,280	149,241	94,117	151,172	33,158	49,486	9,674	3,284	**712,412**
Current Assets	57,482	353,011	143,095	318,642	1,130	18,512	487	4,327	**896,686**
Non-current Liabilities	(129,825)	(6,246)	(41,575)	(11,228)	(8,874)	(4,390)	(7)	(191)	**(202,336)**
Current Liabilities	(58,573)	(432,544)	(102,364)	(396,265)	(3,794)	(11,398)	(317)	(334)	**(1,005,589)**
Non-controlling interests	-	-	(23,302)	-	-	(8,391)	-	-	**(31,693)**
Unpaid capital	-	-	-	1,280	-	-	-	-	**1,280**
Equity attributable to parent (i.e. the Associate)	91,364	63,462	69,971	63,601	21,620	43,819	9,837	7,086	**370,760**
PIF's ownership	31,091	21,691	14,134	12,892	6,108	9,040	3,279	2,366	**100,601**
Adjustments	-	(1,968)	(214)	(82)	-	109	-	77	**(2,078)**
Carrying amount of investment	31,091	19,723	13,920	12,810	6,108	9,149	3,279	2,443	**98,523**
Revenues and results of operations:									
Revenues	89,215	20,845	436,542	13,023	5,216	38,452	532	145	**603,970**
Results of operations	(21,325)	6,527	7,916	3,500	(1,398)	5,010	20	(792)	**(542)**
PIF's share of results of operations	(7,257)	2,231	1,599	89	(395)	258	7	(304)	**(3,772)**
PIF's share of other comprehensive income	-	72	197	7	-	87	-	-	**363**

U.S. $ 000's

December 31, 2012	Wataniya Mobile Company	Palestinian Islamic Bank	Arab Palestinian Investment Company	Palestine Tourism Investment Company	Others	Total
Statements of Financial Positions:						
Non-current Assets	230,098	128,176	94,700	33,765	302	**487,041**
Current Assets	63,550	294,933	120,119	1,764	390	**480,756**
Non-current Liabilities	(131,528)	(4,188)	(37,351)	(9,481)	-	**(182,548)**
Current Liabilities	(49,430)	(361,015)	(93,984)	(3,028)	(357)	**(507,814)**
Non-controlling interests	-	-	(22,535)	-	-	**(22,535)**
Equity attributable to parent (i.e. the Associate)	112,690	57,906	60,949	23,020	335	**254,900**
PIF's ownership	38,348	19,792	12,312	6,503	101	**77,056**
Adjustments	-	(1,968)	(189)	-	-	**(2,157)**
Carrying amount of investment	38,348	17,824	12,123	6,503	101	**74,899**
Revenues and results of operations:						
Revenues	84,120	16,646	380,441	6,763	-	**487,970**
Results of operations	(23,826)	5,826	-	338	(80)	**(17,742)**
PIF's share of results of operations	(8,695)	1,632	-	72	(24)	**(7,015)**

9. Investment in joint ventures

U.S. $ 000's

	2013	2012
Convention Palace Company	4,735	5,664
	4,735	5,664

The Convention Palace Company in Solomon Pools (the company), was established as a private limited shareholding company, with a share capital of 1,000,000 shares of U.S. $ 1 par value each, of which 50% is owned by PIF. The company is jointly managed with Consolidated Contractors Company (Athens). The objective of the company is to operate the Convention Center Palace in Bethlehem.

The following schedule summarizes the financial information related to PIF's investments in the Convention Palace Company:

U.S. $ 000's

	2013	2012
Statement of financial position of joint venture		
Non-current assets	13,162	14,120
Current assets	653	621
Non-current liabilities	(1,564)	(2,082)
Current liabilities	(2,781)	(1,331)
Equity attributable to parent	9,470	11,328
PIF's ownership	4,735	5,664
Carrying amount of investment	4,735	5,664
Revenues and results of operations		
Revenues	520	409
Results of operations	(1,858)	(2,496)
PIF's share of results of operations	(929)	(1,248)

10. Held-to-maturity financial assets

U.S. $ 000's

	2013	2012
Bonds quoted in regional markets	8,782	2,606
Unquoted local bonds	3,900	3,900
	12,682	6,506

Average interest rates on held to maturity investment range between 2.5% to 7.6% and their maturity dates range between 4 to 6 years.

The market value of the quoted bonds is U.S. $ 8,850,000 and U.S. $ 2,634,000 as at December 31, 2013 and 2012, respectively.

11. Available-for-Sale investments

U.S. $ 000's

	2013	2012
Quoted shares	141,580	166,689
Quoted portfolios	52,215	53,551
Quoted bonds	-	5,405
Unquoted shares *	8,619	9,146
	202,414	**234,791**

* Unquoted shares are stated at cost as their fair values cannot be reliably measured due to the unpredictable nature of future cash flows. PIF's management believes that the fair values of such investments are not materially different from their carrying amounts.

Movement on available-for-sale reserve is as follows:

U.S. $ 000's

	2013	2012
Balance, beginning of year	12,564	14,239
Net change in fair value	27,931	(1,099)
Income tax effect	(5,341)	-
Realized gains transferred to the consolidated income statement	(4,789)	(4,125)
Impairment loss recognized in the consolidated income statement	2,075	3,549
Balance, end of year	**32,440**	**12,564**

12. Other financial assets

U.S. $ 000's

	2013	2012
Prepayment on investment *	45,800	45,800
Loans granted **	8,795	5,859
	54,595	**51,659**

* According to the Ministry of Finance letter dated June 28, 2010, the amount of U.S. $ 45.8 million previously paid on the shareholder account, was considered as a prepayment on investment in Wataniya Palestine Mobile Telecommunications Company (Associate). The amount represents PIF's share in the remaining amount of the second operator license which was paid in advance to the Ministry of Telecommunication and Information Technology (MTIT), until Wataniya get the frequencies required in accordance with the agreement signed with the MTIT.

** This item includes the following:

	U.S. $ 000's	
	2013	2012
Palestine for Credit and Development – FATEN *	3,000	-
Wataniya Palestine Mobile Telecommunications Company **	2,150	2,150
Latin Patriarchate Jerusalem	1,550	1,750
Palestine Development Fund	607	607
Al Mashtal Tourism Investment Company	406	406
Others	519	609
Accrued interest on loans	563	337
	8,795	**5,859**

* During 2013, Palestine for Credit and Development – FATEN was granted a loan of U.S $ 3 million, with an annual interest rate of 5%. The loan and the related interests will be settled in nine semiannual installments after a grace period of one year from the granting date.

** The loan granted to Wataniya Palestine Mobile Telecommunications Company bears interest of LIBOR plus 5.85%. The loan will be settled in one payment at the later of December 31, 2014, or six months after the maturity of all or any priority loan of Wataniya Mobile.

Other granted loans bear interest rates from 1% to 5% and due within 2 to 9 years.

13. Properties ready for sale

This item represents the cost of residential units transferred from projects in progress after completing all building and preparation works to become ready for sale.

Movements on properties ready for sale are as follows:

	U.S. $ 000's	
	2013	2012
Balance, beginning of year	-	-
Transferred from porjects in progress (note 7)	27,800	-
Sold properties	(17,074)	-
Balance, end of year	**10,726**	-

14. Accounts receivable

U.S. $ 000's

	2013	2012
Cap Holding Company	11,305	11,305
Trade receivables	19,816	16,908
Checks under collection	7,784	8,389
First Trading Center	1,100	1,100
Others	1,636	1,698
	41,641	39,400
Provision for doubtful accounts	(15,046)	(13,633)
	26,595	**25,767**

The movement on the provision for doubtful accounts during the year was as follows:

U.S. $ 000's

	2013	2012
Balance, beginning of year	13,633	12,819
Additions	1,320	807
Written off during the year	(63)	-
Recovered during the year	-	(26)
Foreign currency differences	156	33
Balance, end of year	**15,046**	**13,633**

Nominal value of doubtful accounts receivable which are fully provided for, as of December 31, 2013 and 2012 amounted to U.S. $ U.S. $ 15,046,000 and U.S. $ 13,633,000, respectively. As of December 31, 2013 and 2012, the aging analysis of the unimpaired accounts receivables is as follows:

U.S. $ 000's

	Total	Neither past due nor impaired	Past due but not impaired		
			< 90 days	91-180 days	> 180 days
2013	26,595	7,968	9,503	1,496	7,628
2012	25,767	8,724	6,756	5,738	4,549

PIF's subsidiaries obtain guarantees against some of these receivables. The subsidiaries' management believes, that the value of the unimpaired receivables is recoverable.

15. Other current assets

	U.S. $ 000's	
	2013	**2012**
Due from brokerage firms	3,415	7,315
Due from Value Added Tax department	7,496	7,334
Advances to suppliers	5,070	6,059
Cash margins	4,314	2,964
Arab Fund for Economic and Social Development*	3,594	3,609
Accrued interest	446	309
Due from employees	316	516
Prepaid expenses	103	214
Others	1,204	1,075
	25,958	29,395
Provision for uncollectible current assets	(2,540)	(2,595)
	23,418	**26,800**

* During 2011, PIF reached an agreement with the Arab Fund for Economic and Social Development (Arab Fund). The agreement includes the payment of KD 1,450,000 (equivalent to U.S. $ 5,201,000) to finance some projects in Jerusalem for the purpose of providing financing services, business development and training to small businesses. During 2011, the first payment of KD 450,000 (equivalent to U.S. $ 1,508,000) was received. During 2012, the project implementation was started and an amount of U.S. $ 219,000 was recognized as revenues released from restricted contributions.

The movement on the provision of uncollectible current assets during the year is as follows:

	U.S. $ 000's	
	2013	**2012**
Balance, beginning of year	2,595	4,605
Recovered during the year	-	(1,762)
Written off during the year	(80)	(262)
Foreign currency differences	25	14
Balance, end of year	**2,540**	**2,595**

16. Cash and deposits at banks

	U.S. $ 000's	
	2013	**2012**
Cash in hand and current accounts at banks	16,936	22,481
Term deposits at banks	105,944	48,196
	122,880	**70,677**

The average interest rate during 2013 and 2012 was 1.55% and 1.39% on U.S. Dollar deposits, 5% and 4.33% on Jordanian Dinar deposits and 1.75% and 1.75% on Qatari Riyal deposits, respectively.

Cash and deposits at banks include restricted cash of U.S. $ 2,189,000 and U.S. $ 1,704,000 as at December 31, 2013 and 2012, respectively, as a collateral against certain banks facilities.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2013 and 2012:

	U.S. $ 000's	
	2013	**2012**
Cash on hand and current accounts at banks	16,936	22,481
Term deposits at banks	105,944	48,196
	122,880	70,677
Deposits maturing after 3 months	(21,604)	(6,688)
Restricted cash	(2,189)	(1,704)
	99,087	**62,285**

17. Paid-in capital

PIF's paid-in-capital represents the fair value of net assets transferred by the shareholder as determined by Standard & Poor's valuation reports at the date of establishment of PIF. On May 16, 2011, the general assembly approved the capital increase to U.S. $ 625 million with an increase of U.S. $ 51 million through the capitalization of part of PIF's retained earnings.

18. Shareholder's current account

	U.S. $ 000's	
	2013	**2012**
Returned lands receivables (note 6)	58,162	-
Interim dividends (note 20)	20,000	30,000
Aviation receivable	36,895	39,443
Other	4,214	3,214
	119,271	**72,657**

19. Reserves

Statutory Reserve

Statutory reserve represents accumulation of profits transferred at 10% of annual net profit in accordance with the Companies' Law. This reserve is not available for distribution to the shareholder.

Voluntary Reserve

Based on the Board of Directors recommendation dated July 14, 2009, a voluntary reserve is appropriated at 10% of PIF profit started from 2009, for the purpose of supporting economic development projects in Palestine. PIF started during 2011 to support certain small and medium projects.

20. Paid and proposed dividends

During 2013 the Board of Directors decided to distribute interim dividends of U.S. $ 20 million out of PIF's 2013 profits, subject to approval of the General Assembly. Also, the Board of Directors will propose to the General Assembly in its annual meeting to be held during 2014 the approval of an additional cash dividend of U.S. $ 6 million to the shareholder to be deducted from the shareholder's current account. Thus, total proposed dividends will be U.S. $ 26 million.

The General Assembly approved in its meeting held on May 19, 2013, the declaration of U.S. $ 30 million interim dividends in 2012 based on Board of Director's decision dated June 8, 2012, in addition to U. S. $ 10 million cash dividends to the shareholder deducted from the shareholder's current account. Thus, total dividends distributed amounted to U.S. $ 40 million.

During 2013, Bulk Express Company (subsidiary) distributed cash dividends, the non-controlling interest share of this distribution amounted to U.S. $ 320,000.

The General Assembly approved in its meeting held on May 9, 2012, the declaration of U.S. $ 20 million interim dividends based on Board of Director's decision dated September 11, 2011.

During 2012, Bulk Express Company and Arduna for Real Estate Development (subsidiaries) distributed cash dividends, the non-controlling interest share of these distributions amounted to U.S. $ 933,000.

21. Acquisition of non-controlling interest in a subsidiary

On April 21, 2012 Amaar (a subsidiary) acquired additional 10% of the shares of Arduna for Real Estate Development Company (a subsidiary) for an amount of U.S.$ 2,900,000 increasing its ownership percentage to 100%. As a result a gain of U.S.$ 164,000 has been recognised directly in equity.

22. Long- term loans

	U.S. $ 000's	
	2013	**2012**
Long-term loans	47,036	21,406
Current portion of long-term loans	(3,957)	(350)
	43,079	**21,056**

PIF and its subsidiaries signed long-term loan agreements with local and regional banks to finance these companies' operations. Interest rates range between 1.75% to 3.5% in addition to one to six months LIBOR with a ceiling of 11%. The loans are to be settled within a period between 4 to 12 years. The utilized loan balances as of December 31, 2013 and 2012 amounted to U.S. $ 47,036,000 and U.S. $ 21,406,000, respectively. The loans were granted with the mortgage of part of these companies' properties (notes 4 and 7).

The maturities of interestbearing loans are as follows:

	U.S. $ 000's
2014	3,957
2015	7,288
2016	8,336
2017	8,409
2018	11,920
Thereafter	7,126
	47,036

23. Deferred tax liabilities

Movement on deferred tax liabilities resulting from re-evaluating investment properties and available for sale investments at fair value was as follows:

	U.S. $ 000's	
	2013	**2012**
Balance, beginning of year	2,415	919
Additions	6,472	1,496
Amortization	(210)	-
Balance, end of year	**8,677**	**2,415**

24. Accounts payable

	U.S. $ 000's	
	2013	**2012**
Trade payables	13,152	13,676
Contractors payables	6,089	2,938
Apartments sales advances	1,826	9,756
Brokerage firms payables	-	1,574
Others	57	114
	21,124	**28,058**

25. Provisions and other current liabilities

	U.S. $ 000's	
	2013	**2012**
Temporarily restricted contribution (note 15)	4,916	4,937
Liabilities related to the development of the National Park *	2,500	4,000
Provision for employees indemnity **	2,442	3,787
Accrued expenses	1,510	2,499
Postponed checks	1,457	134
Employees accrued bonuses	1,116	818
Property improvement taxes	912	2,102
Employees' income tax payable	383	222
Other	1,385	1,351
	16,621	**19,850**

* On March 25, 2007, PIF and the National Committee for Establishment and Supervision of National Park Project and Palestinian Economic Council for Development and Reconstruction (PECDAR) signed a memorandum of understanding by which PIF will finance the establishment of the National Park in Al-Bireh city (Ersal area). PIF's total obligation under this agreement amounted to U.S. $ 15,000,000 payable in five installments. During the year and previous years, PIF settled a total of U.S. $ 12.5 million.

** Following is the movement on provision for employees indemnity:

U.S. $ 000's	2013	2012
Balance, beginning of year	3,787	4,265
Additions	549	858
Payments	(1,894)	(1,336)
Balance, end of year	**2,442**	**3,787**

26. Provision for income tax

Based on a memorandum of understanding with the Ministry of Finance, PIF and its subsidiaries taxable income became subject to income tax.

Following is the movement on the provision for income tax during the year:

U.S. $ 000's	2013	2012
Balance, beginning of year	1,698	10,420
Additions during the year	6,251	6,758
Income tax related to prior years *	34	-
Recovered during the year **	-	(1,512)
Payments during the year	(7,460)	(14,012)
Foreign currency differences	360	44
Balance, end of year	**883**	**1,698**

* During 2013, some of PIF subsidiaries reached final settlements with the Income Tax Department for the results of its operations up to 2012, these settlements resulted in an additional provision of U.S. $ 34,000. PIF did not reach a final settlement with the Income Tax Department for the results of its operations for 2012.

** During 2012, PIF and some of its subsidiaries reached final settlements with the Income Tax Department for the results of its operations up to 2011. These settlements resulted in a net recovery of an amount of U.S. $ 1,512,000 recognized in the consolidated income statement.

- **Taxes shown in the consolidated income statement represent the following:**

U.S. $ 000's

	2013	2012
Additions during the year	6,251	6,758
Income tax related to prior years	34	-
Recovery during the year	-	(1,512)
Deferred tax liabilities	921	1,496
	7,206	**6,742**

- **The reconciliation between the consolidated tax expense for the current year and the consolidated accounting profit can be explained as follows:**

U.S. $ 000's

	2013	2012
Accounting profit before income tax	40,785	43,259
Non-taxable income	(20,887)	(20,860)
Non-deductible expenses	11,357	11,391
Taxable income	31,255	33,790
Tax expense at statutory income tax rate	6,251	6,758
Effective income tax rate	**15.3%**	**15.6%**

27. Operating income

U.S. $ 000's

	2013				2012			
	Operating revenues	Cost of sales	Operating expenses	Operating income	Operating revenues	Cost of sales	Operating expenses	Operating income
Lease of transportation means	8,224	-	(8,153)	71	9,347	-	(9,144)	203
Trade and transportation	148,388	(117,601)	(3,973)	26,814	125,417	(97,247)	(3,350)	24,820
Real estate	24,799	(20,195)	-	4,604	13,787	(8,743)	-	5,044
Tourism	4,415	(1,411)	(2,336)	668	1,659	(759)	(1,159)	(259)
Media	1,215	(1,743)	-	(528)	1,446	(1,813)	-	(367)
	187,041	**(140,950)**	**(14,462)**	**31,629**	**151,656**	**(108,562)**	**(13,653)**	**29,441**

28. Gain from investment portfolio

	U.S. $ 000's	
	2013	2012
Gain from sale of available-for-sale investments	4,789	4,125
Dividends income	11,650	11,341
Impairment of available-for-sale investments	(2,075)	(3,549)
Interest on bonds	575	480
	14,939	**12,397**

29. Interest revenues

	U.S. $ 000's	
	2013	2012
Interest on deposits with banks	1,612	2,225
Interest on granted loans	300	163
	1,912	**2,388**

30. Investment expenses

	U.S. $ 000's	
	2013	2012
Employees' salaries, wages and benefits	1,617	1,698
Professional fees	734	1,706
Travel and transportation	93	166
Others	227	241
	2,671	**3,811**

31. Gain from sale and acquisition of associates

	U.S. $ 000's	
	2013	2012
Gain from acquisition of associates (note 8)	3,641	6,365
Gain from sale of investments in associates (note 8)	-	5,554
	3,641	**11,919**

32. Other revenues

	2013	2012
	U.S. $ 000's	
Assets recovery *	2,317	2,964
Others	2,077	1,837
	4,394	**4,801**

* During the year, PIF recovered part of its assets, resulting in a gain of U.S. $ 2,317,000.

33. General and administrative expenses

	2013	2012
	U.S. $ 000's	
Employees' salaries, wages and benefits	8,157	9,249
Professional fees	1,191	1,132
Marketing	408	532
Travel and transportation	456	340
Rents	414	446
Telephones and courier	311	278
Fees and subscriptions	211	244
Maintenance	201	191
Insurance	274	184
Printings and stationery	65	68
Board of Directors compensations	167	167
Hospitality	91	79
Others	347	498
	12,293	**13,408**

34. Assets impairment losses

During the year 2012, PIF recognized impairment losses amounted to U.S. $ 743,000 as a result of the loss of control on these assets in the Gaza Strip.

35. Provision (recovery) for doubtful receivables and advances

	U.S. $ 000's	
	2013	**2012**
Provision for accounts and other receivable (note 14)	1,320	807
Recovery of provision for uncollectible current assets (note 15)	-	(1,762)
Recovery for doubtful accounts (note 14)	-	(26)
	1,320	**(981)**

36. Fair values measurement

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2013:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Quoted available-for-sale investments	December 31, 2013	193,795	-	-
Investment properties	December 31, 2013	-	-	66,224
Financial assets for which fair value is disclosed:				
Quoted held-to-maturity financial assets	December 31, 2013	8,850	-	-

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2012:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Quoted available-for-sale investments	December 31, 2012	225,645	-	-
Investment properties	December 31, 2012	-	-	63,874
Financial assets for which fair value is disclosed:				
Quoted held-to-maturity financial assets	December 31, 2012	2,634	-	-

There have been no transfers among the Levels mentioned above during the years 2013 and 2012.

Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of PIF's financial instruments carried in the financial statements as at December 31, 2013 and 2012:

U.S. $ 000's

	Carrying amount		Fair value	
	2013	2012	2013	2012
Financial assets				
Loans granted	8,795	5,859	8,795	5,859
Available-for-sale investments- quoted	193,795	225,645	193,795	225,645
Held-to-maturity financial assets-quoted	8,782	2,606	8,850	2,634
Accounts receivable	26,595	25,767	26,595	25,767
Other financial assets	17,061	26,499	17,061	26,499
Cash and deposits at banks	122,880	70,677	122,880	70,677
	377,908	**357,053**	**377,976**	**357,081**
Financial liabilities				
Accounts payable	19,298	18,302	19,298	18,302
Loans	47,036	21,406	47,036	21,406
Other current liabilities	9,261	11,126	9,261	11,126
	75,595	**50,834**	**75,595**	**50,834**

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, other financial assets, cash and deposits at banks, accounts payable, and other current liabilities and the short term loans approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of the loans granted and long term loans are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit. The carrying amount of the loans granted and long term loans are not materially different from its fair value.
- The fair values of quoted available-for-sale investments were based on their price quotations at the reporting date.
- The fair values of quoted bonds are based on price quotations at the reporting date.

37. Related party transactions

This item represents transactions with related parties. Related parties represent associated companies, shareholder, Board of Directors, key management personnel of PIF, and entities controlled, or significantly influenced by such parties. Price policies and terms related to transactions with related parties are approved by PIF's Board of Directors.

- Balances with related parties included in the consolidated statement of financial position are as follows:

U.S. $ 000's

	2013	2012
Shareholder's current account	119,271	72,657
Loans granted to associates and related accrued interest	2,613	2,482
Cash and deposits at banks (associate)	4,945	3,653
Accrued Board of Directors compensations	150	150

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

U.S. $ 000's

	2013	2012
Leasing of transportation means to the shareholder	7,453	8,999
Interest revenue on loans to associates and sister companies	131	131

- Key management salaries and compensations of PIF and its subsidiaries are as follows:

U.S. $ 000's

	2013	2012
Board of Directors compensations	167	167
Key management share of salaries and related benefits	3,126	2,565
Key management share of end of service indemnity	45	156

Furthermore, PIF is considered as guarantor for a loan granted to an associate (note 8), also, the largest portion of PIF investment in the associate is mortgaged against that loan.

38. Risk management

PIF's financial liabilities comprise loans, accounts payable and some other financial liabilities. The main purpose of these financial liabilities is to raise finance for PIF's operations. PIF has various financial assets such as accounts receivables, other financial assets, loans granted, cash and deposits at banks, available-for-sale investments and financial assets held-to-maturity which arise directly from PIF's operations.

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

Interest rate risk

PIF and its subsidiaries' exposure to the risk of changes in interest rates relates primarily to interest bearing assets and liabilities, such as short-term deposits, loans granted and obtained long term loans. The following table demonstrates the sensitivity of PIF's consolidated income statement as at December 31, 2013 and 2012 to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on PIF's profit for one year, based on assets and liabilities with floating interest rates at December 31, 2013. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

	Increase in interest Rate	Effect on profit for the year
2013	(basis points)	U.S. $ 000's
U.S. Dollar	+10	34
Jordanian Dinar	+10	23
Other currencies	+10	3

	Increase in interest Rate	Effect on profit for the year
2012	(basis points)	U.S. $ 000's
U.S. Dollar	+10	9
Jordanian Dinar	+10	15
Other currencies	+10	14

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. $ exchange rate against other currencies, with all other variables held constant, of PIF's profit and equity. The Jordanian Dinar (JOD) is linked to U.S. $ (1.41 U.S. $ for JOD) therefore, no effect, resulting from the fluctuations in JOD rate is expected on the consolidated financial statements. The effect of decreases in the exchange rate of U.S. $ against other currencies is expected to be equal and opposite to the effect of the increase shown below:

	Increase in currency rate to U.S. $	Effect on profit before tax	Effect on equity
	%	U.S. $ 000's	U.S. $ 000's
2013			
Israeli Shekel	+10	1,583	104
Other currencies	+10	295	-
2012			
Israeli Shekel	+10	876	23
Other currencies	+10	656	-

Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value 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:

	Change in equity price	Effect on equity
	(%)	U.S. $ 000's
2013		
Shares listed in Palestine Exchange	+10	13,304
Shares listed in Amman Stock Exchange	+10	-
Shares and bonds listed in other markets	+10	6,075
Shares not listed	+5	431
2012		
Shares listed in Palestine Securities Exchange	+10	13,534
Shares listed in Amman Stock Exchange	+10	6
Shares listed in other markets	+10	9,025
Shares not listed	+5	457

Credit risk

PIF exposure to credit risk arises from the default of the counterparty.

PIF is currently managing its credit risks by setting credit limits for customers and continuously monitoring the accounts receivable in coordination with legal consultants. The maximum exposure of the loans and accounts receivable to the credit risk is the carrying amount of the loans granted and accounts receivable explained in notes (12) and (14).

With respect to credit risk arising from other financial assets of PIF, including cash and deposits at banks, granted loans, and other financial assets, PIF'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

PIF and its subsidiaries manage liquidity risks by ensuring the availability of sufficient cash balances and credit facilities and pursuing the collection of accounts receivables.

The table below summarizes the allocation of undiscounted financial liabilities as at December 31, 2013 and December 31, 2012, based on their remaining maturity:

U.S. $ 000's

	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
As at December 31, 2013					
Long-term loans	1,534	4,556	41,184	6,683	53,957
Accounts payable	19,298	-	-	-	19,298
Provisions and other financial liabilities	5,425	3,838	-	-	9,263
	26,257	**8,394**	**41,184**	**6,683**	**82,518**
As at December 31, 2012					
Long-term loans	-	357	11,956	13,177	25,490
Accounts payable	18,302	-	-	-	18,302
Provisions and other financial liabilities	5,754	5,372	-	-	11,126
	24,056	**5,729**	**11,956**	**13,177**	**54,918**

39. Capital management

The primary objective of PIF's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize its Equity.

PIF and its subsidiaries manage their capital structure and make adjustments in light of changes in business conditions. No changes were made in the objectives, policies or processes during 2013 and 2012.

Capital includes paid-in share capital, retained earnings, shareholder's current account, reserves and non-controlling interest with a total of U.S. $ 676,562,000 and U.S. $ 709,357,000 as at December 31, 2013 and December 31, 2012, respectively.

40. Segment information

PIF's reporting format is business segments as PIF's risks and rates of return are affected predominantly by differences in the products and services provided. Business segments are trade and transportation, real estate investment, tourism, media, in addition to the investment sector. The following table presents revenue and profit information and certain asset and liability information regarding PIF's business segments for the year ended December 31, 2013:

U.S. $ 000's

	Investment sector	Trade and transportation	Real estate investment	Tourism	Media	Eliminations	Total
Revenues							
External revenues	8,224	148,388	24,799	4,415	1,215	-	187,041
Intersegment (eliminated)	-	-	-	-	-	-	-
Total revenues	**8,224**	**148,388**	**24,799**	**4,415**	**1,215**	**-**	**187,041**
Results of operations							
Profit (loss) before tax	11,400	23,969	5,455	(488)	(101)	550	40,785
Other information							
Depreciation of property, plant and equipment	4,240	415	536	625	58	-	5,874
Capital expenditure	212	1,274	14,451	661	100	-	16,698
Investments in associates	88,307	-	6,937	3,279	-	-	98,523
Share of associates results of operations	(3,338)	-	(441)	7	-	-	(3,772)
Share of joint ventures results of operations	(929)	-	-	-	-	-	(929)

The following table presents segments› assets and liabilities as of December 31, 2013:

Assets and liabilities							
Segment assets	718,028	55,644	152,395	21,646	1,594	(178,404)	770,903
Segment liabilities	75,263	10,243	30,765	11,298	996	(34,224)	94,341

The following table presents revenue and profit information and certain asset and liability information regarding PIF's business segments for the year ended December 31, 2012:

U.S. $ 000's

	Investment sector	Trade and transportation	Real estate investment	Tourism	Media	Eliminations	Total
Revenues							
External revenues	9,347	125,417	13,787	1,659	1,446	-	151,656
Intersegment (eliminated)	-	-	-	-	-	-	-
Total revenues	**9,347**	**125,417**	**13,787**	**1,659**	**1,446**	**-**	**151,656**
Results of operations							
Profit (loss) for the year	14,497	21,555	8,503	(984)	(89)	(223)	43,259
Other information							
Depreciation of property, plant and equipment	4,729	633	615	211	35	-	6,223
Impairment loss	-	743	-	-	-	-	743
Capital expenditure	37,494	417	20,513	571	207	-	59,202
Investments in associates	68,295	-	6,604	-	-	-	74,899
Share of associates results of operations	(6,991)	-	(24)	-	-	-	(7,015)
Share of joint ventures results of operations	(1,248)	-	-	-	-	-	(1,248)

The following table presents segments› assets and liabilities as of December 31, 2012:

Assets and liabilities							
Segment assets	713,109	46,453	155,878	15,484	1,648	(149,788)	782,784
Segment liabilities	39,615	11,492	33,633	10,114	941	(22,368)	73,427

41. Commitments

- PIF may be exposed to liabilities associated with the liquidation some of non-operating companies which ownership was transferred by the shareholder to PIF.
- On July 25, 2007, PIF entered into partnership with the Overseas Private Investment Corporation (OPIC) and the Middle East Investment Initiative (MEII) to create its Loan Guarantee Facility (LGF), that aims to support the Palestinian private sector by providing guarantees for loans to small-and medium-size enterprises (SME's) throughout Palestine. PIF may be obligated to pay the guaranteed amount in case of default of the loans. As of December 31, 2013, total loans granted under this agreement by local banks amounted to U.S. $ 27.25 million. PIF's share of total guarantee provided against these loans was U.S. $ 5.96 million.
- During 2006, PIF signed a memorandum of understanding with the Palestinian Authority, represented by Palestinian Land Authority, to allow PIF to develop and establish its investment projects on the Saraya Gaza land – which is located in the center of Gaza and which is currently being used as a military camp – and on another plot of land in the Gaza Strip on which currently the Zahrat Al Madaen Village Bungalows resides. In return, PIF agreed to build a new building to serve as a military camp in place of the one in Saraya, and to construct a building that substitutes for the one on the Zahrat Al Madaen land currently being used for presidential purposes. The land has not been recorded in PIF's accounting records, since the terms of the agreements were not yet executed.
- As of the financial statements date, PIF has outstanding contractual commitments of U.S. $ 15.5 million resulted from construction contracts. The contractual commitments represent the difference between total contract cost and the amounts of materials received as of the financial statements date.

42. Concentration of risk in geographic area

PIF and most of its subsidiaries are carrying out the majority of their activities in Palestine, in which the political and economic situations are not stable.

INVESTING IN OUR PEOPLE'S FUTURE