صندوق الاستثمار الفلسطيني
Palestine Investment Fund

Investing for Impact

ANNUAL REPORT

2017

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2017

Contents

The Palestine Investment Fund (PIF) has converted its slogan, "Investing for Impact," into a reality on the ground. We have seen this through PIF's contribution to our national economy through a range of vital investments that go hand in hand with the political leadership's efforts towards achieving political independence based on an independent national economy and building our independent Palestinian state.

PIF's impact can be found in its contributions to the evolution of strategic sectors, such as energy, agriculture, small and medium-sized enterprises (SMEs), tourism, health and education, and real estate. It is also represented in PIF's contribution to the enhancement of Palestine's technology offer, which aims to achieve a self-reliant national economy.

As a national institution, PIF works for our people everywhere, contributing in particular to our refugee children in Lebanon. PIF implements a program to improve Palestinian refugees' living conditions in Lebanon and provide them with income and job opportunities. PIF also conducts an integrated program to develop the Palestinian youth. PIF is a source of pride as one of the most important economic institutions.

In conclusion, I would like to express my sincere appreciation to PIF, represented by its Chairman, members of the Board of Directors and General Assembly, executive management and staff. I wish PIF continued success in its efforts to build the economy of an independent Palestinian state with Jerusalem as its capital.

Yours,

Mahmoud Abbas
President of the State of Palestine

Message from the Chairman of the Board of Directors

Dr. Mohammad Mustafa
Chairman of the Board

The challenges facing Palestine and our people are many. The dream of independence and ending the occupation continues to be a constant struggle at all levels and within all spheres of Palestinian life, with a growing impact on Palestinian social, political, and economic life.

The Palestinian people possess unparalleled steadfastness. In the wake of 50 years of occupation, they have demonstrated continued determination towards their goal of self-determination and freedom in their historic homeland. To support the Palestinian people in their quest for dignity, the Palestine Investment Fund (PIF) has continued to make strides in building the Palestinian economy despite the continued occupation.

PIF's role has evolved over the years, both as part and parcel of the Palestinian national system and in response to various ongoing economic and political challenges. PIF's ability to adapt and develop to changing circumstances has always been one of its greatest strengths. PIF's stated mission at its founding was to strengthen the local economy through strategic investments while maximizing long-term returns for its shareholder, the people of Palestine. During this time, PIF utilized the slogan, "Investing for the Future of Our Children." Over time, however, PIF's role evolved. Rather than focus on maximizing returns, PIF has begun to focus on maximizing local impact, acting as a catalyst to spur development in vital and under-developed sectors by investing and partnering in strategic projects. Accordingly, PIF's Board of Directors recently adopted a new strategy for 2018-2020, which is based around a strategy for impact.

Investing for Impact

PIF's new strategy seeks to achieve a double bottom line of economic and social impact alongside a financial return, leveraging investment partnerships to catalyze impact in vital sectors. In doing so, PIF seeks to stimulate the private sector, create sustainable employment opportunities, reduce reliance on imports and enhance exports, and attract and usher in capital from new local and international investment partners. All of this while maintaining the highest levels of good governance and transparency.

With its impact strategy in mind, PIF recently adopted a new structure, centered around three impact platforms, an asset management group, and a social investment program.

This report presents the work and achievements of the following portfolios:

- Massader, PIF's platform for energy and infrastructure

-Sharakat, PIF's platform for agriculture, human development (health and education), and small and medium-sized enterprises

- Ammar, PIF's platform for real estate and tourism

- Aswaq, PIF's platform for investment portfolio management

- Ruwwad, PIF's social investment platform, whose programs are implemented by the Palestine for Development Foundation and in cooperation with the aforementioned companies.

Boosting Palestine's Energy Security

During 2017, PIF continued to implement a multifaceted program which seeks to strengthen Palestine's energy security. This program is implemented by Massader, PIF's platform for energy, infrastructure, and natural resources, which is leading a $2.2 billion investment program.

The Noor Palestine solar energy program is a source of pride for PIF. Noor Palestine will put Palestine on the map of developed countries in the field of clean energy production and will help decrease Palestine's reliance on imported electricity. The goal of the program is to generate 200 megawatts of electricity by 2026 through a mix of solar parks in different governorates as well as through solar panels on the rooftops of public schools, buildings, and industrial facilities.

Noor Palestine recorded significant progress in the construction of three solar power plants in Jericho, Tubas, and Jenin, which together will have a total capacity of 20 megawatts. PIF has established agreements with end-use beneficiaries, both public sector institutions and the private sector, to help provide consumers with new access to local electricity. We hope to make these stations operational in 2018.

PIF also proudly signed an agreement this year with the Ministry of Education and Higher Education to build and install solar panels on the roofs of 500 schools throughout the country. The agreement aims to generate about 35 megawatts of electricity, with schools selling excess energy back to the grid. We hope that this agreement will be the first stage in a broader initiative to make all of Palestine's schools and educational institutions energy independent, with a focus on green power.

We also have continued to make progress on the Jenin Power Plant, a catalytic endeavor which will utilize natural gas to generate 450 megawatts of electricity. The foundation stone for the Jenin Power

PIF's investment strategy seeks to achieve a double bottom line of economic and social impact. We target sectors which catalyze development, increase private sector participation, and attract strategic local and global investment partners, all while maintaining sustainable returns and ensuring operational efficiency.

Plant was laid last year. Further, PIF continues with its partners to make progress in developing Palestine's natural resources, both in the Gaza Marine Offshore Natural Gas Field and the West Bank Oil Field.

Agriculture, Human Development, and SMEs

Sharakat, PIF's platform for agriculture, human development, and SMEs, is leading a $86 million investment program which aims broadly at strengthening Palestinian SMEs, promoting food self-sufficiency, boosting Palestine's technology offer, and accelerating human development through health and education.

In 2017, Sharakat established Dalyeh, a 120-dunam seedless grape farm located near Tubas, in Area C. Dalyeh has plans to increase the size of the farm to 300 dunams in its next phase. The company aims to stimulate agricultural development, boosting production of high-value added grape varieties to meet growing demand for early seedless grapes.

Sharakat also completed all studies and requirements for the establishment of an animal feed plant, located in Hebron, in partnership with local private sector entities. The animal feed plant aims to provide the local market with animal feed and reduce reliance on imports. This is critical for Palestine's economic development, given that animal feed is one of Palestine's top imports following energy and its derivatives. Sharakat also concluded plans and economic studies to establish a national agriculture aggregation company, aimed at streamlining local agricultural production, easing access to local and export markets, and boosting local agricultural marketing know-how.

Sharakat's ongoing activities are complemented by a variety of local investments, including in the Ijarah Islamic Finance Company, Ibtikar Investment Fund, and the Pal Farm for Fresh Milk Production.

Real Estate, Industrial Parks, and Tourism

By making tangible progress on the ground on a variety of major projects, Amaar has become Palestine's leading developer for real estate and tourism, with a particular focus on Jerusalem. As part of PIF's strategy, Amaar is leading a $150 million investment program which includes horizontal real estate development, the development of industrial zones in Jericho and Tarqumia, and the promotion of sustainable tourism.

> **One of PIF and Amaar's top achievements this year was the launch of the Jerusalem Commercial Center, the first mixed-use development in East Jerusalem, which will have a tangible impact on the city's economy in terms of trade, tourism, and job creation.**

The Jerusalem Commercial Center builds upon other important projects in Amaar's Jerusalem portfolio, particularly in the residential sector.

In horizontal land development, Amaar launched several projects in 2017, including Surda Hills and Birzeit Hills near Ramallah, as well as a new neighborhood in Jenin. These projects aim to develop land, solidify spatial and urban plans, connect them with modern infrastructure, and then sell them to individual and corporate investors.

On top of these achievements, Amaar added to its portfolio the Yabous tourism company, which manages eight of Palestine's most prominent hotels, as well as a convention center and a bazaar in Bethlehem and Jerusalem, respectively.

Bringing Palestine to Market

Aswaq, PIF's investment platform for local and global capital markets, provides PIF with liquidity and short-term returns to enable its impact program. Aswaq is a leading investor in the Palestinian Stock Exchange, with an investment portfolio of over $650 million. In turn, Aswaq is implementing PIF's broader mission to catalyze impact in Palestine by strengthening strategic Palestinian companies through equity investments.

In 2017, Aswaq facilitated the IPO of Sanad Construction Resources. The IPO was a great success, with a market capitalization at launch of $164 million.

Aswaq maintains influential and minority stakes in a number of major Palestinian companies. Of particular note this year is Aswaq's influential stake in Wataniya Mobile, which in 2017 made two major accomplishments: first, it launched services in Gaza, after more than ten years of waiting for approvals; and two, it launched 3G services in the West Bank in early 2018.

Social Investment and Entrepreneurship

Social investment and local empowerment are our priorities. Through the Ruwwad program, we support innovators and entrepreneurs by boosting access to finance and strengthening human capital development in Palestine, as well as in refugee camps in Lebanon.

Ruwwad, which is being implemented by the Palestine for Development Foundation, includes several pilot programs. Its Ibda'a program, which provides financial and entrepreneurship training to students, has trained over 200 trainers in vocational institutions in cooperation with the Ministry of Education and Higher Education and the International Labor Organization. Through Ibda'a, Ruwwad also introduced the "Know About Business" program, which helps to equip Palestinian graduates with the skills they need to start their own company, start-up, or venture.

In the financial sector, Ruwwad has provided $12 million in funding to SMEs, drawing down from a $30 million commitment PIF and its partners made for this purpose.

Through Ruwwad, PIF is helping to empower Palestinian refugees in Lebanon by providing them with microfinance and loans. To date, the Lebanon Refugee Economic Empowerment Program has provided microloans to more than 2,700 beneficiaries, a value of about $5 million. The number of direct and indirect beneficiaries is estimated at more than 12,000.

Finally, Ruwwad completed the first phase of the Jerusalem grant programs, in partnership with the European Union. Through this program, PIF and the EU provided grants to twenty-one SMEs in the occupied city of Jerusalem. These loans totaled around $2 million, helping to create 110 jobs.

Net profit

$39.4

Million

for 2017

Ladies and Gentlemen,

The fund's financial performance in 2017 was strong. PIF's profits for 2017 amounted to $41.87 million before taxes, while net profits amounted to $39.4 million. PIF's assets at the end of 2017 were $990.5 million, an increase of 16% compared to 2016.

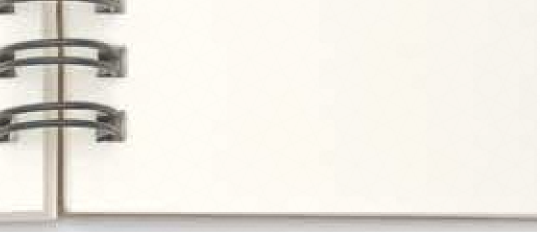
In conclusion, I must take this opportunity to express the Board's deepest appreciation to President Mahmoud Abbas for his stewardship and guidance in working towards building an independent and self-reliant economy. I extend those thanks to the Palestinian government, which has pursued this goals with determination and diligence.

I would also like to express my thanks and appreciation to the Board of Directors and the General Assembly for their commitment to guiding and implementing PIF's strategy. Together, we thank the Fund's board, its subsidiary staff, and its direct staff for their dedication, hard work, and commitment to achieve PIF's core objectives. Together, we are helping to lay the foundations for a strong, independent, and self-reliant national economy for a future independent state

Dr. Mohammad Mustafa
Chairman of the Board

PIF continues to develop and catalyze Jerusalem's economy. Through investments in real estate, tourism, and SMEs, as well as through loan and grant facilities, PIF is helping to strengthen Palestinian communities in the holy city.

About PIF



The Palestine Investment Fund is investing for impact in Palestine.

The Palestine Investment Fund (PIF) is Palestine's development-centric sovereign wealth fund. PIF seeks a double bottom line by maximizing impact through innovation and investing in cutting-edge strategic projects in under-developed and vital sectors, all while achieving sustainable returns.

PIF's vision is to assist in the realization of a sovereign and prosperous Palestinian state built around an innovative, inclusive economy and supported by a vibrant private sector. Impact investment is key to achieving this vision – and PIF is leading such investments in traditional and renewable energy, agribusiness, real estate, tech, tourism, entrepreneurship, and other vital sectors in Palestine.

With close to $1 billion in assets currently under management, PIF is uniquely positioned to crowd in capital to development projects across a variety of critical sectors.

Strategy focused on Impact and Good Governance

PIF's investment strategy seeks to maximize developmental impact while ensuring good governance. To fulfill this mission, we operate through three impact investment platforms, one asset management platform, and a comprehensive program for social investment:

- **Amaar** is PIF's impact platform for Real Estate and Tourism. With a $150+ million investment portfolio, Amaar invests in horizontal land development projects, high-impact industrial parks, and sustainable tourism infrastructure.
- **Massader** is PIF's impact platform for Energy and Infrastructure. Established in 2015, Massader invests in large-scale strategic projects aimed at strengthening Palestine's energy security, green power, and connectivity.
- **Sharakat** is PIF's impact platform for Agriculture, Technology, and Human Development. Sharakat's $86+ million investment portfolio seeks to encourage sustainable agribusiness, strengthen food self-sufficiency, enhance Palestine's technology offer, and accelerate human development through healthcare and education.
- **Aswaq** is PIF's investment platform in local and global capital markets. Aswaq provides PIF with liquidity to enable its impact program through innovative asset management. With influential stakes in a variety of strategic companies, banks, hospitals, and investment funds, Aswaq seeks to maximize developmental impact by deploying equity to vital sectors in Palestine.
- **Ruwwad** is PIF's platform for social investment and local empowerment, whose programs are implemented by the Palestine for Development Foundation. Ruwwad aims to increase opportunities to receive local funding, and to encourage innovation through capacity building and investing in human capital. It consists of five programs that are focused on the community and which benefit from funding from local and international donors and investors.

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Palestine Investment Fund
Investing for Impact

SHARAKAT
a PIF company

مصادر
massader
a PIF company

AMAAR GROUP
a PIF company

أسواق الإستثمارية
ASWAQ INVESTMENTS
a PIF company

"Ruwwad" investment program implemented by the

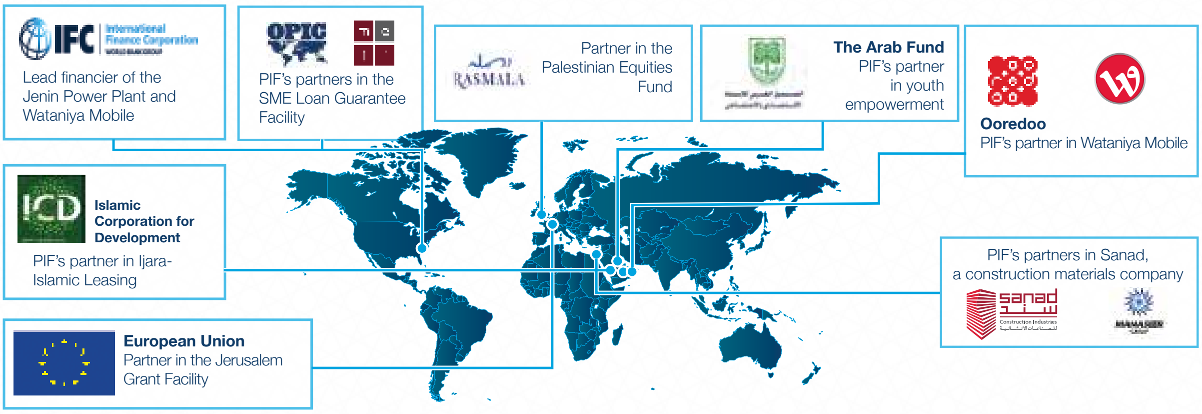
فلسطين للتنمية
Palestine For Development

Partnership Philosophy

The Palestine Investment Fund originates seeks to crowd in investors by originating projects and inviting local and international partners to co-invest, with partners often taking a majority stake. PIF helps to make large-scale, strategic projects possible by de-risking projects through shouldering the burden of start-up costs and ushering in partnerships from international investors.

PIF's investment partners range by both geography and organization type, including a number of public and private partnerships.

Our global partner network:



ARAB BANK

PIF also partners with a host of leading Palestinian companies

Social Investment

PIF's mission and vision are guided by a commitment to corporate social responsibility. Through Ruwwad, PIF's program for social investment and local empowerment, PIF supports initiatives designed to positively impact Palestinian society in areas such as education, entrepreneurship, and microfinance.

Ruwwad's grant and loan programs are conducted through the Palestine for Development Foundation (PsDF), a fully-owned subsidiary of the Palestine Investment Fund.

Governance

PIF is committed to the highest standards of good governance, transparency, and accountability.

PIF's eleven-member Board of Directors is comprised of leading business figures and policymakers. Four distinct board committees – split between Investments, Audit, Human Resources, and Governance – ensure transparency and accountability throughout the organization. PIF submits annually to full internal and external audits, the results of which are available publicly in its annual report.

As a testament to its commitment to good governance principles, PIF was inaugurated in 2016 as a Member of the International Forum of Sovereign Wealth Funds. This comes after conforming to the membership requirements reflected in the commitment to the Santiago Principles, which set the standards and best practices for sovereign funds.

Internal Procedures and Systems

PIF utilizes detailed internal policies and systems which regulate investment mechanisms and administrative decision-making, the process of implementing these decisions, and all aspects necessary for managing PIF and its investments. In addition, a list of procedures has been developed for making investment decisions and to authorize investment spending in accordance with this list. All of PIF's investment decisions are taken by designated committees.

Procedures for various PIF activities related to investments, procurement, human resources, and financial and accounting procedures have been developed, reviewed, and approved by the Board of Directors.

IFSWF
International Forum of Sovereign Wealth Funds

A Member of the International Forum of Sovereign Wealth Funds

Good Governance at the Core

PIF is committed to the highest standards of good governance, transparency, and accountability

Board of Directors

PIF's eleven-member Board of Directors is comprised of leading business figures, economists, and policymakers from across the region.

Dr. Mohammad Mustafa. Chairman of the Board

Chairman of the Board of Directors of the Palestine Investment Fund (PIF).

At PIF, Dr. Mustafa is focused on impact and innovation – two themes that have defined his career. He has launched a number of start-ups and companies, including PalTel, Wataniya Mobile, and Massader for Natural Resources and Infrastructure, as well as investment funds, such as the Rasmalah Palestine Equity Fund and the Sharakat Fund for SMEs. He facilitated the IPOs and exits of Saudi Telecom, Orange Jordan, PalTel, Sanad, and Wataniya, and was instrumental in building the Palestinian Islamic banking sector.

Dr. Mustafa has extensive experience with government, global institutions, and academia. He served as Deputy Prime Minister for Economic Affairs in 2013 and as Deputy PM and Minister of National Economy from 2013-2014. On the international front, he held senior poisitions across a variety of sectors at the World Bank in Washington, D.C. for a period of 15 years.

Mr. Azzam Al Shawwa

Governor and Chairman of the Palestine Monetary Authority, former Head of Energy Authority and member of several local and international economic organizations and institutions. He holds a bachelor's degree in mathematics from Memphis University.

Mr. Maher Al Masri

Chairman of the Palestine Stock Exchange, as well as Chairman of the Board of Directors of the Palestine Islamic Bank. Mr. Masri is the former Minister of National Economy, and has led several economic enterprises and institutions as chairman as well as on the board of directors. He holds a master's Degree in Economics from the American University of Beirut.

Mr. Mazen Sinokrot

Chairman of the Board of Directors and CEO of Sinokrot Global Group. Mr. Sinokrot is the former Minister of National Economy and founder of the Palestine Trade Center (Paltrade). He obtained his degree in Production Management and Industrial Engineering from Nottingham University.

Mr. Samer Khoury

CEO of The Consolidated Contractors Company (CCC). Mr. Khoury serves as a board member in over numerous entities worldwide. He holds a bachelor's degree in Civil Engineering from California State University and a master's degree from the University of Southern California.

Dr. Mohammad Nasr

Associate Professor of Economics at Birzeit University and Chairman of the Board of Directors of Amaar, where he represents PIF. Dr. Nasr is also a member of the board of trustees and the research advisors group at the Palestine Economic Policy Research Institute (MAS). He holds a PhD in Economics from Ohio University and MBA from Wayne State University.

Mr. Nabil Al Sarraf

Businessman who serves on the boards of several companies in Jordan and Palestine and non-governmental and charity organizations. He obtained his master's degree in civil engineering from Aachen University in Germany.

Mr. Tarek Al Aggad

Chairman of the Board of Directors and CEO of the Arab Palestinian Investment Company (APIC) and Executive Board Member of Aggad Investment Company (AICO). In addition, Aggad serves on the boards of several other companies in manufacturing, distribution and services sectors in Palestine, Jordan and Saudi Arabia. He holds a bachelor's degree in economics from Harvard University.

Mr. Mohammad Abu Ramadan

Chairman of the Board of Directors of Wataniya Mobile, where he represents PIF. Mr. Abu Ramadan is the former Minister of Planning and Administrative Development. He is also member of the boards of directors of several companies and economic institutions. He holds a bachelor's degree in business administration from Syracuse University.

Mrs. Lana Abu Hijleh

Expert on local and international development and civil society. Mrs. Abu Hiljeh is currently the Director General of Global Communities in the West Bank and Gaza Strip, a position she has held since 2003. She previously served as Assistant Resident Representative for UNDP. She serves on the boards of many organizations in Palestine.

Mr. Tamer Bazzari

Founder and CEO of Genero Capital and former CEO for Rasmala Investment Bank. Mr. Bazzari has held positions in the Dubai Financial Market, Ernst & Young in the UAE, and Deloitte in Canada. He serves on the boards of several leading financial and business enterprises in the Gulf. Bazzari obtained his postgraduate degree in Accounting from Concordia University, Canada, and is a chartered accountant and chartered financial analyst.

Board Committees

PIF's Board of Directors, a fully-independent entity, ensures that good governance is weaved throughout the Fund's projects, activities, and business practices. It performs its duties through various board committees, as well as through internal and external audits.

Four distinct Board Committees ensure transparency and good governance:

Investment Committee: Reviews investment proposals made by PIF's subsidiaries, ensuring investments are made in sound, strategic sectors with acceptable returns and high impact.

Audit Committee: Internal and external audits reports are submitted to the Audit Committee, which works independent from the Executive Management.

Human Resources Committee: Reviews PIF's human resources policies.

Governance Committee: Ensures compliance with internal governance codes and protects against conflicts of interest.

PIF is subject to internal and external audits

External Audit: Ernst & Young

Internal Audit: Deloitte, in addition to PIF's Internal Audit unit.

General Manager

Mr. Fadi Dweik
General Manager of PIF

Fadi Dweik is the General Manager of the Palestine Investment Fund. He previously served as Chief Financial Officer and Head of Internal Audit at PIF, during which time he led the organization's financial and administrative operations.

Mr. Dweik possesses experience with leading firms, specializing in the fields of consulting and assurance, risk management, and corporate governance. His experience covers a wide range of industries in and outside Palestine, including investments, real estate, banking and financial institutions, industry, utilities, hospitality, non-for-profit organizations, governmental institutions, and health care providers.

In addition to his work with PIF, Mr. Dweik serves on the boards and executive committees of several entities and NGOs in Palestine.

Mr. Dweik holds a bachelor's degree in Accounting and a master's degree in business administration, both from Birzeit University.

General Assembly

As a sovereign wealth fund, PIF's ultimate shareholder is the Palestinian people. The General Assembly, which acts on behalf of the Palestinian people, is PIF's highest supervisory and oversight body. The General Assembly provides strategic guidance to the Board of Directors, reviews PIF's annual report, and ratifies the distribution of dividends.

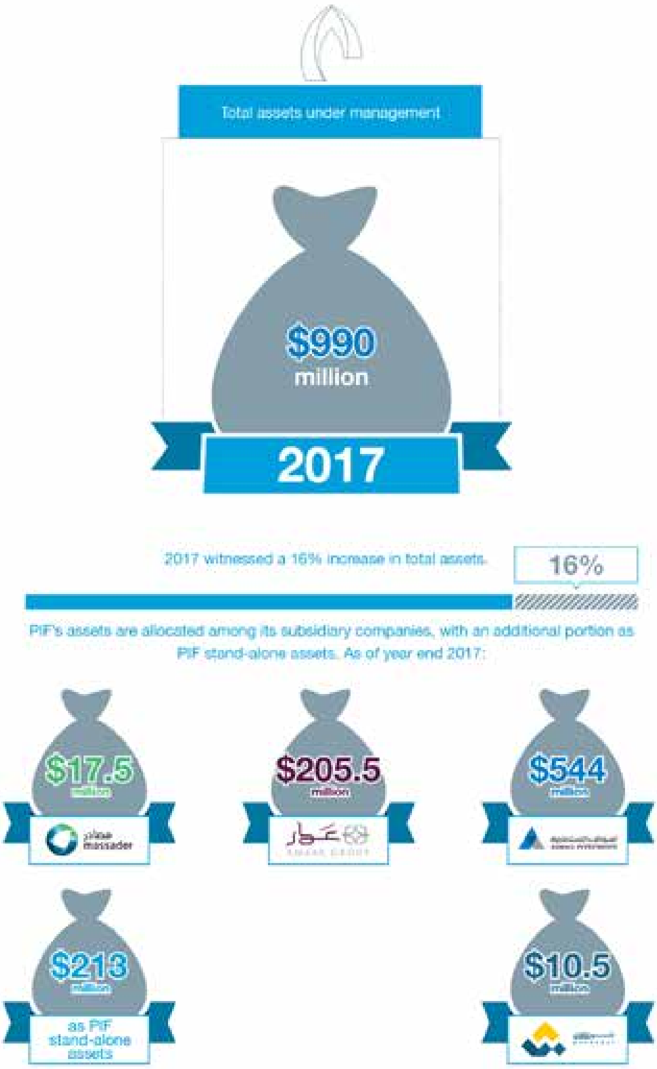
Members of PIF's General Assembly

The PIF General Assembly is comprised of 30 individuals who represent various segments of Palestinian society, including the business community, regulatory agencies, and civil society.

A full list of the current General Assembly is below:

Dr. Mohammad Mustafa	Dr. Mohammad Nasr
Governor of the Palestine Monetary Authority	Mr. Maher Al Masri
Chairman of the Board of Directors, Palestine Stock Exchange	Dr. Mohammad Shtayyeh
Chairman of the Federation of the Palestinian Chambers of Commerce	Mr. Faisal Al Shawwa
Chairman of the Board, Capital Markets Authority	Mr. Munif Traish
President of the Private Sector Coordination Council	Dr. Suhail Sultan
Presidential Court Director	Mr. Jawdat Al Khudari
Representative of Palestinian Business Women Forum Board of Directors	Dr. Marwan Awartani
Mr. Samer Khoury	Mr. Sam Bahour
Mr. Nabil Al Sarraf	Mr. Abdulkader Al Husseini
Mr. Mazen Sinokrot	Dr. Safaa Nasereddin
Mr. Mohammad Abu Ramadan	Mr. Hashim Shawa
Mr. Tareq Al Aggad	Mr. Ahed Bseiso
Mr. Azzam Al Shawwa	Mr. Nassar Nassar
Mrs. Lana Abu Hijleh	Mr. Iyad Joudeh

Financial Highlights



PIF's investment strategy has resulted in a 6.7% increase in earnings since 2015

2015 — 6.7% — 2017

$34.6 Million
Net income in 2015

$39.4 Million
Net income in 2017

$795.6 Million
in dividends to the state treasury since establishment in 2003

$990 Million
in assets under management

90%
of investments allocated in Palestine

As an impact-focused sovereign fund, PIF seeks to maximize local impact at home. Over 90% of PIF's investments are physically in Palestine – catalyzing critical sectors such as:

Real Estate | Tourism | Agriculture | Energy | and more

$309 million
Will be invested directly by PIF over the next three years

$2.4 billion
Will be invested over the next three years after in partnership with financial and investment organisations and banks

Distributed across a variety of strategic sectors

$30 million | $168 million | $15 million | $96 million

AMAAR GROUP | massader | SUSTAINABLE... | ASWAQ INVESTMENTS

Measuring Performance – PIF’s Impact Metrics

Key to the Palestine Investment Fund’s impact strategy is ensuring accurate measurement and monitoring of development indicators.

All companies and programs monitor and measure the following three impact metrics:

- Jobs created (direct, indirect, induced)
- Value of exports or imports substituted
- Co-investment leveraged (local/foreign)

PIF maintains a number of impact metrics for each subsidiary and for its social investment program:

عمار AMAAR GROUP	Land developed, in donums; Built-up and used area in Jerusalem; Number of tourist nights, through Yabous
مصادر massader	Megawatts of domestic power; Megawatts of renewable power
شراكات SHARAKAT	Number of SMEs supported; Number of donums of agricultural land developed
“Ruwwad”	Social Investment – SMEs and ventures supported, including in Lebanon

AMAAR GROUP

a PIF company

From vision to creation

The Amaar Group is Palestine's leading impact investment company for real estate and tourism. Established in 2009, Amaar is a fully-owned subsidiary of the Palestine Investment Fund.

Amaar's vision is a prosperous Palestinian state underpinned by a thriving, accessible, and growth-generating real estate market with a sustainable and profitable tourism sector. Amaar's mission is to offset the shortage of industrial, commercial, and residential real estate in Palestine by providing affordable land around urban centers that is suitable for end-use or private development, and to strengthen the tourism and hospitality sectors through strategic investments.

Amaar's $150+ million investment portfolio is focused broadly in four main strategic areas:

- Horizontal Land Development
- High-Impact Industrial Parks
- Sustainable Tourism
- Inclusive Economic Growth

Since its establishment in 2009, Amaar has played a leading role in accelerating real estate development and boosting sustainable economic growth in Palestine. By streamlining the horizontal land development process – and providing critical investments in industrial areas – Amaar ensures Palestinian communities have access to affordable real estate, modern infrastructure, and an integrated supply chain.

Investment portfolio

$150 million

Leadership

Mr. Amir Dajani
Chief Executive Officer of Amaar

Mr. Amir Dajani is Chief Executive Officer of Amaar. Prior to joining Amaar Mr. Dajani served as the Deputy Managing Director of Bayti Real Estate Development, the developer of Rawabi. For eight years he was responsible for the company's day-to-day operations, supervising the technical and operations teams to ensure timely attainment of all critical project milestones.

Mr. Dajani serves on the boards of many local companies including the Jericho Agriculture Industrial Park JAIP, the Arab Hotels Company, Al Quds Holding, the Grand Park Hotel, the Capital Hotel, The Golden Gate Hotel Project, the Jerusalem Commercial Center Company, the convention center in Bethlehem, the Jasir Palace Hotel. Also, Mr. Dajani served previously as a board member of the Jerusalem Electricity District Company (JDECO).

Amaar's Top Accomplishments for 2017

2017

1. Launched the Jerusalem Commercial Center, the first such development in the heart of East Jerusalem
2. Launched and revived the Surda Heights and Birzeit Heights projects in Ramallah and Al Bireh
3. Sold all villas in the new Al-Jinan neighborhood, located in Jenin
4. Launched the commercial center in the Al-Reehan neighborhood, located just north of Ramallah
5. Launched and sold all units in the Worood neighborhood project in Jenin
6. Finished the arrangements to launch 3 horizontal land development projects in Jenin and Jericho

From Vision to Creation

Amaar is Palestine's leading investment company for real estate and tourism

$150 + Million Investment Program

Horizontal Land Development | High-Impact Industrial Parks | Sustainable Tourism | Inclusive Economic Growth

Al-Reehan and Al-Jinan Neighborhoods

Provides modern, affordable housing

- Modern residential neighborhoods in Ramallah and Jenin
- Horizontal land development rights for new neighborhoods in Birzeit, Jericho, and Surda

Ersal Business Center

Enables private sector development

- Landmark, mixed-use business hub in heart of Ramallah & Al-Bireh
- Home to leading local and international corporations

Moon City

Catalyzes development in the Jordan Valley

- New city in Jericho which will include housing and commercial developments, as well as tourism destinations close to the Dead Sea

Jericho Agro-Industrial Park

Streamlines regional and global exports

- Sector-driven, eco-friendly industrial park close to border crossings

Yabous Tourism Company

Revitalizes hospitality and tourism

- Palestine's leading hospitality and tourism investment company
- Includes eight of Palestine's top hotel properties, with influential stakes in Bethlehem Convention Center and Jerusalem Grand Bazaar

In the works

Jerusalem Commercial Center

Strengthens Palestinian presence in Jerusalem

- First mixed-used commercial center in heart of Jerusalem
- Strategic investment in Jerusalem's housing and commercial sectors

Tarqumia Industrial Park and bonded area, near Hebron

New hotel properties in Jerusalem

Real Estate Development

Amaar is engaged in a wide variety of horizontal land development projects which seek to provide affordable land around urban centers, fully-equipped with modern infrastructure and amenities. A sampling of delivered and ongoing projects is below:

Al-Reehan Neighborhood

The Al-Reehan Neighborhood is located just 10 kilometers north of Ramallah and is connected to the Ramallah governate's main highway network. The neighborhood includes seventeen high-rise apartment buildings, 42 villas, two prestigious executive towers, and a state-of-the-art commercial center.

The neighborhood serves as a comfortable extension of the city of Ramallah, providing residents with sweeping views of the city's rolling hills and expanding the city's urban landscape. 95% of the first phase of Al-Reehan was sold, with close to 200 families actively living in the neighborhood.

The second phase of the project includes building a park in addition to more residential units. Amaar was able to attract investment such as the Higher Education campus for the Arab American University of Jenin, a big shopping center, and the Istishari Arab Hospital.

Al-Jinan Neighborhood

The Al-Jinan Neighborhood is a residential neighborhood located near the Arab American University of Jenin. It is the first planned development in Jenin which is equipped with modern road and electricity infrastructure. The neighborhood covers an area of 77 dunums, and includes 54 semi-independent residential units and 28 residential units.

Surda and Birzeit Heights

Surda Heights is located on the hills of the town of Surda, north of the city of Ramallah. It provides public, sports, educational, health and recreational facilities, as well as various commercial facilities.

Surda Heights is located in of one of the most beautiful places of Palestine with a unique nature and view over on the Palestinian coast. The area is surrounded by quality residential projects which increased the place's economic and investment value.

Birzeit Heights offers 600-800 square meter lots with official ownership title deeds (tabo), allowing its new owners to start utilizing the land lots that are already equipped with modern infrastructure such as road networks, water, electricity, and linked with main roads between Palestinian cities.

Moon City (Jericho)

Amaar began building Moon City's in 2014 in Jericho and the Jordan Valleys, within the horizontal real estate development projects. The project area spreads over 550,000 square meters with lots of various sizes developed for various uses such as commercial, housing, and tourist sites. In addition, the organizational project phase has been approved as well as conducting infrastructure work, dividing land into parcels, and issuing a registration dividend for each parcel to meet the increasing demand for land by individuals and developers.

Commercial Real Estate Development

Amaar is engaged in a wide range of vertical real estate projects that seek to provide affordable land around urban centers with modern infrastructure and amenities. The following is a sample of on-going projects being implemented:

Ersal Business Center

The Ersal Business Center is quickly becoming Palestine's leading business and commercial hub. Located in the heart of the twin cities of Ramallah and Al-Bireh, the Ersal Business Center is home to a host of leading local and international companies.

Upon completion, the Ersal Business Center will feature eleven multipurpose business towers, equipped with modern infrastructure in an accessible and convenient location. Two towers have already been completed: the Amaar Tower, a thirteen-floor building which is host to PIF, Amaar, Sanad, and PWC, among others; and the CCC (Consolidated Contractors Company) Tower.

The Bank of Palestine and Al-Quds Bank, two other leading Palestinian companies, have completed the design and licensing of their own corporate offices in the Ersal Center.

Jerusalem Commercial Center

Amaar is the lead investor in the Jerusalem Commercial Center (JCC), a planned first mixed-use commercial center located in the heart of Jerusalem. Located just steps away from the old city and the Jerusalem monorail, the JCC is an unparalleled commercial center in Jerusalem.

The JCC will serve as a hub for business and commerce in Jerusalem, providing Palestinians with new retail options near the center of town.

Upon completion, the JCC will house a six-story hotel, multiple floors of retail space, a parking garage, and storage space.

Industrial Parks

Palestine's gateway to the world

Amaar is a leading investor in industrial parks in Palestine. These parks aim at streamlining Palestine's access to export markets, strengthening manufacturing, and creating sustainable employment opportunities.

Jericho Agro-Industrial Park

Amaar is proud to be an investor in the Jericho Agro-Industrial Park (JAIP). JAIP is a sector-driven, eco-friendly industrial park close to border crossings outside the Palestinian city of Jericho.

The park provides businesses with the industrial space, resources, and services they need to maximize their potential, providing tangible benefits to the Palestinian economy. It also provides tax incentives, a waste management and water network, a modern road network, and security to maintain a safe investment environment inside the park.

JAIP has amassed investments from a wide variety of investors, including the Government of Japan, the Palestine Real Estate Investment Company, the Palestine Investment Fund, and Sanabel, among others.

Tarqumia Industrial Park and Bonded Area

Located near Hebron, the Tarqumia Industrial Park and Bonded Area (TIP) seeks to become Palestine's export gateway to the world. It will facilitate the movement of goods to regional and international markets – serving as a critical link to integrate the Gaza economy with the West Bank.

TIP will link to ports, as well as to the Jericho Agro-Industrial Park, connecting Palestine to the Arab world and beyond. It will equip investors and businesses with state-of-the-art hangars, land, logistical solutions, and more.

This $64 million Amaar-led project will streamline production and encourage efficiencies throughout the Palestinian industrial supply chain.

Al-Quds Holding

The Al-Quds Holding Company seeks to develop the city of Jerusalem and enhance its economy It was launched through the combined efforts of a number of businesspeople, the Palestine Investment Fund, as well as other partners. The company invests in several sectors including real estate, tourism, health, education, and the services sector.

Tourism

يبوس
Yabous
a PIF company

Amaar seeks to push Palestinian tourism and hospitality to new heights.

Through Yabous Tourism Company, a fully-owned subsidiary, Amaar invests for impact in Palestine's tourism sector.

Hotel Investments

The Yabous Tourism Portfolio Company includes top hotel properties in Jerusalem, Bethlehem, Ramallah, and Gaza. A brief list of notable investments is below:

Ramallah	Grand Park Hotel, Millennium Hotel
Jerusalem	Grand Park Hotel, Golden Gate Hotel
Bethlehem	Jacir Palace Hotel, Grand Park Hotel
Gaza City	Al Mashtal Hotel

2017 Yabous top accomplishments

1. Rebranded the Movenpick Hotel to become the first Millennium Hotel in Ramallah
2. Launched the first Grand Park Hotel in Jerusalem
3. Initiated a detailed design for the Golden Gate Hotel project in Jerusalem
4. Signed a partnership and management agreement for the Capitol Hotel in Jerusalem

Laying the foundations of the future

Massader invests in large-scale strategic projects aimed at developing Palestine's natural resources and infrastructure. Established in 2015, Massader is a fully-owned subsidiary of the Palestine Investment Fund.

Massader's vision is a connected and energy-secure Palestinian state with inclusive economic growth, modern infrastructure, and a commitment to sustainable energy practices. Massader's mission is to invest in large-scale strategic projects aimed at developing Palestine's natural resources and infrastructure, utilizing public, private, and co-investment partnerships to maximize impact.

Massader's investment program is approximately $2.2 billion, with PIF's contribution at around $168 million. The company's work is guided by four main strategic objectives:

- Energy Security
- Green Power
- Connectivity
- Inclusive Economic Growth

Since its inception in 2015, Massader has played a leading role in catalyzing investment towards vital projects in Palestine, such as the Jenin Power Plant and Wamda Fiber Optics services. These strategic investments ensure Palestine's development in a swift and sustainable manner – with a tangible impact on job creation and economic growth.

Noor Palestine Program

Generation
200
MW of electricity
Of solar energy

Massader's work is guided by the following objectives:

- Energy Security
- Inclusive Economic Growth
- Green Power
- Connectivity

Leadership

Mr. Azem Bishara
Chief Executive Officer of Massader

Mr. Azem Bishara is Chief Executive Officer of Massader, Palestine's leading natural resources and infrastructure development company. Prior to his tenure as CEO, he served as Massader's Legal Advisor, where he devised and facilitated exploration, production sharing, turn key, and purchase agreements for a number of energy-related projects in Palestine.

As an Advisor to the Deputy Prime Minister of Palestine from 2013-2015, Mr. Bishara led work on the Initiative for the Palestinian Economy, a collaborative effort between the public sector, international organizations, and private sector to enable transformational economic change in Palestine. He also led the team that prepared the National Reconstruction Plan for Gaza following the 2014 crisis, which was presented at the International Conference on Gaza in Cairo and yielded over $5 billion in donor pledges.

A former Chevening scholar, Mr. Bishara holds a Master of Laws (LL.M.) from the University College of London.

Massader's top accomplishments 2017

1. Struck an agreement with the Jerusalem District Electricity Company (JDECO) on connection of 7.5 MW to the Jericho Solar PV Plant
2. Completed all civil works on three sites for preparation of construction for three new solar PV parks in Jericho, Tubas, and Jenin
3. Struck an agreement with the Tubas Electricity Distribution Company on connection of 9 MW to the Tubas Solar PV plant
4. Struck an agreement with the Palestinian Ministry of Education and Higher Education to equip 500 public schools in Palestine with rooftop solar PV panels
5. Planned the operation for providing the Jenin Power Plant with natural gas

Laying the foundations of the future

Massader invests in large-scale strategic projects aimed at developing Palestine's natural resources and infrastructure

$2.2 Billion Investment Program

- Energy Security
- Green Power
- Connectivity
- Inclusive Economic Growth

Noor Palestine Solar Program

Enables renewable energy

- **Noor Palestine** is Massader's plan to develop 200 MW of solar capacity over eight years
- Solar parks in several locations,starting with Tubas, Jericho, and Jenin
- Rooftop solar panels on **500 public schools**, first phase of a green energy partnership with the Palestinian Ministry of Education and Higher Education

Jenin Power Plant

Meets 50% of West Bank energy demand

- Lead investor in Palestine Power Generation Company, which is developing the plant
- **$620** million investment with **450 MW** generation capacity

Gaza Marine Offshore Natural Gas Field

Strengthens energy security

- Proven gas reserve off Palestine's shores
- Major enabler for power generation, water desalination, and industrial development in Palestine

West Bank Oil Field

Catalyzes natural resource development

- Proven reserve just north of Ramallah
- Estimated reserve of **30 million** barrels

Wamda Broadband Services

Enables local and national connectivity

- Modern and expanded fiber optics network in Palestine
- Key enabler for e-commerce, online government services, and cloud computing

Energy

Strengthening Palestine's Energy Security

Massader, PIF's impact platform for energy and infrastructure, invests in projects which strengthen Palestine's energy security and diversify its power sources. These projects range from green and renewables to local power generation.

Noor Palestine - Massader's Solar Energy Program

Noor Palestine is Massader's plan to develop 200 MW of solar capacity in Palestine by 2026, through a mix of solar parks and rooftop panels. Solar parks will be constructed in several locations, starting with Tubas, Jericho, and Jenin. Massader's solar park in Jericho, set to open in 2018, will be Palestine's largest.

The Noor Palestine program will also install solar panels on the rooftops of public institutions, schools, commercial buildings, and residential buildings. Most recently, Massader forged an agreement with the Palestinian Ministry of Education and Higher Education to install solar panels on the rooftops of 500 public schools.

An $80 million investment, Noor Palestine will generate significant savings in energy costs, giving Palestinians an alternative to the costly import of electricity. Massader is forging agreements with Palestinian electricity distribution companies, such as the Tubas District Electricity Company and the Jerusalem District Electricity Company, to ensure inclusive access to solar power.

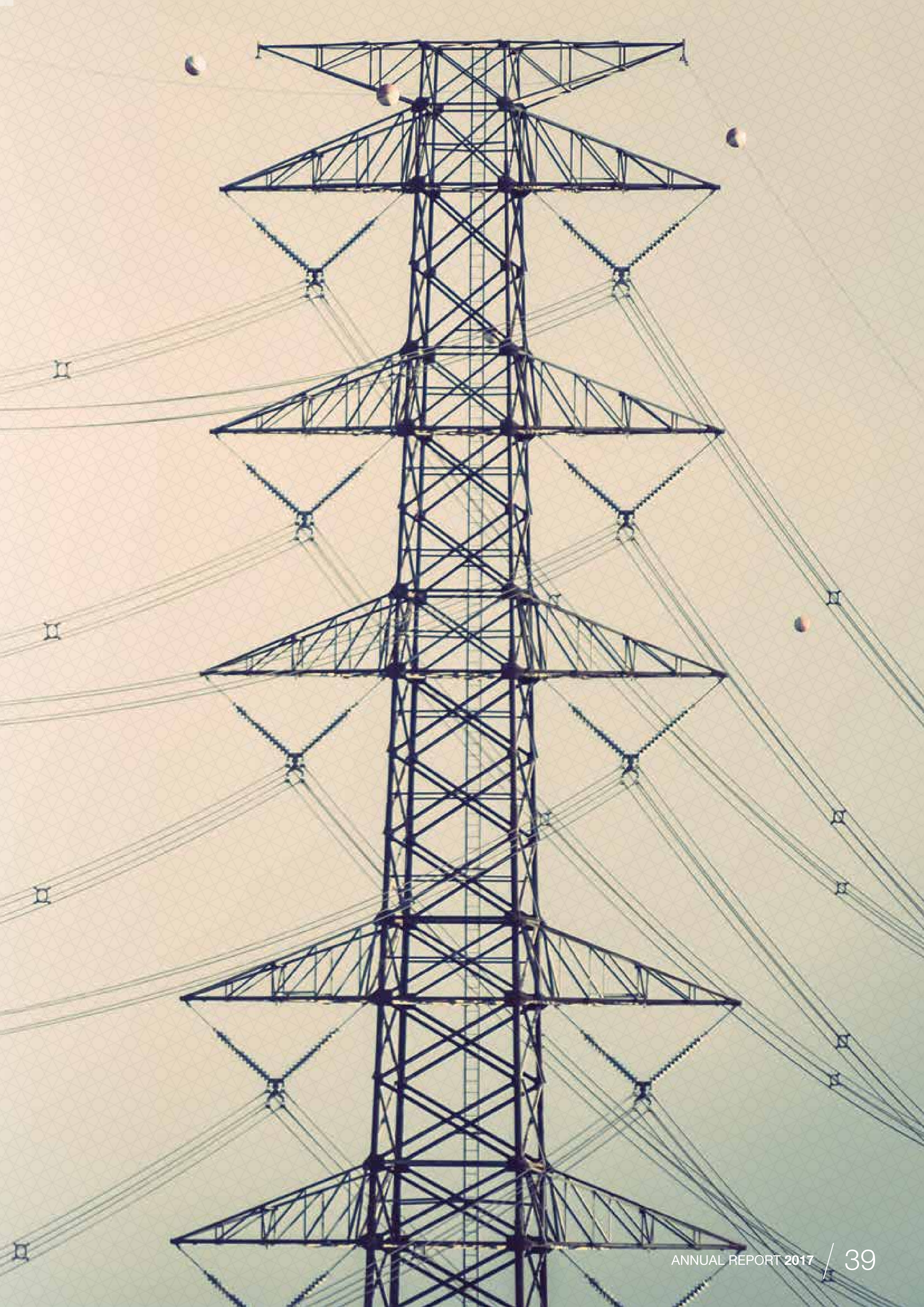
The Jenin Power Plant

Massader is the largest stakeholder in the Electric Power Generation Plant, located in Jenin Province. The Jenin Power Plant – the first in the northern West Bank – will have a generation capacity of approximately 450 megawatts, fueled by natural gas.

The plant is being developed through the Palestine Power Generation Company (PPGC), which is supported by a leading group of Palestinian investors including the Palestine Investment Fund (39.6%), the Palestine Development and Investment Company (20%), the Palestine Telecommunications Company (10%), the Arab Bank Group (10%), the Palestine Electric Company (5%), and the Arab Palestinian Investment Company. These investors are joined by three important banks, including the Bank of Palestine, Al-Quds Bank, and the Cairo-Amman Bank.

PPGC, the Jenin Power Plant's developer, has signed a letter of intent with the developers of the Palestine Natural Gas field in order to supply natural gas for the plant.

As projected, the Jenin Power Plant will satisfy approximately 50% of the West Bank's energy demand. Power generation from the plant is expected to commence at the end of 2019. The project's total development cost is approximately $620 million.



Natural Resources

Catalyzing natural resources development in Palestine

Massader invests in a variety of oil and gas projects aimed at developing Palestine's natural resources.

Gaza Marine Offshore Natural Gas Field

The Gaza Marine Offshore Natural Gas Field is a natural gas reserve just off Palestine's shores. Massader is leading Gaza Marine's development, for an estimated one trillion cubic feet of natural gas.

With a $1.2 billion estimated development cost, the project will bring Palestine closer to energy security and enable energy exports.

Development of the field will contribute an estimated $2 billion in proceeds to the State of Palestine in the form of royalties/taxes. Gaza Marine's commercial-operating model will utilize a royalty-based concession agreement, which was been granted by the Government of Palestine to a consortium including PIF, CCC, and an international operator.

Gaza Marine will primarily serve the Palestinian market, fueling the Gaza power plant, with a capacity of 140 MW, and the PPGC Jenin Power Plant, with capacity of 450 MW. Gas will be available for export to Jordan, through a letter of intent for sale signed with Jordan's National Electric Power Company.

West Bank Oil Field

Massader is leading exploration and development of the West Bank Oil Field. The field spans an area of 432 square kilometers northwest of Ramallah, in the town of Rantis.

The West Bank Oil Field is adjacent to the Meged Oil Field, which is being actively explored. Initial reserve estimates indicate the combined fields contain between 34 and 293 barrels of oil and between 168 and 498 billions of cubic feet of natural gas.

The development of oil and natural gas resources is critical the sustainable economic growth in Palestine. With this in mind, Massader and PIF will form and lead a national consortium to invest in and develop the West Bank Oil Field, also known as the "Block 1 Field."

An initial prospectivity analysis demonstrates that between 50 and 65% of the combined oil fields' reserves lie within the West Bank. A planned investment program of $390 million aims to drive the development of the field, which is expected to inject over $650 million into the Palestinian economy. The West Bank Oil Field also opens the door to an alternative source of petroleum for the Palestinian market, which would otherwise continue to rely exclusively on oil imports.

Exploration and development of the West Bank Oil Field will rely on a Production Sharing Agreement (PSA) between the Government of Palestine and the Palestine Investment Fund-led National Consortium Company.

Infrastructure

Boosting local and national connectivity

Massader's vision is a connected Palestine – one with modern and reliable physical and digital infrastructure. The company is involved in a series of planned projects aimed at achieving this vision.

Wamda Broadband Services

Wamda is a new entity aimed at developing a modern fiber optic-based telecom infrastructure in Palestine. Wamda will utilize JDECO's existing network, and invest in new distribution networks to expand Palestine's fiber access. The total investment size is $27 million.

SHARAKAT

a PIF company

Transformation through Innovation

Sharakat's vision is a Palestinian state underpinned by a dynamic, knowledge-based economy, strengthened by sustainable agribusiness and thriving SMEs, and transformed through innovations in healthcare and technology.

Established in 2012, Sharakat is a fully-owned subsidiary of PIF. Sharakat invests for impact in Palestinian SMEs to strengthen food self-sufficiency, enhance the technology offer, and accelerate human development through health and education.

Sharakat's $86 million investment program is guided by four strategic objectives:

1. Sustainable Agriculture and Agribusiness
2. Enhanced Information Technology Offer
3. High-Impact Education and Healthcare
4. Scalable Small Businesses

Since its inception in 2012, Sharakat has played a critical role in supporting Palestinian small- and medium-sized enterprises (SMEs) through investing in several industrial and service facilities. In 2017, Sharakat revised its investment mandate, expanding its focus to include agriculture, technology, and human development. Despite this investment mandate revision, Sharakat maintains sizeable investments in funds and entities that strengthen Palestinian SMEs – such as the Ijarah Islamic Leasing Company, Asala Company for Credit and Development, and Ibtikar Fund.

Investment portfolio of

$86 million

In four strategic sectors:

- Sustainable Agriculture and Agribusiness
- Scalable Small Businesses
- Enhanced Information Technology Offer
- High-Impact Education and Healthcare

Leadership

Mr. Nassim Nour
Executive Director of Sharakat

A seasoned private sector development expert and entrepreneur, Mr. Nour possesses over 25 years of experience across several African countries, Australia, and Palestine. Prior to his work with PIF, Mr. Nour was seconded by the government of the United Kingdom to advise Quartet Representative Tony Blair on private sector development, where he led the tourism and light manufacturing portfolio within the $10 billion Initiative for the Palestinian Economy. He also held several executive positions within the U.K. Department for International Development, including as head of the private sector development division.

Mr. Nour serves on the boards of the Arab Istishari Hospital, Ibn Sina Hospital, the Bethlehem University Institute of Hospitality and Tourism, Asala Microfinance Company, and the Palestine Ijarah Islamic Leasing Company.

Sharakat's top accomplishments 2017

1. Established the Al Dalyeh company, a 120 dunum farm for the production of early seedless grapes. 23,000 grape seedlings have already been planted, with plans to expand into 300 additional dunums in 2018.

2. Finalized market studies and closed the investment deal to establish the largest Animal Feed production plant in Hebron with a number of strategic partners at a total cost of $22 million.

3. Finalized market study and business plan for the establishment of the first national agriculture aggregation and marketing company in Palestine.

4. Finalized business plan and conceptual designs for the establishment of the first cultural tourism village east of Bethlehem.

Transformation through Innovation

Sharakat invests for impact in Palestinian SMEs to strengthen food self-sufficiency, enhance the technology offer, and accelerate human development through health and education

$86 Million Investment Program

- Sustainable Agriculture and Agribusiness
- Enhanced Information Technology Offer
- High-Impact Education and Healthcare
- Scalable Small Businesses

Pal-Farm for Milk Production

Strengthens local dairy sector

- Modern farm with over 1,000 cows in southern Hebron
- Supplies over six million litres of fresh milk per year

Ibtikar Fund

Boosts IT startups

- $10 million disruptive fund that invests in Palestinian technology startups at early stages
- Sharakat is a key shareholder in Ibtikar

Ijara

Enables SME finance

- Palestine's first Islamic leasing facility, focused on providing machinery for SMEs
- Established by Sharakat in 2013, now has more than $10 million active assets in portfolio

Dalyeh Seedless Grape Farm

Supports marginalized areas

- Meets growing demand for early sweet grapes both locally and abroad
- Farm located in Ein Al-Beida, near Tubas, in 'Area C'

In the works

Animal Feed Plant

Increases self-sufficiency

- $22 million Sharakat-led investment in state-of-the-art animal feed plant in Hebron
- Production capacity of 360,000 tons/year of annual feed, and four months of grain reserves

Agriculture Aggregation Company

Streamlines market access

- Planned marketing and trade company for Palestinian agricultural cooperatives
- Will host a state-of-the-art grading and packing house

Technology-focused school in Jenin

Integrated Potato Chips Plant

Agriculture

Strengthening Palestine's self-sufficiency

Sharakat is engaged in a wide variety of strategic projects aimed at strengthening Palestine's food self-sufficiency. These ventures range from seedless grape production to marketing and packaging – but are aimed widely at boosting and sustaining Palestinian agribusiness.

Al-Dalyeh – Early Seedless Grape Farm

The Seedless Grape Farm was established on leased land with a total area of 120 dunums in Ein Al-Beida, Tubas, in Area C.

Sharakat's investment in Al-Dalya has a significant impact by utilizing land and water in Area C, which are subject to Israeli occupation measures such as confiscation of land and water – especially when land is not cultivated. This project is enhancing the resilience of the Palestinian population in the Jordan Valley and Area C.

The farm cultivates early sweet grapes, also known as seedless grapes, which according to market analysis has high demand locally and globally. The farm offers a unique opportunity to sell early grapes to the Palestinian market as well as to regional markets.

Pal-Farm for Milk Production

Pal-Farm is one of Palestine's most modern farming facilities, capable of producing six million liters of fresh milk per year. As of October 2017, Pal-Farm had 1,139 cows. Of these, 462 were productive cows.

Overview of Upcoming Projects

Agriculture Aggregation Company

The Agriculture Aggregation Company is a planned marketing and trade company for Palestinian produce. Located in the Tubas governate, the company will host a state-of-the-art grading and packing house and a strong distribution network to serve local and export markets.

The company's goal is to restructure and organize Palestine's market for fresh fruit and vegetables, with a goal of strengthening small farmers' access to local and export markets.

It is anticipated to create 70 direct jobs over 10 years, in addition to hundreds of indirect employment opportunities.

Animal Feed Plant

The Animal Feed Plant is a $22 million planned investment in a state-of-the-art animal feed facility in Hebron. It will feature a production capacity of 360,000 tons of animal feed and four months of grain reserves. The plant is critical for reducing reliance on imports, and will enhance Palestine's food security.

Technology

Transforming Palestine's Technology Offer

Sharakat is committed to strengthening Palestine's technology offer through impact investments in information technology initiatives, entrepreneurship, and tech-focused funds. A sampling of Sharakat's ongoing and planned investments in technology are below.

Ibtikar Fund

Sharakat is a 10% shareholder in the Ibtikar Fund, a $10 million disruptive fund that invests in innovative Palestinian startups at early stages.

Through its stake in Ibtikar, Sharakat seeks to strengthen Palestine's technology offer while offering much-needed capital and financing to young entrepreneurs.

Human Development

Accelerating Human Development in Palestine

Sharakat is accelerating human development in Palestine through investments in healthcare and education.

Ibn Sena Specialized Hospital

Sharakat is a lead investor in the Ibn Sena Specialized Hospital, the first specialized hospital in Jenin. The hospital will provide much needed healthcare services to residents in the northern West Bank. Operations are expected to commence in mid-2019.

The Ibn Sena hospital will include an emergency department, cardiology, intensive care unit, surgery, radiology, maternity ward, ophthalmology, pathology, medical lab, and out-patient clinics.

Al-Jinan Technology-Focused School

Sharakat is planning to invest in Al Jinan technology-focused school in Jenin. It will be the first of its kind in Palestine, offering programming as a separate language and implementing technological skills throughout the curricula.

أسواق الإستثمارية
ASWAQ INVESTMENTS
a PIF company

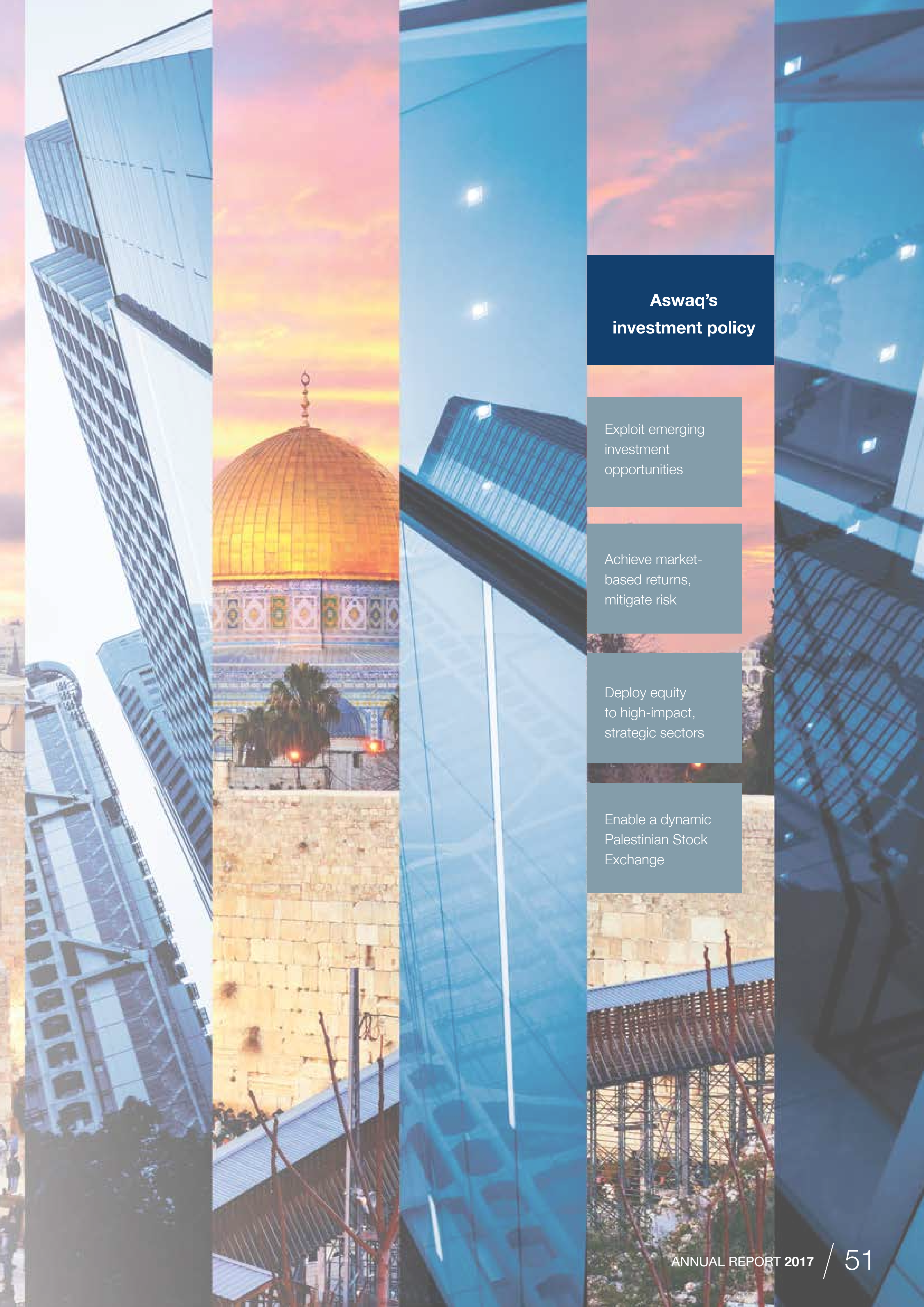
Bringing Palestine to Market

Aswaq is PIF's investment platform in local and global capital markets. Aswaq provides PIF with liquidity to enable its impact program.

With influential stakes in a variety of strategic companies, banks, hospitals, and investment funds, Aswaq seeks to maximize developmental impact by deploying equity to vital sectors in Palestine.

Aswaq's investments total over $650 million – and are guided by the following four principles:

- Exploit emerging investment opportunities
- Achieve market-based returns, mitigate risk
- Deploy equity to high-impact, strategic sectors
- Enable a dynamic Palestinian Stock Exchange



Aswaq's investment policy

- Exploit emerging investment opportunities
- Achieve market-based returns, mitigate risk
- Deploy equity to high-impact, strategic sectors
- Enable a dynamic Palestinian Stock Exchange

Leadership

Mr. Shadi AlKhatib
Acting Executive Director of Aswaq

Mr. Shadi Alkhatib is Acting Executive Director of Aswaq. Mr. AlKhatib is an experienced professional in capital market investments, with pre-eminent expertise in a wide range of economic sectors including commercial and Islamic banking, telecommunications and agro industries, and hospitality.

Prior to this post, Mr. Alkhatib was a portfolio manager at PIF, where he facilitated a number of strategic investments and acquisitions. He serves on a number of boards, including Wataniya Mobile, National Aluminum and Profiles Company, Arabic Islamic Bank, Arab Specialized Medical Complex Company, and Jerusalem District Electricity Company.

Mr. AlKhatib holds a bachelor's degree in Finance from the University of Arab Academy for Science and Technology in Egypt, and a master's degree in Finance and Investments from the University of Western Sydney in Australia.

Aswaq's top accomplishments 2017

1. Entered into several agreements with local and regional investors to help enable PIF's impact investment program

2. Contributed directly and indirectly to improving the Palestinian Stock Exchange's performance and enabling stock purchases and trades through deals with listed companies and interested investors

3. Enhanced its assets through new investments in key Palestinian companies:
   - In the **financial sector**, Aswaq acquired an influential, 25% stake in the Palestine Investment Bank
   - In **healthcare**, Aswaq acquired key stakes in the Arab Specialized Medical Complex Company, which owns and operates several hospitals in northern and central Palestine, and Birzeit Pharmaceuticals, one of Palestine's preeminent pharmaceutical companies.
   - In **construction**, Aswaq facilitated the PSE IPO of Sanad, Palestine's leading investment company for the construction materials sector. This led to the conclusion of a strategic partnership with the Al-Manaseer construction company from Jordan, which partnered with PIF to enable Sanad's growth and success.
   - In **food products and agriculture**, Aswaq worked together with regional investors to acquire a stake in Siniora, one of Jordan's leading food manufacturing and distribution companies.

4. Adopted a number of regulations to improve governance and transparency within the company

5. Achieved remarkable growth in assets and net profits. Net profits in 2017 are up 20% from 2016

Bringing Palestine to market

Aswaq is the Palestine Investment Fund's asset management arm for local and global capital markets

$650 + Million Investment Program

- Exploit emerging investment opportunities
- Achieve market-based returns, mitigate risk
- Deploy equity to high-impact, strategic sectors
- Enable a dynamic Palestinian Stock Exchange

Aswaq provides PIF with liquidity to enable its impact program – and invests in vital Palestinian companies

Strategic Stakes

Banking	Telecom	Healthcare	Industry & Trade
بنك الاستثمار الفلسطيني PALESTINE INVESTMENT BANK; البنك الإسلامي العربي	الوطنية موبايل	Nablus Specialist Hospital; المستشفى الإستشاري العربي ISTISHARI ARAB HOSPITAL	sanad سند; سنيورة siniora

Minority Stakes

Banking	Telecom	Healthcare	Industry & Trade
بنك فلسطين BANK OF PALESTINE	مجموعة الاتصالات الفلسطينية PALTEL GROUP	Birzeit Pharmaceutical Co. شركة بيرزيت للأدوية	JDECO; APIC أبيك

Specialized Investment Funds

RASMALA رسملة | KHAZANAH خزانة

Aswaq launches major IPOs and strengthens key industries through acquisitions and turnarounds

IPOs

Sanad Construction Resources Company

- IPO launched in 2017
- $164 million market cap at launch on Palestinian stock exchange

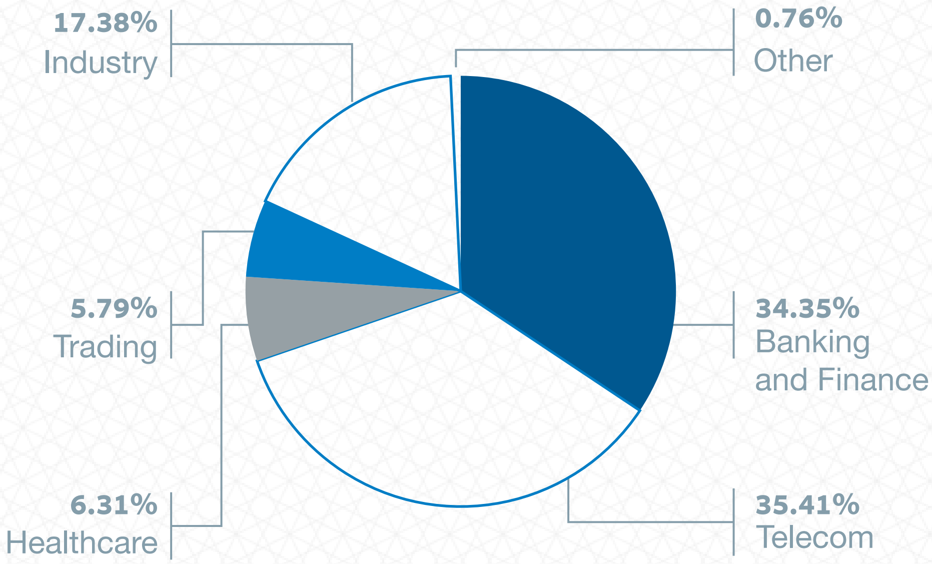
Strategic Sectors

Investing in vital Palestinian companies

Aswaq is committed to strengthening the local Palestinian economy by deploying equity to high-impact, strategic companies in Palestine, and exiting once its impact objectives are met.

Aswaq investments range broadly across the Palestinian economy, within a number of strategic sectors:

Aswaq Investments by Sector



Strategic Stakes

Aswaq holds strategic stakes in a number of leading Palestinian companies and incorporated entities. Notable among these are Wataniya Mobile, Sanad Construction Resources, the Istishari Arab Hospital, and the Palestine Investment Bank

Minority Stakes

Aswaq holds minority stakes in influential local companies, such as the Bank of Palestine, the Palestine Telecommunications Company (PalTel), Birzeit Pharmaceuticals, the Jerusalem District Electricity Company, and Siniora

IPOs, Acquisitions, and Turnarounds

Boosting strategic Palestinian companies

Aswaq is committed to strengthening strategic Palestinian companies through IPOs, acquisitions, and turnarounds - particularly by facilitating engagement in the Palestinian Stock Exchange.

Sanad Construction Resources Company - 2017 IPO

Aswaq facilitated the initial public offering of Sanad Construction Resources Company, a PIF-led initiative. Sanad's IPO launched in 2017 with success. It had a $164 million market cap at launch on the Palestinian stock exchange.
Sanad is a PIF subsidiary, with PIF owning 89.9% of its shares by the end of 2017.

Investment in Strategic Partnerships

Aswaq maintains key holdings in a number of influential local companies, including:

Nablus Specialist Hospital

ISTISHARI ARAB HOSPITAL

Arab Specialized Medical Complex Company, which owns and operates several hospitals in northern and central Palestine

Siniora Food Industries

Jerusalem District Electricity Company

Arab Islamic Bank

Specialized Funds

Boosting Liquidity through Innovative Asset Management

Aswaq's investment portfolio includes two specialized funds - Rasmala and Khazanah - which help to ensure PIF's liquidity through local and global investments.

Rasmala Palestine Equity Fund

The Rasmala Palestine Equity Fund is a diversified portfolio of growth and value stocks listed on the Palestine Stock Exchange. It was founded by PIF in 2011 in order to attract local and global investment in Palestinian securities.

Rasmala focuses on key economic sectors in Palestine, such as banking, telecommunications, investment services, and pharmaceuticals. Aswaq is a key investor in Rasmala, helping to ensure local Palestinian equities maintain growth trajectories.

Khazanah

Khazanah serves as PIF's investment arm for global and regional capital markets. It is a fully-owned subsidiary of Aswaq.

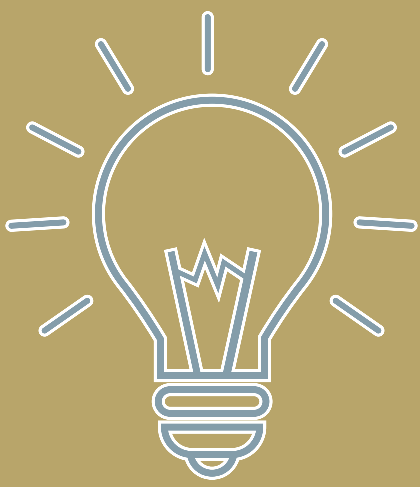
Khazanah's objective is to achieve long-term capital appreciation and to ensure PIF's liquidity over the short to medium term through investments in global and regional stocks.

Ruwwad

Social Investment

Ruwwad is the Palestine Investment Fund's program for social investment and local empowerment, and is implemented by Palestine for Development Foundation (PsDF)

The Ruwwad program seeks to increase local access to finance and spur innovation through capacity building and human capital investment. It consists of five community-focused programs which leverage capital from local and international donors and investors.



Leadership

Mr. Jamal Haddad

General Manager of Palestine Development Foundation

With a multi-sector career that spans over 25 years, Mr. Haddad has been at the forefront of the business development, management, marketing and communications in Palestine. He currently serves as the general manager of Palestine for Development Foundation and the Acting CEO of Mahmoud Abbas Foundation.

Mr. Haddad obtained his MBA from the University of Exeter, and his B.Sc. in Accounting from Birzeit University. He has also completed numerous intensive courses within the strategy, business development, and branding fields as a complement to his studies at Harvard and other institutions.

Ruwwad's top accomplishments 2017

1. Successfully trained 200 teachers from 36 technical colleges in the West Bank and Gaza on the "Know about business" program, which teaches young students about entrepreneurship. The program has reached over 5,000 students in Palestinian technical colleges.
2. Began implementation of the (Ibda'a) "Start your project" program, which works with young people to equip them with the tools, skills, and resources they need to launch new projects and small businesses. Ruwwad has partnered with eight local institutions to implement the program, training more than 18 teachers to work directly with young people.
3. Successfully completed phase one of the Jerusalem Grant Facility. The first phase financed 21 SME projects, injecting more than 3 million euros into the East Jerusalem economy and creating more than 110 direct jobs.
4. Launched the Jerusalem Microfinance Program, in collaboration with Oxfam and SIDA.
5. Continued implementation of the Lebanon Refugee Economic Empowerment Program:
   - In 2017, the program dispersed 500 new loans in Lebanon – more than 60% to young people – increasing the total loan portfolio to more than 2,700, a total of $4.5 million.
   - Raised the share of young people receiving loans to 42%, compared to 36% the previous year.
6. Received a new loan from the Arab Fund for Economic and Social Development, which will benefit the SME lending portfolio.
7. Provided 16 loans worth $838,000 through its Jerusalem lending facilities, distributed over on-going construction, trading, and services projects in Jerusalem.

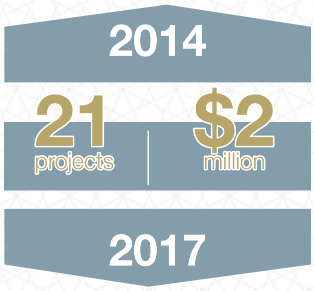
Boosting Access to Finance

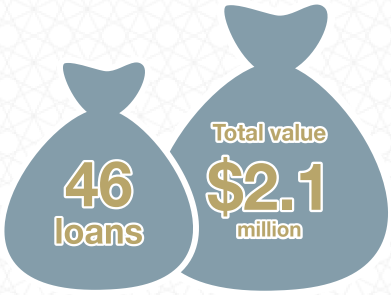
Jerusalem Growth Programs

Ruwwad is providing critical financial access to SMEs in Jerusalem.

- **Jerusalem Grant Facility:** The program provides funding to Jerusalem-based SMEs in the form of matching grants. The program supported 21 SMEs with $2 million provided by the European Union (EU), creating more than 110 direct jobs across six economic sectors. The program is implemented through PsDF, and the next phase will begin in 2018.

- **Jerusalem Lending Facility:** Through the Jerusalem Lending Facility, the program provides new, affordable finance options to local SMEs, with low interest rates and flexible terms. The program has dispersed 46 loans since establishment – a total value of $2.1 million.





Ruwwad's partners in Jerusalem include the
European Union and the Arab Fund for Economic and Social Development

Lebanon Refugee Economic Empowerment Program

Ruwwad is boosting entrepreneurship in Palestinian refugee communities in Lebanon.

The Lebanon Refugee Empowerment Program provides access to microfinance to entrepreneurs in Palestinian communities and refugee camps in Lebanon. The program is being implemented through 4 microfinance organizations in Lebanon. Since inception, the program has dispersed 2,700 loans, with an average loan size of $1.734 and a repayment rate of nearly 100%. 42% of loans go to youth entrepreneurs, and nearly 30% go to women.
Ruwwad's partners in Lebanon include the Arab Fund for Economic and Social Development and Silatech

More than
2700 loans
given to Palestinian refugees in Lebanon

Spurring Innovation and Human Development

Ibda’ Program for Youth Employment

Ruwwad is empowering a new generation of Palestinian entrepreneurs.

The Ibda’ program provides access to finance and training for young entrepreneurs and start-ups in Palestine, helping them bring their innovative ideas to fruition. Since inception, it has dispersed close to 1,000 loans across seven sectors throughout the West Bank and Gaza, with an average loan size of $5,580.

Through the “Know about business” program, Ibda’ has trained 200 teachers across 36 colleges to teach young students about innovation and entrepreneurship - helping young Palestinians develop critical business skills.

Al-Ruwwad’s partners in the Ibda’ program include the Arab Fund for Economic and Social Development, the International Labor Organization, and the Palestinian Ministry of Education and Higher Education.

36 Technical Colleges

to teach young students about innovation and entrepreneurship

Average loan size is

$5580

Financial Statements

Palestine Investment Fund

Consolidated Financial Statements

31 December 2017

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Palesine Investment Fund Company P.L.C

Opinion

We have audited the consolidated financial statements of Palestine Investment Fund Company P.L.C (PIF), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PIF as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other information included in PIF's 2017 Annual Report

Other information consists of the information included in PIF's 2017 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. PIF's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PIF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within PIF to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of PIF audit. We remain solely responsible for our audit opinion.

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

Ernst & Young – Middle East
License # 206/2012
Ernst + Young

Ramallah – Palestine
April 16, 2018

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	Notes	U.S. $ 000's 2017	U.S. $ 000's 2016
Assets			
Non-current assets			
Property, plant and equipment	5	123,124	115,874
Goodwill	6	25,604	26,521
Investment properties	7	77,353	82,892
Projects in progress	8	42,538	47,680
Investments in associates	9	154,301	135,862
Investments in joint ventures	10	3,156	3,411
Investments in securities	11	127,743	192,049
Other financial assets	12	64,037	59,186
		617,856	663,475
Current assets			
Properties ready for sale	13	13,871	20,443
Accounts receivable	14	88,974	56,920
Investments in securities	11	160,430	37,045
Other current assets	15	29,825	22,442
Cash and deposits at banks	16	79,599	55,899
		372,699	192,749
Total assets		990,555	856,224
Equity and liabilities			
Equity			
Paid-in share capital	17	625,000	625,000
Shareholder's current account	18	(47,799)	(87,947)
Statutory reserve	19	100,545	96,699
Voluntary reserve	19	36,123	32,277
Foreign currency translation reserve		1,039	(328)
Fair value reserve	11	9,045	8,338
Retained earnings		32,778	30,588
Total equity attributable to shareholder		756,731	704,627
Non-controlling interests		19,019	10,874
Total equity		775,750	715,501
Non-current liabilities			
Long-term loans	21	125,280	61,437
Deferred tax liabilities	22	3,083	4,117
		128,363	65,554
Current liabilities			
Credit facilities and current portion of long-term loans	23	37,064	15,869
Accounts payable	24	19,307	30,131
Provisions and other current liabilities	25	30,071	29,169
		86,442	75,169
Total liabilities		214,805	140,723
Total equity and liabilities		990,555	856,224

The attached notes 1 to 40 form part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2017

	Notes	U.S. $ 000's 2017	U.S. $ 000's 2016
Operating revenues	27	229,157	227,933
Cost of sales	27	(180,665)	(180,661)
Operating expenses	27	(25,102)	(22,056)
		23,390	25,216
Gain from investment in financial assets	28	30,873	29,912
Gain from sale of associates	9	4,315	1,483
Interest income	29	1,383	1,256
Change in fair value of investment properties	7	1,316	7,819
Gain from sale of investment properties	7	2,554	57
Share of associates' results of operations	9	8,344	7,891
Share of joint venture's results of operations	10	(593)	(333)
Investment expenses	30	(2,461)	(2,530)
		69,121	70,771
General and administrative expenses	31	(17,030)	(15,582)
Finance costs		(4,352)	(2,971)
Donations		(1,920)	(2,835)
Depreciation of property, plant and equipment	5	(4,189)	(3,289)
Currency exchange gain (loss)		4,011	(4,532)
Impairment of assets	5,6,8	(1,783)	-
Other expenses, net	32	(1,981)	(225)
Profit before income tax		41,877	41,337
Income tax expense	26	(2,449)	(4,000)
Profit for the year		39,428	37,337
Attributable to:			
The shareholder		38,460	37,301
Non-controlling interests		968	36
		39,428	37,337

The attached notes 1 to 40 form part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2017

	Notes	U.S. $ 000's 2017	U.S. $ 000's 2016
Profit for the year		39,428	37,337
Other comprehensive income items:			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in fair value of financial assets through other comprehensive income	11	(8,090)	(10,237)
Share of associates' other comprehensive income	11	(357)	(647)
		(8,447)	(10,884)
Items to be reclassified to the consolidated income statement in subsequent periods:			
Foreign currency translation difference		861	127
Share of associates' other comprehensive income		783	60
		1,644	187
Total other comprehensive income items for the year		(6,803)	(10,697)
Net comprehensive income for the year		32,625	26,640
Attributable to:			
The shareholder		31,657	26,604
Non-controlling interests		968	36
		32,625	26,640

The attached notes 1 to 40 form part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2017
(U.S. $ 000's)

	Attributable to the shareholder									
	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
2017										
At January 1, 2017	625,000	(87,947)	96,699	32,277	(328)	8,338	30,588	704,627	10,874	715,501
Profit for the year	-	-	-	-	-	-	38,460	38,460	968	39,428
Other comprehensive income	-	-	-	-	1,644	707	(9,154)	(6,803)	-	(6,803)
Net comprehensive income for the year	-	-	-	-	1,644	707	29,306	31,657	968	32,625
Shareholder's current account	-	12,148	-	-	-	-	-	12,148	-	12,148
Distributed dividends (Note 20)	-	28,000	-	-	-	-	(28,000)	-	-	-
Distributed dividends by subsidiaries	-	-	-	-	-	-	-	-	(720)	(720)
Capital raise of a subsidiary (Note 4)	-	-	-	-	-	-	7,059	7,059	6,938	13,997
Change in non-controlling interest	-	-	-	-	-	-	1,517	1,517	959	2,476
Transferred to current year profit	-	-	-	-	(277)	-	-	(277)	-	(277)
Transfers	-	-	3,846	3,846	-	-	(7,692)	-	-	-
At December 31, 2017	625,000	(47,799)	100,545	36,123	1,039	9,045	32,778	756,731	19,019	775,750

	Attributable to the shareholder									
	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained Earnings	Total	Non-controlling interests	Total equity
2016										
At January 1, 2016	625,000	(91,393)	93,309	28,887	(515)	18,291	31,660	705,239	1,596	706,835
Adjustments due to the early adoption of IFRS (9) (note 40)	-	-	(340)	(340)	-	743	(2,725)	(2,662)	(64)	(2,726)
Balance, beginning of the year - after adjustments	625,000	(91,393)	92,969	28,547	(515)	19,034	28,935	702,577	1,532	704,109
Profit for the year	-	-	-	-	-	-	37,301	37,301	36	37,337
Other comprehensive income	-	-	-	-	187	(10,696)	(188)	(10,697)	-	(10,697)
Net comprehensive income for the year	-	-	-	-	187	(10,696)	37,113	26,604	36	26,640
Shareholder's current account (Note 18)	-	(20,554)	-	-	-	-	-	(20,554)	-	(20,554)
Distributed dividends (Note 20)	-	28,000	-	-	-	-	(28,000)	-	-	-
Interim dividends (Note 18)	-	(4,000)	-	-	-	-	-	(4,000)	-	(4,000)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	9,306	9,306
Transfers	-	-	3,730	3,730	-	-	(7,460)	-	-	-
At December 31, 2016	625,000	(87,947)	96,699	32,277	(328)	8,338	30,588	704,627	10,874	715,501

The attached notes 1 to 40 form part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Notes	U.S. $ 000's 2017	2016
Operating activities			
Profit before tax		41,877	41,337
Adjustments:			
Net interest		2,969	1,715
Share of associates' results of operations		(8,344)	(7,891)
Share of joint venture's result of operations		593	333
Change in fair value of investment properties		(1,316)	(7,819)
Gain from investment in financial assets		(30,873)	(29,912)
Gain from sale and acquisition of associates		(4,315)	(1,483)
Gain from sale of investment properties		(2,554)	(57)
Provision of doubtful receivables and advances		2,902	1,123
Gain from sale of property, plant and equipment		(436)	(17)
Depreciation of property, plant and equipment		8,684	7,686
Impairment of assets		1,783	-
Other non-cash items		(539)	(412)
		10,431	4,603
Working capital adjustments:			
Accounts receivable		(34,703)	(7,423)
Other current assets		(8,581)	3,895
Accounts payable		(10,824)	3,681
Provisions and other current liabilities		1,817	3,168
Income tax paid		(2,772)	(3,631)
Change in restricted cash		(2,008)	2,171
Net cash flows (used in) from operating activities		(46,640)	6,464
Investing activities			
Investment in securities		(48,656)	38,779
Purchase of property, plant and equipment		(11,625)	(6,000)
Sale of property, plant and equipment		758	91
Investment properties		7,377	(4,059)
Purchase of investment in joint venture		(338)	(50)
Purchase of investment in associates		(10,552)	(31,477)
Acquisition of a subsidiary		-	(6,721)
Cash from acquisition of a subsidiary		-	112
Projects in progress and properties ready for sale		9,042	(3,326)
Granted loans		(4,268)	(5,255)
Dividends and interest received		18,089	18,248
Change in term deposits maturing after three months		11,316	(8,918)
Net cash flows used in investing activities		(28,857)	(8,576)
Financing activities			
Cash dividends paid		-	(21,000)
Shareholder's current account		12,276	(8,209)
Proceeds from term loans and credit facilities		106,086	37,486
Settlement of term loans and credit facilities		(21,048)	(14,345)
Net cash flows from capital raise of a subsidiary		13,997	-
Cash dividends to non-controlling interests		(400)	-
Change in non-controlling interests		1,476	-
Finance costs paid		(4,352)	(2,971)
Net cash flows from (used in) financing activities		108,035	(9,039)
Increase (decrease) in cash and cash equivalents		32,538	(11,151)
Cash and cash equivalents, beginning of the year		43,376	54,468
Foreign currency translations differences		470	59
Cash and cash equivalents, end of the year	16	76,384	43,376

The attached notes 1 to 40 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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 shareholder of PIF is the Palestinian people represented by a General Assembly that is composed of thirty members of natural and legal people.

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, 2017 were authorized for issuance by the Board of Directors on April 16, 2018.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2017. PIF's ownership in its subsidiaries' subscribed capital was as follows:

		Ownership %	
	Nature of business	2017	2016
Sanad Constructions Industries (PCSC)	Trade	100	100
Sanad Construction Resources (SANAD)*	Trade	89.9	100
Amaar Real Estate Group (AMAAR)	Real estate investment	100	100
Khazaneh Financial Investments Company (Khazane)	Financial investment	100	100
Sharakat for Small and Mid-size investments (Sharakat)	Financial investment	100	100
Aswaq for Investment Portfolios Company (ASWAQ)	Financial investment	100	100
Palestinian Yebous for Tourism Investment (YEBOUS) *	Tourism investment	100	100
Masader for developing natural resources and infrastructure (MASADER)*	Energy Investment	100	100
Others	Investment in real estate and securities	100	100

The financial year for the subsidiaries is the same as for PIF. When necessary, PIF makes the changes in order to adjust the subsidiaries' accounting policies and bring them in line with PIF's. Most of PIF's subsidiaries operate in Palestine.

* SANAD and YEBOUS have investments in partially owned subsidiaries that have material non-controlling interests. Non-controlling interests' share of these subsidiaries equity amounted to U.S. $ 10,819,000 as at December 31, 2017 (U.S. $ 10,874,000: 2016).

3. Accounting policies

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 financial assets at fair value through profit or loss and other comprehensive income 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, 2017. Control is achieved when PIF is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, PIF controls an investee if, and only if, 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 consolidated financial statements 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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous year, except that PIF has adopted the following amended standards as of January 1, 2017. Except for the adoption of IFRS 9 which PIF has early adopted starting 2016, PIF has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of other amendments did not have any effect on the consolidated financial statements of PIF:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary differences and some other limited amendments.

Issued but not yet effective standards

The following standards and amendments have been issued but are not yet mandatory, and have not been adopted by PIF. These standards 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 15 Revenue from Contracts with Customers

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS except for contracts that are entitled to other standards such as ISA 17 "Leases".

The new revenue standard will supersede the following standards and amendments:

IAS (11) – Construction contracts

IAS (18) – Revenue

IFRIC (13) – Customer loyalty program

IFRIC (15) – Agreements for the construction of real estate

IFRIC (18) – Transfer of assets from customers

SIC (31) – Revenue – Barter transactions involving advertising services

Application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

Currently, PIF is conducting an impact assessment for IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supporting information being made available to PIF in 2018 when it adopts IFRS 15.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after January 1, 2018.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis.

The new interpretation will be effective for annual periods beginning on or after January 1, 2018.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to fees and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

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 below disclosures clarify PIF risk exposures:

- Financial risk management (Note 35)
- Capital management (Note 36)

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

PIF's subsidiaries provide services to a broad base of clients, using certain credit terms. 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.

Provisions for impairment of granted loans and financial assets at amortized cost

Financial assets are evaluated for impairment on the basis set out in "Impairment of financial assets" paragraph.

In determining impairment of financial assets, PIF and its subsidiaries uses judgement to estimate the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses.

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's 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.

Classification of financial assets

PIF's management uses certain estimates to determine the business model for PIF in order to classify debt instruments and to determine the instrument contractual cash flows, which represents solely payment of principal and interest on the principle amount outstanding.

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 income on properties instalments are recognised in the period in which it occurs for all the instalment period.

Leases and rendering of service revenue

Operating lease contracts are those that retain all the significant risks and benefits of ownership to the lessor. All costs and expenses paid are added to the leased assets book value and are recognised as rent revenue during the leasing period.

Operating lease payments are recognized as revenue in the income statement on a straight line basis over the lease term. All leases payments and other services paid by lessee related to the period after the date of the consolidated financial statements are recognised as unearned revenue. While unpaid leases as of the consolidated financial statement date are recognised as accrued revenues.

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.

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 as deferred taxes.

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

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 non-taxable income or non-deductible expenses. Such income/expenses may be taxable/deductible in the following years.

Current versus non-current classification

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

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

Or

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycles
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

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

PIF classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

PIF measures financial instruments and non-financial assets, such as investments properties, at fair value at each reporting date. PIF also discloses the fair value of the held to maturity financial assets in the notes to the consolidated financial statements which include:

- Disclosures for valuation methods, significant estimates and assumptions (Note 3 and 6)
- Quantitative disclosures of fair value measurement hierarchy (Note 33)
- Investment properties (Note 7)
- Financial assets (Note 11)

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 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 best economic interest.

PIF uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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

There have been no transfers among the levels mentioned above during 2017 and 2016.

External appraisers are involved for valuation of significant assets such as investment properties. 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 - 67
Transportation means, equipment and spare parts	4 - 10
Office equipment, 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 the consolidated income statement. 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.

Investment in a Joint venture

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. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment. Goodwill in this case is not amortized or tested for impairment separately.

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 all costs of design, construction, direct wages and portion of the indirect costs and finance cost. Upon completion, all projects' costs are capitalized and transferred to property, plant and equipment or to properties ready for sale or investment properties based on management's intentions.

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

A- Initial recognition of financial assets:

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 PIF commits to purchase or sell the asset. 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.

B- Classification of financial assets

Financial assets at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss- see below). They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

Effective interest rate is the interest rate used to discount the future cash flows over the debt instrument life (or a shorter period in certain cases), in order to match its carrying value at the date of initial recognition.

PIF may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria or that meet the criteria but PIF has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. PIF has not designated a debt instrument financial asset as at FVTPL.

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

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

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

Financial assets at FVOCI

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

Equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated income statement when PIF's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

PIF can classify debt instruments as financial assets at FVOCI if both of the following conditions are met:

- The asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling of financial assets; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C- Derecognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or when PIF has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either PIF has transferred substantially all the risks and rewards of the asset, or PIF has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

D- Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

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

PIF classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, PIF recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, PIF recognises an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments, PIF recognises the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to PIF and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

For stage 3 financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

Provisions for credit-impairment are recognised in the consolidated income statement and are reflected in an allowance account against loans and advances, investment securities, and placements.

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

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

Financial assets which have been re-scheduled or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been re-scheduled, are subject to on- going review to determine whether they remain impaired. All re-scheduled or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of re-scheduling.

Properties ready for sale

Properties ready for sale are measured at cost less any impairment loss, costs of properties ready for sale include cost of construction, studies, design, finance costs, 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.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances and short-term deposits with an original maturity of three months or less, net of restricted bank deposits.

Accounts payable

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

Loans and borrowings are initially recorded at fair value less any transaction costs. 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.

Inventory

Inventory is stated at cost, using the weighted average method, or net realizable value, whichever is lower. Costs are those amounts incurred in bringing each product to its present location and condition.

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 leases are those leases in which the lessor retains all risk and rewards of owning the leased asset. 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.

Cash dividends paid

PIF recognizes a liability to make cash distributions when the distribution is authorized by the shareholder in the General Assembly. A corresponding amount is recognized directly in equity.

Foreign currency translation

PIF's 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 investments where any foreign exchange differences are recognised in other comprehensive income.

PIF subsidiaries

The assets and liabilities of PIF's subsidiaries with functional currencies 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.

4. Material partially-owned subsidiaries

The extra-ordinary General Assembly of Sanad Construction Resources (SANAD) (a subsidiary) decided to raise the Company's capital from U.S. $ 60,000,000 to U.S. $ 66,000,000 by issuing 6,000,000 shares for initial public offering. The additional shares were issued with a nominal par value of U.S. $ 1 per share and a share premium of US $ 1.35 per share. Neither PIF nor its subsidiaries participated in the initial public offering, accordingly the ownership percentage of PIF decreased from 100% to 90.09%. In accordance with International Financial Reporting Standards, this decrease was considered as a deemed disposal resulting in a gain of U.S. $ 7,059,000 recognized directly in equity. This gain represents PIF's share from the premium on subscribed shares.

Financial information for SANAD subsidiary that is not wholly owned by PIF and has material non-controlling interests is provided below:

Name	Country of incorporation	2017 %
Sanad Construction Resources	Palestine	9.91

	U.S 000's
Balances of non-controlling interests	8,200
Profits allocated to non-controlling interests	882

The summarized financial information of SANAD is provided below. This information is based on balances and transactions before inter-company eliminations.

Summarized Statement of Financial Position as at December 31, 2017:

	SANAD
	U.S 000's
Current assets	81,892
Non-current assets	59,727
Current liabilities	(38,457)
Non-current liabilities	(14,779)
Total equity	88,383
Attributable to non-controlling interests (SANAD subsidiaries)	2,941

Summarized Statement of Profit or Loss for the year ended December 31, 2017

	SANAD
	U.S 000's
Sales revenue	196,192
Cost of sale	(181,295)
General and administrative expenses	(5,492)
Depreciation of property, plant and equipment	(837)
Provision for doubtful accounts	(666)
Finance costs	(463)
SANAD's share of associates results of operations	725
Other revenues	3,511
Profit before tax	11,675
Income tax expense	(1,674)
Profit for the year	10,001
Other comprehensive income items	-
Net comprehensive income for the year	10,001
Attributable to SANAD's shareholders	9,122
Attributable to non-controlling interests (SANAD's subsidiaries)	879

Summarized Cash flow information for year ended December 31, 2017:

	SANAD
	U.S 000's
Operating activities	(25,047)
Investing activities	(13,983)
Financing activities	41,879
Increase in cash and cash equivalents	2,849

5. Property, plant and equipment

	U.S. $ 000's					
2017	Land	Buildings	Transportation means, equipment and spare parts	Office equipment, machinery, computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2017	18,137	77,860	44,618	10,414	5,461	156,490
Additions	922	3,230	2,383	4,500	590	11,625
Transferred from projects in progress (note 8)	-	229	-	-	-	229
Transferred from investment properties (note 7)	2,813	-	-	-	-	2,813
Transferred from properties ready for sale (note 13)	136	916	-	-	-	1,052
Disposals	-	(13)	(489)	(218)	(13)	(733)
Foreign currency translation	355	644	-	-	-	999
At December 31, 2017	22,363	82,866	46,512	14,696	6,038	172,475
Accumulated depreciation and impairment						
At January 1, 2017	526	13,675	20,516	4,116	1,783	40,616
Depreciation charge for the year	-	2,074	4,814	1,111	685	8,684
Disposals	-	(1)	(344)	(53)	(13)	(411)
Impairment	-	-	-	384	-	384
Foreign currency translation	-	78	-	-	-	78
At December 31, 2017	526	15,826	24,986	5,558	2,455	49,351
Net carrying amount						
At December 31, 2017	21,837	67,040	21,526	9,138	3,583	123,124

– Part of the depreciation expense in the amount of U.S. $ 4,495,000 was reclassified as operating expenses for 2017.

– Property, plant and equipment include an amount of U.S. $ 60,187,000 mortgaged to local and regional banks against loans and credit facilities (note 21).

	U.S. $ 000's					
2016	Land	Buildings	Transportation means, equipment and spare parts	Office equipment, Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2016	14,558	45,456	43,527	7,045	3,885	114,471
Additions	822	1,227	1,606	2,114	231	6,000
Acquisition of subsidiary	2,171	32,291	9	1,453	1,408	37,332
Transferred from projects in progress (note 8)	-	-	-	31	10	41
Transferred from investment properties (note 7)	742	-	-	-	-	742
Transferred to investment properties (note 7)	(204)	(1,202)	-	-	-	(1,406)
Disposals	-	-	(524)	(229)	(73)	(826)
Foreign currency translation	48	88	-	-	-	136
At December 31, 2016	18,137	77,860	44,618	10,414	5,461	156,490
Accumulated depreciation and impairment						
At January 1, 2016	526	12,178	16,311	3,341	1,318	33,674
Depreciation charge for the year	-	1,489	4,675	1,004	518	7,686
Disposals	-	-	(470)	(229)	(53)	(752)
Foreign currency translation	-	8	-	-	-	8
At December 31, 2016	526	13,675	20,516	4,116	1,783	40,616
Net carrying amount						
At December 31, 2016	17,611	64,185	24,102	6,298	3,678	115,874

- Part of the depreciation expense in the amount of U.S. $ 4,397,000 was reclassified as operating expenses for 2016.
- Property, plant and equipment include an amount of U.S. $ 61,143,000 mortgaged to local and regional banks against loans and credit facilities (note 21).

6. Goodwill

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

	U.S. $ 000's	
	2017	2016
Trade and transportation	25,604	25,604
Tourism	-	917
	25,604	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 17.4%, and cash flows beyond the five-year period are extrapolated using a 3% growth rate.

Tourism

During the year, PIF recorded an impairment loss in the full amount of the tourism's sector goodwill.

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 rates used to extrapolate cash flows beyond the budget period:

Discount rate: Discount rate represents management's assessment of the risks specific to each business segment taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of PIF and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by PIF's investors. The cost of debt is based on the interest-bearing borrowings PIF is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

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 value in use.

7. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	82,892	68,330
Additions	125	9,862
Transferred from properties ready for sale	909	2,098
Sale of investment properties	(4,948)	(1,091)
Net transfer to / from property, plant and equipment	(2,813)	664
Returned to Ministry of Finance	(128)	-
Transferred to projects in progress	-	(4,790)
Change in fair value of investment properties	1,316	7,819
Balance, end of year	77,353	82,892

Investment properties include the following:	U.S. $ 000's	
	2017	2016
Land	73,390	79,456
Buildings	3,963	3,436
	77,353	82,892

An amount of U.S. $ 3,963,000 of investment properties was mortgaged to regional bank as collateral for loans granted to PIF (notes 21).

During the years of 2017 and 2016, PIF has sold part of its investment properties resulting in a gain of U.S. $ 2,554,000 and U.S. $ 57,000 respectively, which was recognised in the consolidated income statement.

8. Projects in progress

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	47,680	35,186
Additions	5,812	10,611
Projects sold out	(10,243)	(4,311)
Transferred to property, plant and equipment	(229)	(41)
Transferred from investment properties	-	4,790
Transferred from properties ready for sale	-	1,445
Impairment	(482)	-
Balance, end of year	42,538	47,680

Projects in progress includes projects with a book value of U.S $ 3,462,000 mortgaged to local and regional banks as collateral for loans granted to PIF (note 21). Total expected cost to complete these projects is U.S $ 22,820,000.

Following are details of the projects in progress:	U.S. $ 000's	
	2017	2016
Ersal Center	16,455	16,457
Commercial Center development	9,102	7,128
Birzeit Land development	4,851	5,229
Surda land development	4,367	10,630
Al Reehan and Al Jenan	2,065	2,073
Amaar Tower - Theatre	1,860	2,127
Al-New'emeh land development	1,833	2,964
Solar Pannels development	1,715	-
Other	290	1,072
	42,538	47,680

9. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2017	2016	2017	2016
	%	%	U.S. $ 000's	
Arab Islamic Bank (Listed)	35.06	34.98	36,085	24,878
Palestine Islamic Bank (Listed)	34.21	34.18	35,705	30,607
Wataniya Palestine Mobile Telecommunications Company (Listed)	36.16	36.07	29,085	27,611
Specialized Arab Hospital	21.60	20.21	19,446	16,640
Palestine Power Generation Company	40.31	40.31	7,638	5,764
Palestine Tourism Investment Company	28.25	28.25	4,577	4,915
Al Naya Palestinian Co. for Construction Materials	49	-	4,129	-
Hospitality Holly Company	40.30	40.30	4,080	4,079
Palestine Ijara Company – LTD	33.33	33.33	3,535	3,489
Palestine Industrial Investment Company (Listed)	-	20.90	-	10,214
Others	20-49	20-49	10,021	7,665
			154,301	135,862

- The market value of PIF's investments listed in Palestine Exchange as of December 31, 2017 amounted to U.S. $ 194,073,000.
- Investment in Wataniya Palestine Mobile Telecommunication Company includes 77,658,000 shares with a book value of U.S. $ 24,208,000 mortgaged against a syndicated loan granted from banks to Wataniya Palestine Mobile Telecommunications Company (note 34). Additionally, PIF's investment in Arab Islamic Bank includes 7,560,000 shares with a book value of U.S. $ 10,374,000 mortgaged to local banks as collateral against loans granted to PIF (note 21).
- During 2017, Aswaq (subsidiary) sold its investment in Palestine Industrial Investment Company (PIIC), which resulted in a gain of U.S $ 4,116,000 recognised in the consolidated income statement. Accordingly, PIF's ownership percentage in PIIC's capital decreased from 20.90% to 0.11%. Thus, PIF's management elected to classify the remaining investment as an investment in financial assets at fair value through profit or loss resulting in a gain from revaluation of the remaining shares at fair value in an amount of U.S $ 22,000 recognised in the consolidated income statement as at the date of losing the significant influence, and classified under gain from investment portfolio (note 28).
- During 2016, Aswaq sold part of its investment in Arab Palestinian Investment Company (APIC), which resulted in a gain of U.S $ 1,077,000 recognised in the consolidated income statement. Accordingly, PIF's ownership percentage in APIC's capital decreased from 23.53% to 17.47%. PIF's management believes that they no longer have significant influence over APIC. Thus, PIF's management elected to classify the remaining investment as an investment in financial assets at fair value, which resulted in a gain from the revaluation of remaining investment at fair value in an amount of U.S $ 5,502,000 recognised in the consolidated income statement as at the date of losing the significant influence, and classified under gain from investment portfolio (note 28).
- During 2017, several subsidiaries increased their percentage of ownership in some associates, furthermore, several subsidiaries purchased equities in several companies and accordingly, PIF's ownership in these companies reached percentages ranging from 33% to 49%. PIF's management believes that it has significant influence over these companies. Thus, these investments have been classified as investment in associates.

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

	U.S. $ 000's									
December 31, 2017	Arab Islamic Bank	Palestinian Islamic Bank	Wataniya Mobile Company	Specialized Arab Hospital	Palestine Power Generation Company	Palestine Tourism Investment Company	Al Naya Palestinian Co. for Construction Materials	Hospitality Holly Company	Palestine Ijara Company	Palestine Industrial Investment Company
Statements of Financial Position of associates:										
Non-current Assets	519,780	405,879	218,832	47,269	9,106	29,922	1,882	7,872	6,426	-
Current Assets	521,323	604,491	60,796	52,839	7,867	1,247	3,478	2,412	8,864	-
Non-current Liabilities	(43,067)	(17,887)	(134,780)	(4,997)	(196)	(11,553)	-	(45)	(3,190)	-
Current Liabilities	(891,040)	(882,857)	(75,329)	(29,164)	(201)	(3,416)	(2,497)	(432)	(1,495)	-
Non-controlling interests	-	-	-	(11,887)	-	-	-	-	-	-
Unpaid capital	-	-	-	-	107	-	-	-	-	-
Equity holders of the associate	106,996	109,626	69,519	54,060	16,683	16,200	2,863	9,807	10,605	-
PIF's ownership	37,516	37,503	25,141	11,675	6,723	4,577	1,403	3,952	3,535	-
Adjustments	(1,431)	(1,798)	3,944	7,771	915	-	2,726	128	-	-
Carrying amount of investments	36,085	35,705	29,085	19,446	7,638	4,577	4,129	4,080	3,535	-
Revenues and results of operations:										
Revenues	33,906	41,530	85,643	41,463	169	4,165	2,513	2,040	883	-
Results of operations	6,786	14,531	(6,646)	9,145	(345)	(1,197)	263	260	138	-
PIF's share of results of operations	2,382	4,968	(2,402)	1,974	(139)	(338)	129	105	46	1,355
PIF's share of other comprehensive income items	(88)	212	-	-	-	-	-	-	-	255

	U.S. $ 000's										
December 31, 2016	Arab Islamic Bank	Palestinian Islamic Bank	Wataniya Mobile Company	Specialized Arab Hospital	Palestine Industrial Investment Company	Palestine Power Generation Company	Palestine Tourism Investment Company	Hospitality Holly Company	Palestine Ijara Company	Arab Palestinian Investment Company (APIC)	Arab Hotels Company
Statements of Financial Position of associates:											
Non-current Assets	325,768	345,520	185,465	47,898	55,508	7,197	30,664	8,016	5,150	-	-
Current Assets	465,674	463,562	38,182	35,357	25,073	5,023	1,298	2,296	6,317	-	-
Non-current Liabilities	(45,913)	(16,499)	(104,167)	(6,395)	(6,379)	(76)	(12,578)	(26)	(628)	-	-
Current Liabilities	(670,319)	(697,275)	(51,314)	(19,129)	(14,973)	(215)	(1,986)	(437)	(372)	-	-
Non-controlling interests	-	-	-	(10,721)	(11,570)	-	-	-	-	-	-
Unpaid capital	-	-	-	-	-	103	-	-	-	-	-
Equity holders of the associate	75,210	95,308	68,166	47,010	47,659	12,032	17,398	9,849	10,467	-	-
PIF's ownership	26,307	32,573	24,587	9,500	9,959	4,849	4,915	3,969	3,489	-	-
Adjustments	(1,429)	(1,966)	3,024	7,140	255	915	-	110	-	-	-
Carrying amount of investments	24,878	30,607	27,611	16,640	10,214	5,764	4,915	4,079	3,489	-	-
Revenues and results of operations:											
Revenues	26,769	37,089	84,119	19,475	63,457	118	3,347	1,692	697	-	-
Results of operations	7,009	12,604	(1,538)	480	5,657	(251)	(1,245)	211	(118)	-	-
PIF's share of results of operations	2,170	4,308	(556)	-	1,175	(101)	(493)	85	(39)	1,475	(170)
PIF's share of other comprehensive income items	(232)	(34)	-	-	39	-	-	-	-	(360)	-

10. Investments in joint ventures

	U.S. $ 000's	
	2017	2016
Convention Palace Company	3,055	3,380
Others	101	31
	3,156	3,411

The Convention Palace Company in Solomon Pools (CPC), 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. CPC is jointly managed with Consolidated Contractors Company (Athens). The objective of CPC is to operate the Convention Center Palace in Bethlehem.

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

	U.S. $ 000's	
	Convention Palace Company	
	2017	2016
Statement of financial position of joint ventures		
Non-current assets	9,099	9,840
Current assets	689	383
Non-current liabilities	(76)	(492)
Current liabilities	(3,602)	(2,971)
Equity attributable to ventures	6,110	6,760
PIF's ownership	3,055	3,380
Carrying amount of investment	3,055	3,380
Revenues and results of operations		
Revenues	545	631
Results of operations	(826)	(628)
PIF's share of results of operations	(413)	(314)

PIF's share of results of other investments amounted to a U.S. $ 180,000 loss, as of December 31, 2017.

11. Investments in financial securities

	U.S. $ 000's	
	2017	2016
Financial assets at FVOCI (A)	115,292	175,428
Financial assets at amortised cost (B)	12,451	16,621
	127,743	192,049
Financial assets at FVTPL – current (C)	160,430	37,045
	288,173	229,094

A. The financial assets at FVOCI include the following:

	U.S. $ 000's	
	2017	2016
Quoted shares	95,614	115,302
Unquoted shares	19,678	19,605
Quoted portfolios	-	37,274
Unquoted portfolios	-	3,247
	115,292	175,428

Financial assets at FVOCI as at December 31, 2017 include shares with a book value of U.S. $ 53,034,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (Note 21).

Movement on the fair value reserve was as follows:

	U.S. $ 000's	
	2017	2016
Balance, Beginning of the year – Before adjustment	8,338	18,291
Adjustments due to the early adoption of IFRS 9	-	743
Balance, beginning of the year - after adjustments	8,338	19,034
Net loss from valuation of financial assets at FVOCI	(8,090)	(10,237)
Share of associates' other comprehensive income	(357)	(647)
Loss from sale of financial assets at FVOCI recognized in retained earnings	9,154	188
Balance, end of the year	9,045	8,338

Financial assets at FVOCI sold during the year amounted to U.S. $ 54,849,000. Sale transactions of these financial assets were made to finance other investment activities and to exit investments which have been generating losses for consecutive years.

B. Financial assets at amortised cost include the following:

		U.S. $ 000's	
	Credit Rating	2017	2016
Quoted debt instruments at national and regional financial markets	BBB-AA	5,154	7,808
Unquoted national debt instruments	Un-rated	7,410	8,900
		12,564	16,708
Impairment allowance		(113)	(87)
		12,451	16,621

Interest on the financial assets at amortised cost ranges from 2.6% to 7.6% with a maturity ranging from 1 to 6 years.

The market value of the quoted debt instruments amounted to U.S. $ 5,242,000 and U.S. $ 7,918,000 as at December 31, 2017 and 2016, respectively.

Movement on the impairment allowance account in accordance with IFRS (9), was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
At January 1, 2017	85.5	1.5	-	87
Net re-measurement of loss allowance	27	(1)	-	26
At December 31, 2017	112.5	0.5	-	113

C. Financial assets at FVTPL include the following:

	U.S. $ 000's	
	2017	2016
Quoted shares	74,075	31,876
Unquoted portfolios	85,513	4,387
Unquoted shares	842	782
	160,430	37,045

As of December 31, 2017, financial assets at FVTPL include shares with a book value of U.S. $ 6,654,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (Note 21).

12. Other financial assets

	U.S. $ 000's	
	2017	2016
Prepayment on investment (A)	45,800	45,800
Granted loans (B)	18,237	13,386
	64,037	59,186

A. According to 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 Telecommunications and Information Technology (MTIT) until Wataniya obtains the frequencies required in accordance with the agreement signed with the MTIT.

B. This item includes loans granted to the following entities:

			U.S. $ 000's	
	Interest Rate (%)	Settlement	2017	2016
Palestinien microfinance institutions	3.5-5	2018-2021	9,037	7,703
Finance lease companies	3.5	2018-2021	3,000	-
Wataniya Palestine Mobile Telecommunications Company*	5.85 +LIBOR	-	2,150	2,150
First Trading Centre	1.5 + LIBOR	2015	1,100	1,100
Palestine Tourism Investment Company	7.5	2017	730	730
Al Mashtal Tourism Investment Company	5	2017	406	406
Others	1-5	2018-2022	4,063	3,629
Accrued interest on loans			1,705	1,553
			22,191	17,271
Provisions for impairment of granted loans**			(3,954)	(3,885)
			18,237	13,386

* 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.

** Movement on the impairment allowance for loans granted in accordance with IFRS (9) was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
At January 1, 2017	317	10	3,558	3,885
Transfers	(58)	184	(126)	-
Net re-measurement of loss allowance	110	(104)	-	6
Currency variance	-	-	63	63
At December 31, 2017	369	90	3,495	3,954

Stage 1 and stage 2 provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both financial and non-financial information and analysis, based on the PIF's historical experience and taking into consideration both internal and external factors.

The gross amount of stage 3 loans along with accrued interest was U.S. $ 3,495,000 as at December 31, 2017. These amounts are fully provided for.

13. Properties ready for sale

This item represents the cost of residential units transferred from projects in progress upon completion and becoming ready for sale.

Movement on properties ready for sale is as follows:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	20,443	26,960
Additions	419	7
Transferred to investment properties	(909)	(2,098)
Transferred to property, plant and equipment	(1,052)	-
Transferred to projects in progress	-	(1,445)
Residential units sold	(5,030)	(2,981)
Balance, end of year	13,871	20,443

Properties ready for sale include properties with a carrying amount of U.S. $ 8,974,000 that are fully mortgaged to a regional bank as collateral on loans granted to PIF (note 21).

14. Accounts receivable

	U.S. $ 000's	
	2017	2016
Checks under collection	53,236	31,320
Trade receivables	41,339	28,111
Cap Holding Company	11,305	11,305
Others	494	1,029
	106,374	71,765
Provision for doubtful accounts	(17,400)	(14,845)
	88,974	56,920

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

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	14,845	13,718
Additions	2,422	1,106
Written-off during the year	(94)	-
Foreign currency differences	227	21
Balance, end of year	17,400	14,845

Nominal value of doubtful accounts receivable, which are fully provided for as of December 31, 2017 and 2016, amounted to U.S. $ 17,400,000 and U.S $ 14,845,000, respectively. Aging analysis of the unimpaired accounts receivable is as. follows:

	U.S. $ 000's				
			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days	91-180 days	> 181 days
2017	88,974	63,653	17,995	3,158	4,168
2016	56,920	31,320	14,097	10,449	1,054

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	
	2017	2016
Due from Value Added Tax department	11,925	8,308
Advances to suppliers	7,984	7,369
Due from brokerage firms	4,208	518
Contribution receivable*	3,361	3,530
Inventory	3,169	2,546
Advance payments to Income Tax Department (Note 26)	427	808
Prepaid expenses	425	235
Due from employees	406	440
Accrued interest	326	401
Dividends receivable	186	446
Others	412	363
	32,829	24,964
Provision for uncollectible current assets	(3,004)	(2,522)
	29,825	22,442

* This account represents contributions receivable from donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises (note 25).

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

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	2,522	2,584
Addition	480	17
Written-off during the year	-	(83)
Foreign currency differences	2	4
Balance, end of year	3,004	2,522

16. Cash and deposits at banks

	U.S. $ 000's	
	2017	2016
Cash on hand and current accounts at banks	20,654	14,758
Term deposits at banks	58,945	41,141
	79,599	55,899

The average interest rate during 2017 was 3.19% (2016: 2.92%) on U.S. Dollar deposits, 4.18% (2016: 3.85%) on Jordanian Dinar deposits, 2.95% (2016: 1.54%) on Qatari Riyal deposits and 3.5% on Israeli Shekel (2016: 3.5%).

Cash and deposits at banks include restricted cash of U.S. $ 3,215,000 and U.S. $ 1,207,000 as at December 31, 2017 and 2016, 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, 2017 and 2016:

	U.S. $ 000's	
	2017	2016
Cash on hand and current accounts at banks	20,654	14,758
Term deposits at banks	58,945	41,141
	79,599	55,899
Deposits maturing after 3 months	-	(11,316)
Restricted cash	(3,215)	(1,207)
	76,384	43,376

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

This item represents the current account between PIF and the shareholder and is not subject to any interest. Following are the details of this account:

	U.S. $ 000's	
	2017	2016
Receivables on returned lands	36,603	37,404
Interim dividends (note 20)	-	4,000
Aviation receivable	627	36,325
Others	10,569	10,218
	47,799	87,947

19. Reserves

Statutory Reserve

Statutory reserve represents accumulation of profits transferred at 10% of annual net profit in accordance with the Palestinian 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's profit starting from 2009, for the purpose of supporting economic development projects in Palestine. During 2011, PIF started to support certain small and medium sized projects.

20. Paid and proposed dividends

The General Assembly approved in its meeting held on May 18, 2017 the distribution of U.S. $ 4 million interim cash dividends in 2016, in addition to U.S. $ 24 million dividends, thus, total dividends distributed amounted to U.S. $ 28 million. PIF has deducted these dividends from the shareholder's current account.

The General Assembly approved in its meeting held on May 18, 2016 the distribution of U.S. $ 22 million interim cash dividends in 2016 and 2015, in addition to U.S. $ 6 million dividends to the shareholder deducted from the shareholder's current account. Thus, total dividends distributed amounted to U.S. $ 28 million.

21. Long- term loans

	U.S. $ 000's	
	2017	2016
Long-term loans	146,452	76,288
Current portion of long-term loans (note 23)	(21,172)	(14,851)
	125,280	61,437

During 2017, PIF signed a long-term loan agreement with a regional bank in an amount of U.S. $ 50 million to fund PIF's expected projects for the next four years. The loan has an annual interest rate of 6 months LIBOR plus 2.5%. The loan is to be settled through semi-annual payments with a grace period of one year.

During the previous years, PIF has signed a long-term loan agreement with the Arab Fund for Economic & Social Development with an amount of U.S. $ 30 million. The interest rate on the loan is 2%. The loan is to be settled through semi-annual payments along with a grace period of 3 years starting at the date of the first withdrawal. Total utilized balance of the loan amounted to U.S. $ 6 million as at December 31, 2016. During 2017, PIF requested the second tranche in an amount of US $ 6 million, accordingly total utilized balance of the loan amounted to U.S. $ 12 million as at December 31, 2017.

During the year, Arab Hotels Co. (a subsidiary of YEBOUS) signed a long-term loan agreement with a local bank in an amount of JD 7 million (U.S. $ 10 million). The interest rate on the loan is 4.75% with a ceiling of 5%. The purpose of the loan is to restructure previously granted loans and bank overdrafts by local and regional banks. The loan is to be settled through 10 semi-annual payments with a grace period of one year.

During the year, ASWAQ (a subsidiary) signed a long-term loan agreement with a local bank in an amount of U.S. $ 20 million. The loan has an annual interest rate of 3 months LIBOR plus 2.5%. The loan is to be settled through semi-annual payments with a grace period of one year. The utilized balance of the loan amounted to U.S. $ 10.5 million as at 31 December 2017.

Sanad Construction Resources (a subsidiary) and some of its subsidiaries signed agreements with regional and local banks during 2017 for long-term loans to finance the activities of these companies. The interest rate on these loans ranged from 1.75% (in addition to 6 months to 1 year LIBOR) to 5.18%. These loans are to be settled within a period of 2 to 6 years. The utilized balance of these loans as at 31 December 2017 amounted to U.S. $ 14 million.

In addition, during previous years, PIF and some of its subsidiaries signed long-term loan agreements with local and regional banks to finance these companies' operations. Interest rates range from 1.75% (in addition to 1 to 6 months LIBOR) to 9%. These loans are to be settled within a period of 1 to 9 years. The utilized balances of these loans as at 31 December 2017 was approximately U.S. $ 50 million.

These loans were secured by mortgaging some of the borrowers assets with a book value of U.S. $ 170,856,000 (notes 5, 7, 8, 9, 11 and 13). In addition to mortgaging 5 million shares of Sanad Construction Resources (a subsidiary) with a book value of U.S. $ 6,555,000.

The maturities of loans are as follows:

	U.S. $ 000's
2018	21,172
2019	30,775
2020	30,270
2021	26,522
2022	20,606
Thereafter	17,107
	146,452

22. Deferred tax liabilities

Movement on deferred tax liabilities resulting from re-evaluating investment properties at fair value was as follows:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	4,117	3,092
Additions	202	1,184
Amortization of deferred tax liabilities	(1,236)	(159)
Balance, end of year	3,083	4,117

23. Credit facilities and current portion of long term loans

	U.S. $ 000's	
	2017	2016
Current portion of long term loans (note 21)	21,172	14,851
Bank overdraft*	15,892	1,018
	37,064	15,869

* This item includes a credit facility agreement signed by Sanad Trading and Marketing Co. (a subsidiary of Sanad Construction Resources) with a regional bank and with a ceiling of ILS 100 million (equivalent to U.S. $ 28.74 million) to finance its operational activities. The facility is subject to a declining interest rate of (ILS Prime + 1.65%) with a floor of 3.25% and a ceiling of 15%. The facility must be repaid within a period of three months from the date of the withdrawal and is secured by deposit of checks under collection at an amount not less than 120% of the amount of the facility, in addition to parent company's guarantee. The utilized balance was NIS 54,680,000 (U.S. $ 15,713,000) as at 31 December 2017.

24. Accounts payable

	U.S. $ 000's	
	2017	2016
Trade payables	18,750	25,551
Apartments sales advances	386	2,559
Contractors payables	124	1,970
Others	47	51
	19,307	30,131

25. Provisions and other current liabilities

	U.S. $ 000's	
	2017	2016
Temporarily restricted contribution *	4,399	4,618
Accrued expenses	4,933	4,059
Postponed checks	4,634	4,329
Provision for employees indemnity **	2,936	2,704
Employees bonuses provision	1,232	1,485
Dividends payable	320	1,000
Property improvement taxes	259	824
Employees' income tax payable	779	422
Other	10,579	9,728
	30,071	29,169

* This account represents total temporarily restricted contributions from different donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. Revenues are recognised when the purpose or time of these contributions is satisfied. Following is the movement on temporarily restricted contributions during 2017 and 2016:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	4,618	5,279
Additions	100	100
Written-off during the year	(84)	-
Released from restriction	(302)	(723)
Foreign currency differences	67	(38)
Balance, end of year	4,399	4,618

** Following is the movement on provision for employees' indemnity during the years of 2017 and 2016:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	2,704	2,728
Additions	985	1,006
Payments	(839)	(1,541)
Acquisition of subsidiary	-	515
Foreign currency differences	86	(4)
Balance, end of year	2,936	2,704

Provision for employee's indemnity is provided for in accordance with the prevailing Labor Law in Palestine and the PIF's human resources policies based on one-month salary for each year of employment. It is expected that the Palestinian Social Security Law (the law) will be applied during 2018 which requires the employer to settle the provision for employees' indemnity for periods prior to the effective date of the Law.

26. Provision for income tax

The taxable income of PIF and its subsidiaries is subject to income tax at the corporate rate of %15. Following is the movement on the provision for income tax/ (advance payments) during 2017 and 2016:

	U.S. $ 000's	
	2017	2016
Balance, beginning of year	(808)	(126)
Additions during the year	2,369	2,907
Discounts on early payments	(108)	(10)
Prior years' tax, net	(14)	(81)
Amortization of deferred tax liabilities	1,236	159
Payments during the year	(2,772)	(3,631)
Foreign currency differences	(330)	(26)
Balance, end of year (note 15)	(427)	(808)

PIF and some of its subsidiaries reached final settlements with the Income Tax Department for the results of their operations up to 2015. These settlements resulted in a recovery of an amount of U.S. $ 14,000.

Taxes shown in the consolidated income statement represent the following:

	U.S. $ 000's	
	2017	2016
Additions during the year	2,369	2,907
Discounts on early payments	(108)	(10)
Recovery during the year	(14)	(81)
Deferred tax liabilities	202	1,184
	2,449	4,000

27. Operating revenues

	U.S. $ 000's			
	2017			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	8,302	-	(7,890)	412
Trade and transportation	190,588	(162,566)	(11,556)	16,466
Real estate	20,165	(15,375)	(514)	4,276
Tourism	10,102	(2,724)	(5,142)	2,236
	229,157	(180,665)	(25,102)	23,390

	U.S. $ 000's			
	2016			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	7,149	-	(6,610)	539
Trade and transportation	201,925	(170,848)	(10,927)	20,150
Real estate	10,585	(7,769)	(360)	2,456
Tourism	8,274	(2,044)	(4,159)	2,071
	227,933	(180,661)	(22,056)	25,216

28. Gain from investment portfolio

	U.S. $ 000's	
	2017	2016
Gain from sale and revaluation of financial assets at FVTPL	19,035	10,091
Dividends income from financial assets at FVOCI	7,947	12,888
Dividends income from financial assets at FVTPL	3,294	772
Gain from revaluation of the remaining investment in associates (note 9)	22	5,502
Interest on bonds	575	659
	30,873	29,912

29. Interest income

	U.S. $ 000's	
	2017	2016
Interest on deposits with banks	884	888
Interest on granted loans	499	368
	1,383	1,256

30. Investment expenses

	U.S. $ 000's	
	2017	2016
Professional fees	1,258	1,073
Employees' salaries, wages and benefits	968	1,137
Travel and transportation	166	118
Others	69	202
	2,461	2,530

31. General and administrative expenses

	U.S. $ 000's	
	2017	2016
Employees' salaries, wages and benefits	9,948	9,396
Professional fees	2,115	2,005
Travel and transportation	983	548
Rents	664	856
Fees and subscriptions	448	385
Marketing	447	477
Maintenance	421	238
Telephones and courier	311	252
Insurance	286	190
Board of Directors remuneration	167	167
Hospitality	119	166
Printings and stationery	93	143
Others	1,028	759
	17,030	15,582

32. Other (expenses) revenues

	U.S. $ 000's	
	2017	2016
Contributions released from restriction (note 25)	302	723
Provision for expected credit loss (note 11 and 12)	(32)	(350)
Gain on sale and disposal of property, plant and equipment	436	17
Provision for accounts receivable and other current assets(note 14 and 15)	(2,902)	(1,123)
Others	215	508
	(1,981)	(225)

33. Fair value measurement

The following table provides the fair value measurement hierarchy of PIF's assets as at December 31, 2017:

	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:				
Financial assets at FVTPL	December 31, 2017	74,075	84,763	1,592
Financial assets at FVOCI	December 31, 2017	95,614	4,513	15,165
Investment properties	December 31, 2017	-	-	77,353
Financial assets for which fair value is disclosed:				
Quoted financial assets at amortised cost	December 31, 2017	5,242	-	-

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2016:

	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:				
Financial assets at FVTPL	December 31, 2016	31,876	4,387	782
Financial assets at FVOCI	December 31, 2016	115,302	41,714	18,412
Investment properties	December 31, 2016	-	-	82,892
Financial assets for which fair value is disclosed:				
Quoted financial assets at amortised cost	December 31, 2016	7,918	-	-

There have been no transfers among the levels mentioned above during the years 2017 and 2016.

The main assumptions used to determine the fair value of investment properties are as follows:

PIF assigns licensed external appraisers to assess the fair value of investment properties which mainly represents prices for similar lands sold during the year. The fair value is calculated by multiplying fair value per meter square by the total area of the land. PIF recognizes the fair value of investment properties in its financial statements based on the valuation of external appraisers and according to policies approved by the Board of Directors.

The following table represents the sensitivity of investment properties' fair value:

2017	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Fair value per meter square	+ 5	2,970
Fair value per meter square	- 5	(2,970)

2016	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Fair value per meter square	+ 5	2,942
Fair value per meter square	- 5	(2,942)

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, 2017 and 2016:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2017	2016	2017	2016
Financial assets				
Granted loans	18,237	13,386	18,237	13,386
Investment in securities	280,874	220,278	280,964	220,391
Accounts receivable	88,974	56,920	88,974	56,920
Other financial assets	19,612	13,276	19,612	13,276
Cash and deposits at banks	79,599	55,899	79,599	55,899
	487,296	359,759	487,386	359,872
Financial liabilities				
Accounts payable	18,921	27,572	18,921	27,572
Loans and bank overdrafts	162,344	77,306	162,344	77,306
Other financial liabilities	13,263	13,434	13,263	13,434
	194,528	118,312	194,528	118,312

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, other financial liabilities and the short term loans and bank overdrafts 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 credit terms. The carrying amount of the loans granted and long term loans are not materially different from their fair value.
- The fair value of quoted financial assets at FVTPL and quoted financial assets at FVOCI is based on their price quotations at the reporting date.
- The fair value of unquoted financial assets at fair value is determined using appropriate valuation methods.
- The fair values of quoted bonds are based on price quotations at the reporting date.

34. Related party transactions

This item represents balances and transactions with related parties. Related parties represent associated companies, the shareholder, Board of Directors, key management personnel of PIF, and entities controlled, or significantly influenced by such parties. Pricing 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	
	2017	2016
Shareholder's current account	47,799	87,947
Loans granted to associates and related accrued interest	7,028	5,031
Accounts receivable (associates)	769	465
Cash and deposits at banks (associates)	5,916	2,921
Accrued Board of Directors remuneration	150	150

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

	U.S. $ 000's	
	2017	2016
Leasing of transportation means to the shareholder	8,302	7,149
Sales - associates	6,526	725
Interest income on loans to associates	241	235

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

	U.S. $ 000's	
	2017	2016
Board of Directors remuneration	167	167
Key management share of salaries and related benefits	2,913	2,802
Key management share of end of service indemnity	226	201

Furthermore, PIF is considered as a guarantor for a loan granted to an associate (note 9). Also, a major portion of PIF's investment in this associate is mortgaged against that loan.

35. Risk management

PIF's financial liabilities comprise loans and credit facilities, 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, some other financial assets, and investment in securities, 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, 2017 and 2016 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, 2017. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

2017	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	+10	(118)
Israeli Shekel	+10	(16)
Jordanian Dinar	+10	(10)

2016	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	+10	(73)
Israeli Shekel	+10	(1)
Jordanian Dinar	+10	-

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) and the Qatari Riyal (QR) are linked to U.S. $. Therefore, no effect resulting from the fluctuations in JOD and QR rates 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
2017			
Israeli Shekel	10+	4,240	1
Other currencies	10+	309	-

	Increase in currency rate to U.S. $	Effect on profit before tax	Effect on equity
	%	U.S. $ 000's	U.S. $ 000's
2016			
Israeli Shekel	10+	2,230	1
Other currencies	10+	459	-

Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value for financial assets at FVTPL and FVOCI 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:

2017	Increase in equity price (%)	Effect on equity U.S. $ 000's	Effect on Income Statement U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	8,916	6,796
Shares and portfolios listed in other markets	+10	646	612
Shares and portfolios not listed	+10	1,967	8,635

2016	Increase in equity price (%)	Effect on equity U.S. $ 000's	Effect on Income Statement U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	9,901	2,635
Shares listed in other markets	+10	1,629	552
Shares and portfolios not listed	+10	6,013	517

Credit risk

PIF and its subsidiaries' exposure to credit risk arises from the default of the counterparty.

PIF and its subsidiaries believe that they are not significantly exposed to credit risk as they are currently managing their 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), (14) and (15).

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, 2017 and December 31, 2016, 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
December 31, 2017					
Long-term loans and credit facilities	15,850	27,939	139,038	672	183,499
Accounts payable	18,921	-	-	-	18,921
Other financial liabilities	10,427	2,836	-	-	13,263
	45,198	30,775	139,038	672	215,683
December 31, 2016					
Long-term loans and credit facilities	-	18,053	66,071	1,093	85,217
Accounts payable	27,572	-	-	-	27,572
Other financial liabilities	10,561	2,873	-	-	13,434
	38,133	20,926	66,071	1,093	126,223

36. 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 2017 and 2016.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interest with a total of U.S. $ 775,750,000 and U.S. $ 715,501,000 as at December 31, 2017 and December 31, 2016, respectively.

37. 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, tourism, energy in addition to the investment sector. The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2017:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	8,302	190,588	20,165	10,102	-	-	229,157
Inter-segment (eliminated)	-	-	492	-	-	(492)	-
Total revenues	8,302	190,588	20,657	10,102	-	(492)	229,157
Results of operations							
Profit (loss) before tax	35,438	11,180	2,157	(5,553)	(1,345)	-	41,877
Other information							
Depreciation of property, plant and equipment	4,346	1,707	365	2,232	34	-	8,684
Capital expenditure	613	10,341	4,085	510	1,888	-	17,437
Investments in associates and joint ventures	127,471	7,755	2,780	11,712	7,739	-	157,457
Share of associates' results of operations	8,448	725	(263)	(427)	(139)	-	8,344
Share of joint venture's results of operations	-	-	-	(413)	(180)	-	(593)

The following table presents segments' assets and liabilities as of December 31, 2017:

Assets and liabilities							
Segment assets	877,514	173,843	137,108	74,301	17,482	(289,693)	990,555
Segment liabilities	143,934	50,838	22,005	25,813	17,147	(44,932)	214,805

The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2016:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	7,149	201,925	10,585	8,274	-	-	227,933
Inter-segment (eliminated)	-	-	518	-	-	(518)	-
Total revenues	7,149	201,925	11,103	8,274	-	(518)	227,933
Results of operations							
Profit (loss) before tax	29,153	12,748	2,164	(1,874)	(854)	-	41,337
Other information							
Depreciation of property, plant and equipment	4,341	1,288	312	1,744	1	-	7,686
Capital expenditure	657	4,756	10,765	423	10	-	16,611
Investments in associates and joint ventures	117,128	1,265	2,743	12,374	5,763	-	139,273
Share of associates' results of operations	8,399	227	(55)	(578)	(102)	-	7,891
Share of joint venture's results of operations	(19)	-	-	(314)	-	-	(333)

The following table presents segments' assets and liabilities as of December 31, 2016:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segment assets	738,663	123,289	141,218	77,183	10,346	(234,475)	856,224
Segment liabilities	85,456	24,525	28,426	35,482	8,641	(41,807)	140,723

38. Commitments and contingencies

- PIF may be exposed to liabilities associated with the liquidation of some non-operating companies of which the ownership was transferred from the shareholder to PIF.
- During 2006, PIF signed a memorandum of understanding with the Palestinian Authority, represented by the Palestinian Land Authority, to allow PIF to develop and establish investment projects on the Saraya Gaza land –located in the center of Gaza and used as a security forces base – and on another plot of land in Gaza Strip on which currently the Zahrat Al Madaen Village Bungalows is built. In return, PIF agreed to construct new facilities to serve the security forces 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.
- PIF and its subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to U.S. $ 1,926,000 as of December 31, 2017. PIF's management and legal counsels believe that provisions made against these litigations are sufficient.
- During 2014, the Swiss Chambers' Arbitration Institution in Switzerland notified the Palestinian Commercial Services Company (currently Sanad Construction Industries) (the Company) of a request for arbitration filed by CAP Holding AG (Claimant) against the company and the Palestinian Authority (the PA). The Claimant claims a total amount of USD 1.45 billion plus interest of 5% p.a. and reimbursement of all costs incurred for the arbitration against the Company and the PA jointly and severally. On August 2, 2016, the arbitral tribunal issued its final award (the Award) in the Arbitration and dismissed CAP's claim against PIF and the Palestinian Authority (PA). Moreover, the arbitral tribunal ordered CAP to reimburse PIF and the PA for legal fees and other costs. Subsequently, CAP filed an appeal against the Award with the Swiss Federal Supreme Court (Appeal). In the Appeal, CAP requested that the Award be vacated and that the dispute be resubmitted to Arbitration.
- During 2017, the Court rejected most of the points raised in CAP's appeal but ordered the Arbitral Tribunal to re-assess one of the appellant's claims against the PA as it has not been clearly defined from a legal perspective. All other parts of the Award were not criticized by the Court. Furthermore, the court approved that all court costs and proceedings cost before the court shall be awarded against appellant. The arbitral tribunal is expected to issue its supplementary Award in the next months. According to the legal counsel of the Company, the results of the arbitration case may not have a material impact on the consolidated financial position of PIF and the results of its operations, and therefore no provision has been provided for this legal case.
- As of the consolidated financial statements date, PIF and its subsidiaries have contractual commitments resulting from purchases, services and construction contracts. The contractual commitments represent the difference between total contract cost and the amounts of materials or services received as of the financial statements date. The value of contractual obligations to be paid in subsequent years amounted to U.S. $ 52,666,000 as at 31 December 2017.

39. Concentration of risk in geographic area

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

40. Effect of adopting IFRS (9) and other adjustments on previous years

During 2016, PIF has early adopted IFRS (9) with the date of initial application being January 1, 2016. This standard has been applied retrospectively for financial assets held at January 1, 2016. PIF elected not to restate prior periods in accordance with IFRS (9) provisions.

The effect of the early adoption of IFRS (9) on prior periods was adjusted to the equity accounts as at January 1, 2016 as shown below:

	U.S. $ 000's	
	Retained earnings	Fair value reserve
Balance at January 1, 2016 – Before adjustment	31,660	18,291
Reclassification of revaluation gains from fair value reserve to retained earnings as a result of reclassifying investments previously classified as available-for-sale investments according to IAS 39 to financial assets through profit or loss in accordance with IFRS 9	(4,747)	4,747
Reclassification of impairment loss on investments still owned by PIF on the date of applying IFRS 9, which PIF has recorded in previous years as impairment losses on available for sale investments	4,885	(4,885)
Re-measurement of some investments classified as financial assets through OCI according to IFRS 9	-	881
Recognition of expected credit loss under IFRS 9 related to granted loans and other debt instruments	(3,607)	-
Non-controlling interest share of adjustments	64	-
Effect of classifications on statutory and voluntary reserves	680	-
Balance as at January 1, 2016 after adjustments	28,935	19,034

Notes:-

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