صندوق الاستثمار الفلسطيني
Palestine Investment Fund

ANNUAL REPORT **2010**




Annual Report 2010

Palestine Investment Fund (PIF)

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I am very proud of PIF, a leading national institution in Palestine whose accomplishments over the past few years have helped show the entire world what we as Palestinians are capable of doing in our homeland. PIF’s professionalism and high capabilities have allowed it to accomplish significant economic achievements, which have reinforced the foundations upon which our independent state will be erected. I have no doubt that PIF will continue its great work for our beloved homeland.

“

Sincerely,

Mahmoud Abbas

Chairman of the Palestinian Liberation Organization

President of the Palestinian Authority

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Chairman's Message

Ladies and Gentlemen,

On behalf of the Board of Directors, it is my pleasure to present you with the Palestine Investment Fund's 2010 Annual Report, which stands as a testimony to the organization's many achievements over the past year.

In the course of just a few years, PIF has grown to be the most highly regarded institutional investor in Palestine. Indeed, PIF's work has contributed and continues to contribute to the reinforcement of the Palestinian national economy, which, we believe, is critical for a prosperous and independent Palestinian state.

PIF's investment portfolio in Palestine has been rapidly growing over the past few years and now covers various strategic economic sectors including telecommunications, real estate, hospitality, finance and energy.

PIF has also initiated a number of programs that specifically target the Small and Medium-Sized Enterprises segment of the economy, an important segment that had been historically overlooked and underappreciated by institutional investors in Palestine.

Finally, PIF has been working on extending the geographic reach of its projects and programs. For example, PIF is currently working on finalizing an ambitious investment program for the Jordan Valley and Dead Sea region.

The past year has been full of achievements for our organization, the most remarkable of which has been Wataniya Mobile's successful Initial Public Offering and record increase in subscribers. In fact, by the end of its first year of operations, Wataniya's subscriber base reached close to 350 thousand. We expect this figure to continue to grow rapidly in the coming years. In 2010, Wataniya also completed an IPO of 15% of its shares to give the public a chance to take part in this great success. Wataniya's shares are now actively traded on the Palestine Exchange.

In the real estate sector, Amaar Group—PIF's real estate investment arm, continues to implement the National Affordable Housing Program, a PIF program that aims to provide 30 thousand housing units in the next few years. The first phase in both Al-Reehan and Al-Jinan projects, the first two planned communities in Palestine, is almost completed. Both neighborhoods generated significant business opportunities for tens of Palestinian engineering, designing, and contracting firms; in addition to creating thousands of employment opportunities for Palestinian workers.

Infrastructure work at the Ersal Center project is also underway. Total investment in this mixed-use commercial real estate development is expected to exceed $400 million. The development will serve close to 800 thousand residents in the central region of the West Bank and will introduce considerable improvements in commercial, business and social life in the region.

In parallel with the launching of its residential projects, PIF has also launched the $500 million Affordable Mortgage and Loan Program (AMAL). AMAL's goal is to facilitate homeownership in Palestine by providing affordable and long term mortgage financing to a larger portion of the Palestinian population.

The Small and Medium-Sized Enterprises (SME) segment of the Palestinian economy has also been receiving a significant share of PIF's attention. The Loan Guarantee Facility (LGF), which PIF and its partners launched in 2008, continues to provide significant support to the SME segment in Palestine by providing guarantees to banks lending to SMEs. By the end of 2010, the program had a portfolio of $67 million distributed over 354 projects across different economic sectors and geographic regions.

In addition to LGF, PIF also launched the Palestine Growth Capital Fund (PGCF) in partnership with Abraaj Capital.

PGCF is a $50 million private equity vehicle that specifically targets SMEs in Palestine.

Geographically, PIF has been working tirelessly to extend the reach of its projects and programs to all areas of Palestine, especially strategic regions. For example, PIF is developing plans for a $2 billion comprehensive investment program that aims to invest in the Jordan Valley and Dead Sea region, an area that has significant strategic and economic value for Palestine.

PIF has been working on developing plans for a number of strategic projects that will be established in the Jordan Valley and Dead Sea region over the next few years. The planned projects aim to utilize the region's resources and strategic location to benefit the local communities and the Palestinian economy as a whole.

PIF has also been working on projects to develop the energy sector in Palestine. In partnership with a number of leading investors, PIF has launched the Palestine Power Generating Company, which plans to build the first power generation plant in the West Bank, which is expected to have a 300 MW generation capacity.

On the financial front, PIF's 2010 performance was in line with the growth and return achieved during the past few years. To start with, we have seen an 8% increase in assets under management to reach $868 million and a 9% increase in equity to reach $783 million. PIF's profit before tax for the year reached $64 million, representing a 3% year on year growth. The after tax net income is $59 million.

PIF will distribute $25 million in dividends to the Palestinian Authority's Treasury, and will retain the remaining balance to invest in new and ongoing projects. This last distribution brings total PIF dividend distributions to the Palestinian Authority's Treasury since 2003 to around $631 million, which represents 110% of paid-up capital.

PIF's projects have created many national, economic and social benefits over the years. In addition to creating thousands of job opportunities and supporting local companies by offering them a chance to take part in these projects, PIF has also been pushing the Palestinian economy to become independent and self-sustaining.

While PIF has been focused on its investment projects and programs, it did not overlook its social responsibility. In 2010, PIF has supported numerous initiatives in important sectors like health, culture, youth and education. PIF has also allocated substantial resources to support Palestinians and Palestinian organizations in Jerusalem to counter the vicious Israeli campaign to bury the city's Palestinian and Arab identity.

On behalf of the Board of Directors and employees of PIF, it is my honor to express our thanks and deep gratitude to President Mahmoud Abbas for his generous guidance and constant support for our work and projects. Moreover, I would like to thank PIF's directors and employees for their hard work, dedication and commitment to the mission and values of our organization.

Finally, I would like to thank our local and international partners for providing the support needed to make PIF's success possible.

Sincerely,

Dr. Mohammad Mustafa

Chairman and CEO of PIF

2010 Highlights

Real Estate and Hospitality Sector

The real estate and hospitality sector witnessed major developments in 2010. Some of these developments include finalizing the first phase of both Al-Reehan and Al-Jinan Neighborhoods, Palestine's first two planned communities for working and middle-class families, and the commencement of infrastructure work at Ersal Center. When completed, Ersal Center will be the largest commercial real estate development in Palestine.

Telecommunications Sector

Among the most significant achievements of 2010 was the successful IPO of 15% of Wataniya Mobile shares. The IPO was 1.5x oversubscribed and raised Wataniya's capital to $258 million. Wataniya's shares are now actively traded on the Palestine Exchange. At the same time, and in its first full year of operation, Wataniya's subscriber base grew to 350 thousand by the end of 2010.

Energy Sector

In partnership with several local investors, PIF has established the Palestine Power Generating Company (PPGC). PPGC will build the first electricity generation plant in the West Bank with a generation capacity of 300 MW and a total investment expected to reach $300 million. PIF's other engagements in the energy sector include its equity stake in the Palestine Electricity Company (PEC) and its partnership in the consortium that is planning to develop the natural gas fields off the Gaza coast.

Trade, Industry, and Services Sectors

PIF's exposure to the trade, industry and services sectors is through its equity stakes in a number of leading companies in these sectors including the Palestinian Commercial Services Company (PCSC), the National Aluminum and Profiles Company (NAPCO), the Gaza Juice Factory, and the Arab Palestinian Investment Company (APIC).

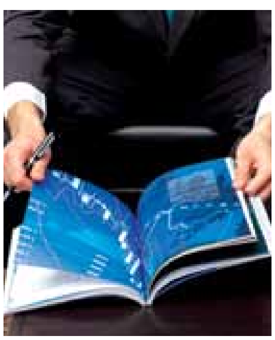
2010 Highlights

Financial Sector

In 2010, PIF and in partnership with a number of leading international organizations and local banks founded the $500 million Affordable Mortgage and Loan Program (AMAL). AMAL will facilitate access to long-term affordable housing finance to a larger segment of the Palestinian population. Al-Amal Mortgage Finance Company was also established in 2010 to implement and oversee the AMAL program.

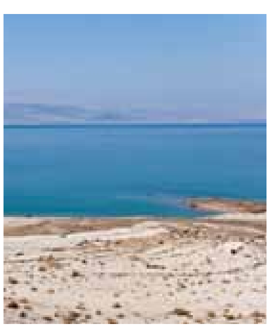
SME Sector

The Loan Guarantees Facility (LGF) has continued its success in 2010. By the end of 2010, around 354 projects have benefited from a total of $67 million in loans guaranteed by the program. PIF has also partnered with Abraaj Capital to establish the Palestine Growth Capital Fund (PGCF) in 2010, a $50 million private equity vehicle that will actively invest in a number of promising companies in the SME sector in Palestine.



Capital Markets Investments

PIF has recently established a new company, Khazanah, to manage its capital markets investment portfolios in Palestine and abroad. At the end of 2010, PIF's capital markets investments reached around $238 million, of which around $126 million are invested in the Palestine Exchange.



The National Program for the Development of the Jordan Valley and Dead Sea Region

PIF has been working on developing plans for a number of strategic projects that will be established in the Jordan Valley and Dead Sea region over the next few years. The planned projects aim to utilize the region's resources and strategic location to benefit the local communities and the Palestinian economy as a whole. PIF's plans for the region include residential, hospitality, and agricultural projects.

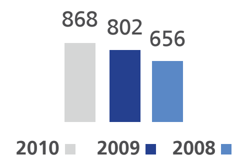
2010 Financial Indicators

PIF's financial performance in 2010 has been remarkable and in line with the growth and return figures of the past years. Below is a summary of the key indicators:

Assets

PIF's assets under management increased by 8% from $802 million at the end of 2009 to $868 by the end of 2010.

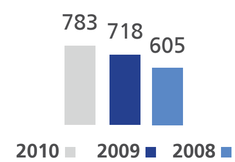
Total Assets (US $ millions)



Equity

PIF's equity increased by 9% from $718 million at the end of 2009 to $783 million by the end of 2010.

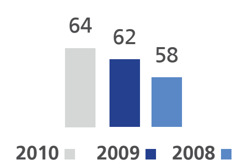
Total Equity (US $ millions)



Profits

PIF's before tax net income for the year reached $64 million, representing a 3% year on year growth. After deducting $5 million for taxes, the profit comes down to $59 million. PIF will distribute $25 million in dividends to the Palestinian Authority's Treasury, and will retain the remaining balance to invest in new and ongoing projects. This last distribution brings total PIF dividend distributions to the Palestinian Authority's Treasury since 2003 to around $631 million, which represents 110% of Paid-up share capital.

Profit Before Tax (US $ millions)



2010 Financial Indicators

Key Indicators

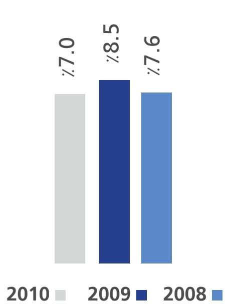
The table below shows the trend in key indicators for the years 2008, 2009 and 2010. The indicators show that PIF's growth strategy has been balanced and effective in maintaining steady and healthy returns.

(US $ millions)	2008	2009	2010
Total Assets	656	802	**868**
Total Liabilities	51	84	**85**
Total Equity	605	718	**783**
Paid-in Share Capital	574	574	**574**
Profit	58	62	**59**
Profit per Share	0.101	0.107	**0.102**
Net Book Value per Share	1.054	1.251	**1.357**

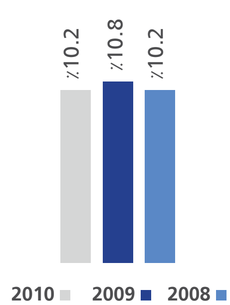
Performance Indicators:

Key return ratios indicate stable and healthy return levels:

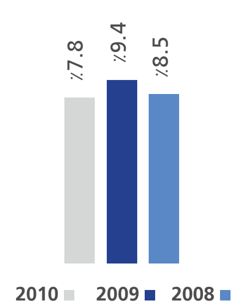
Return on Assets



Return on Capital



Return on Equity



Economic Outlook

Despite all obstacles imposed by the Israeli occupation, the Palestinian economy has been steadily growing over the past few years. As it is in its early developing stages, the Palestinian economy still has a lot of potential for growth. While it is relatively small in size, the Palestinian economy is considered to be a promising economy for a number of reasons, some of which are: it is full of promising investment opportunities that have not been seized yet; the private sector composes most of the economy and it is fully supported by the government and the public sector; and finally, it is full of talented and experienced individuals who are managing and contributing to its development.

Great Potential for Growth

According to the World Bank, the Palestinian economy's growth rate is expected to reach 12% by the year 2012 - 2013. This increase in the growth rate comes as a result of three main factors: First, the increase in the Palestinian work force. Statistics obtained in 2010 show that the Palestinian population has been growing, on average, at a rate of 2.4% since 2005. Approximately 55% of the population is between the ages of 15 and 46. This group of people, which is highly educated, constitutes the growing Palestinian workforce that is expected to vitalize the Palestinian economy over the next few years.

Second, the improvement of the Palestinian regulatory framework and the incentives offered to encourage investments in the Palestinian economy. Over the past few years, the Palestinian regulatory framework went through major reforms, especially when it comes to dealing with investment in the Palestinian territories. New regulations that facilitate investment in the West Bank and Gaza have been incorporated into the Palestinian regulatory framework to attract local and foreign investors. For example, incentives such as tax exemptions that go up to five years on investments made inside Palestine are offered to local and foreign investors. Similar incentives go a long way in encouraging investors to invest in the Palestinian economy.

Finally, the financial reforms and emphasis on transparency adopted by all organizations run by the Palestinian Authority. The Palestinian Authority has been working relentlessly on improving and managing its government's spending. By offering full-transparency into its operations and regulations, the Palestinian Authority has increased the confidence of local and foreign investors in the Palestinian economy. Additionally, the government has increased the confidence of the local private sector in its ability to grow in a safe and regulated economy. Recently, the government has been looking into investing in the private sector as means of increasing its revenues.

Overcoming Obstacles Set by the Israeli Occupation

Between the years of 2000 and 2007, the Palestinian economy went through a very difficult phase with all the constraints and obstacles imposed by the Israeli blockade of the Palestinian Territories. Unemployment rates went up to 25%, income per capita dropped by one third, poverty rates increased to 50%, and more than 600,000 Palestinians did not afford to provide their families with their basic needs. Moreover, the blockade constrained any movement or trade conducted by Palestinians, and the occupation repeatedly confiscated Palestinian tax revenues.

Since 2007, and with the ease of the blockade, the Palestinian economy has been steadily recovering from the disastrous situation it was going through. A number of other factors also contributed to the recovering of the Palestinian economy. Targeted government spending by the Palestinian Authority, international aid, and the increase in private investments, all helped the Palestinian economy recover and increase its growth rate to 6% between the years 2004 and 2009.

Recent statistics have shown that the 2010 growth rate in the Palestinian Territories has been 9%. Additionally, unemployment rates dropped to 17% in the West Bank while they remained at 35% in Gaza due to the continuing Israeli blockade. Statistics also show that 50% of the Palestinian

GDP growth has been the result of improvements in fiscal policy. As for the inflation rate in the Palestinian Territories, numbers show that it has been 3% in 2001, going through a spike in 2008 – 9.9%, to a steady 2.7% in 2009. The spike in 2008 was a result of dropping global factors.

Economic Situation in Gaza

Unlike the economic situation in the West Back, the economic situation in Gaza is still going through a critical stage. With the continuing blockade of Gaza, which started in 2007, and after the War on Gaza in 2008 which destroyed most of the infrastructure, and private and public sectors in the strip, the economic situation has reached its lowest levels ever.

Poverty rates in Gaza went up from 35% in 2006 to 50% in 2010. These rates take into account foreign aid which has been providing constant help to people in Gaza. If it wasn't for foreign aid, poverty rates would have been around 67%.

With over 40% of Palestinians living in the Gaza strip, Gaza is an integral part of Palestine and its economy's well-being is crucial for the overall well-being of the Palestinian state's economy. International promises to rebuild Gaza have been made over the past couple of years, but none came to life due to the Israeli blockade of the strip. For the Palestinian state to have a solid economy, the Israeli blockade of Gaza must be broken immediately and the strip must be rebuilt with the help of the international community.

	Actual			Expected		
	2008	2009	2010	2011	2012	2013
Nominal GDP ($ million)	6,108	6,158	7,395	8,450	9,584	11,016
Real GDP Growth(%)	7.1	7.4	9.3	9	10	12
GDP Per Capital ($)	1,597	1,565	1,827	2,028	2,236	2,497
Unemployment (%)	26	25	24	21	18	15
Inflation (%)	9.9	2.8	3.7	4	3.1	2.3
Imports (% of GDP)	67.2	67.5	65.4	68.8	72.1	71.4
Exports (% of GDP)	14.4	12.5	13.1	15.4	19.3	20.5

Source: International Monetary Fund (IMF)

01 About PIF

The Palestine Investment Fund (PIF) was established in 2003 as a state-owned independent investment company. PIF's main objective is to promote sustainable economic growth and private sector development in Palestine, through originating and investing in economically feasible, socially responsible and developmentally sound strategic projects in vital and viable economic sectors in the West Bank and Gaza Strip, in partnership with the Palestinian private sector and international investors.

Board of Directors

The Board of Directors has senior oversight on all PIF activities, with ultimate responsibility for the realization of targets and objectives as well as the overall success of the Fund. The Board of Directors comprises prominent figures reputed for their professionalism, independence, expertise and integrity. Members of the board are appointed by the President for a period of three years.

Dr. Mohammad Mustafa

Dr. Mustafa is the Chairman & CEO of PIF. He is also the Economic Adviser to President Mahmoud Abbas. Dr. Mustafa is on the board of several leading Palestinian companies, including Wataniya Mobile (Chairman), Amaar Real Estate Group (Chairman), Arab Palestine Investment Company (Member) and Palestine Power Generation Company (Member). Dr. Mustafa spent fifteen years at the World Bank (Washington, D.C.), where his work covered various countries in four different regions and involved sectors including Private Sector Development, Infrastructure, Industry & Energy, Project Finance and ICT. Dr. Mustafa holds a Master's degree and PhD in Management and Economics from George Washington University, and a Bachelor's of Engineering from Baghdad University.

Mr. Samer Khoury

Mr. Khoury is currently Deputy Executive Chairman of the Consolidated Contractors Company (CCC), which is one of world's leading engineering, contracting and construction companies with key operations in the Middle East. Mr. Khoury is active in many economic institutions around the world. He is a Board Member of more than 28 regional and internationally renowned organizations. Mr. Khoury holds a Bachelor's degree in Civil Engineering from the University of California, USA and a Master's degree from the University of Southern California, USA.

Mr. Mazen Sinokrot

Mr. Sinokrot is currently Chairman of the Board of Directors and CEO of the Sinokrot International Group, which is engaged in the industry, information technology, tourism, agricultural and commerce sectors. He is a former Minister of Economy, and served as Chairman of the Board of the Directors of the Investment Promotion Agency, Specifications and Standards Agency and the Industrial Estates and Free Zones Authority. Mr. Sinokrot holds a Bachelor's degree with Honors in Production, Engineering, Management and Industry from the University of Nottingham, UK.

Mr. Nabil Sarraf

Mr. Sarraf is the Chairman of Palestine Real Estate and Investment Company (PRICO), Deputy Chairman of Palestine Development and Investment Company (PADICO), and board member of United Arab Investors, Jordan, as well as Chairman of AMTEC Technical Contracting Co, Jordan, and a board member of a number of pioneering regional and local companies. Mr. Sarraf has a strong regional track-record in contracting and real-estate development including in Kuwait and Saudi Arabia. He holds a Bachelor's degree in Civil Engineering from Aaachen University, Germany.

Mr. Mohammad Abu Ramadan

Mr. Abu Ramadan is the Chairman of Abu Ramadan Investment Group, as well as Chairman and CEO of Gaza Bus Company, and Deputy Chairman of Palestine Insurance Company and Pal-Trade. He is also a board member of a number of pioneering local companies and institutions. He holds a Bachelor's degree in Business Administration from Syracuse University, USA.

Mr. Tarek Aggad

Mr. Aggad is the Chairman and CEO of Arab Palestinian Investment Company (APIC), and is also an Executive Director of Aggad Investment Company (AICO) - Riyadh, Saudi Arabia. He holds board memberships in several manufacturing, distribution and service companies in Palestine, Jordan and Saudi Arabia. He holds a Bachelor's degree in Economics from Harvard University, USA.

Mr. Azzam Shawa

Mr. Al-Shawa is the General Manager of Al-Quds Bank since 2007, and has worked at a senior management level in both the Arab Bank and Bank of Palestine. He is Chairman of Al-Reef Company, and a board member of a number of leading local companies. Mr. Al-Shawa is a former Minister of Energy. He holds a Bachelor's degree in Mathematics, from the University of Memphis, USA.

General Assembly Members

1. Dr. Mohammed Mustafa
2. Mr. Samer Khoury
3. Mr. Mazen Sinokrot
4. Mr. Nabil Sarraf
5. Mr. Mohammed Abu Ramadan
6. Mr. Tarek Aggad
7. Mr. Azzam Al-Shawa
8. President Office Chief of Staff
9. Governor of the Palestine Monetary Authority
10. Chairman of BoD of the Palestine Capital Market Authority
11. Chairman of the BoD of the Palestine Securities Exchange
12. President of the Federation of the Palestinian Chambers of Commerce
13. President of the Private Sector Coordination Council
14. President of the Palestinian Bar Association
15. Dr. Mohammad Shtayyeh
16. Mr. Khalid Qawasmi

17. Dr. Adnan Amr
18. Mr. Nassar Nassar
19. Mr. Walid Salman
20. Mr. Hashim Al-Shawa
21. Dr. Souad Amiry
22. Mrs. Lana Abu-Hijleh
23. Mr. Ahed Bseiso
24. Mr. Nabeel Al-Zaeem
25. Mr. Jawdat Khoudary
26. Mr. Sam Bahour
27. Mr. Iyad Joudeh
28. Mr. Mazen Hassounah
29. Mrs. Dina Masri
30. Mr. Hani Nigim

Launch of the Loan Guarantee Facility in 2007

Signing of the Affordable Mortgage and Loan Program MOU in 2008

Past, Present and Future

PIF's establishment was marked by the consolidation of assets previously managed by the Palestinian Authority. PIF thereby inherited the responsibility for managing investment assets that belong to the Palestinian people in a manner that contributes to sustainable economic development in Palestine. PIF today is an independent company. It is financially and administratively independent and is governed by an independent General Assembly and Board of Directors.

PIF is managed by a seven-member Board of Directors which oversees all PIF activities. Members of the Board of Directors are appointed by the President of the Palestinian Authority from renowned and leading independent Palestinian public figures. The 30-member General Assembly on the other hand is PIF's highest governing body and has ultimate oversight responsibility over its board and management. It includes representatives from all stakeholders in Palestinian society including civil society, non-governmental organizations, academia, the public and the private sectors.

At the end of 2010, PIF had approximately $868 million in assets under management. Since inception, approximately $631 million has been distributed to the Palestinian Authority as dividends that were transferred in full to the Palestinian Treasury. In 2010, PIF achieved a before tax profit of approximately $64 million.

PIF is currently leading an ambitious $4 billion investment program expected to stimulate economic growth and create over 100 thousand new job opportunities within the next ten years.

Launch of Wataniya Mobile Commercial Services in 2009

Laying the Cornerstone of the Ersal Center in 2010

PIF's Mission

PIF's mission is to promote a strong and sustainable Palestinian economy that will be a cornerstone of the independent Palestinian state through private sector development and investments.

Out of this vision, and with the help of a unique group of local and international partners from the private and public sectors, PIF has initiated a number of strategic investment projects in different vital sectors of the economy.

In its mission to build the Palestinian economy, PIF has diversified its investments among the most important sectors of the economy, and focused on those with high developmental impact. Those investments shall strengthen the competitiveness of those sectors which include: real estate and hospitality sector, financial sector, SME's sector, energy sector, telecommunications sector, and trade sector, in addition to PIF's program to develop the Jordan Valley and Dead Sea region, and its investments in local, regional, and international capital markets.

PIF's investment strategy aims to revitalize the Palestinian economy by creating new job engines to reduce poverty and unemployment, and raise living standards.

As part of PIF's mission to strengthen the Palestinian economy, PIF has been working on reducing Palestinian economic dependency on foreign aid by creating new income generating ventures in Palestine.

On the other hand, PIF focuses on attracting foreign direct investment (FDI) into Palestine. PIF believes that the kind of institutional support and international network that FDI brings into Palestine is a key driver of economic development in Palestine.

PIF has also been focusing on revitalizing the Palestinian private sector. Having a strong private sector to lead the Palestinian economy is a very important factor in building and growing the national economy.

Thus, PIF aims to support the growth of a strong and highly experienced private sector that is competitive locally and worldwide. In order to do so, PIF constantly encourages actors in the Palestinian private sector to take part in its new ventures and initiatives to help build up their expertise and competitive advantage.

Through its projects and investments, PIF hopes to contribute to the steadfastness of the people of Palestine and their ability to hold on to their rights and identity, and to build a healthy foundation for our future independent state.

PIF's Investment Strategy

PIF relies on a comprehensive, well-structured and ambitious investment strategy that was adopted by its Board of Directors to guide its investment activities and achieve its overall goals.

First: Serving National Goals

PIF's main objective is to promote sustainable economic growth and private sector development in Palestine, through originating and investing in economically feasible, socially responsible and developmentally sound strategic projects in vital and viable economic sectors in the West Bank and Gaza Strip, in partnership with the Palestinian private sector and international investors.

PIF's initiatives and projects ensure the maximum use of Palestinian talent and resources both in terms of planning and implementation. This is why PIF stresses the importance of balanced and equitable relations with regional and international partners that are in line with Palestinian economic priorities and based on mechanisms that are developed and led by PIF.

Moreover, PIF has worked during the past few years to transfer much of its assets into Palestine to support large scale strategic projects in vital and dynamic economic sectors .The goal of this strategic shift is to optimize the developmental impact of PIF's overall activities. So far, PIF has managed to grow the share of Palestinian investments in its total investment portfolio from 30% in 2007 to close to 72% today.

PIF's foreign asset portfolio is composed of highly liquid capital markets investments that are managed professionally with the goal of maximizing return within strict risk parameters, until adequate opportunities arise for deploying these funds in Palestine.

Second: Attracting Foreign Direct Investments (FDI)

FDI is crucial to economic development in Palestine. For this reason, PIF has expended extensive efforts to attract FDI from regional and international institutions. PIF projects have been able to secure strategic partnerships with some of the world's most influential institutional investors and development agencies.

PIF leverages its in depth knowledge of the local economy, and relations with the local private and public sectors to attract FDI. PIF has also been able to devise attractive risk and profit sharing schemes like joint equity investments and joint financing facilities.

In addition, PIF has always been on the lookout for value investments with moderate risk profiles and attractive returns to draw in foreign capital and ensure that all its partnerships and initiatives are built on sound business sense and not merely political or humanitarian considerations. This is in line with PIF's message that Palestine is open for business and that it makes sense to invest in it.

Third: Supporting the Palestinian Private Sector

PIF believes that a healthy Palestinian private sector is a critical component of any sound national development agenda and therefore works to stimulate private sector activity and to remove obstacles facing it. PIF has diversified private sector investment opportunities and facilitated private sector participation in its own projects. As these projects develop, PIF reduces its own investment share, attracting private sector partners to take its place, thereby allowing the private sector to build capacity and take the lead.

In addition, PIF plays the role of a facilitator and coordinator between the private and public sectors. For example, PIF and its local and international partners are working on AMAL in conjunction with the Palestine Monetary Fund and the Capital Markets Authority. This partnership resulted in the adoption of procedures and regulations that will transform the mortgage finance sector in Palestine.

Fourth: Creating Job Opportunities in Palestine

PIF pays special attention to ensuring that its projects and initiatives serve to create a substantial number of new job opportunities for the Palestinian people. In fact, PIF's current and planned investments are expected to create close to 100 thousand new job opportunities in Palestine during the next 10 years.

Fifth: Distributing Investments Across all Governorates

PIF investment programs and projects are located throughout Palestine. Certain initiatives are restricted to specific areas, such as Al-Reehan Neighborhood in Ramallah and Al-Jinan Neighborhood in Jenin.

Other initiatives have national reach, such as the Loan Guarantee Facility for SMEs, the Palestine Growth Capital Fund for private equity investment in SMEs and Wataniya Mobile Company.

On the other hand, some areas are politically and economically critical for the future Palestinian state and therefore receive extra attention from PIF including Jerusalem and the Jordan Valley and Dead Sea region.

In fact, PIF is working on establishing a fund dedicated to supporting SMEs in Jerusalem through equity and debt finance, and has already established Al-Aghwar Al-Falastiniyah Development Company to manage its planned projects in the Jordan Valley and Dead Sea region in partnership with local, regional and international investors.

PIF's investments in these different localities aim to develop and optimize the use of their natural resources and strengthen their ability to resist all Israeli attempts to undermine their connection and contribution to the Palestinian economy.

PIF Investment Partners

PIF's partners in the Real Estate and Hospitality Sector

The Arab Medical Company: The Arab Medical Company is responsible for developing the Arab Consultative Hospital in Al-Reehan Neighborhood. The Arab Consultative Hospital is the second project of its kind to be implemented by the Arab Medical Company, the first being the Arab Hospital in Nablus in 2000.

Land Holding: The Land Holding Company is specialized in real estate investments and development. The Land Holding is PIF's partner in Ersal Center. As one of the Saudi Rajhi Group companies, the Land Holding company is well known in the real estate sector in the Middle East.

Saraya Real Estate Development: In 2010, Saraya was founded by a number of Palestinian investors and businessmen that are well experienced in the real estate sector. In the same year, PIF partnered with Saraya and sold it the rights to develop part of Al-Reehan Neighborhood, namely, 70 residential units in the neighborhood.

PADICO Holding: PADICO is one of the largest and most important companies in the Palestinian economy. Over the past couple of years, PADICO has been investing in the Palestinian economy to develop its different sectors. PADICO is PIF's partner in the Jaser Palace Hotel and a number of other projects.

Partners in the SME's Sector

Cooperative Housing Foundation (CHF) International: CHF International was founded in 1952 with the goal of improving people's lives and securing them a better future. Currently, CHF serves over 20 million people worldwide every year. CHF is PIF's partner in the SME's Loan Guarantee Facility and in AMAL.

Middle East Investment Initiative (MEII): MEII is a non-profit investment organization that aims to stimulate Middle Eastern economies. MEII is also PIF's partner the Affordable Mortgage and Loan Program (AMAL) and the Loan Guarantee Facility (LGF).

Abraaj Capital: Abraaj Capital is the largest private equity firm in the Middle East and North Africa. Abraaj's private equity investment strategy is to acquire controlling or significant interests in stable, mature, well-managed businesses and create value through operational and financial improvements, management incentives and the use of leverage. Abraaj is managing the Palestine Growth Capital Fund (PGCF) through a dedicated team based in Ramallah.

PIF's partners in the Energy Sector

BG Group: BG is a leading company in the global energy market, and is one of the top 20 companies registered in London's stock market. With a capital of over $50 billion, BG is specialized in the exploration and production of natural gas, and is a main partner in PIF's gas field project off the shore of Gaza.

Consolidated Contractors Company (CCC): The CCC was established in 1952 as one of the first Arab engineering and contracting companies. Today, it is one of the world's largest contractors. The CCC is PIF's partner in the Gaza Gas project.

PIF's partners in the Telecommunications Sector

Qtel: With projects in more than 17 countries, Qtel is considered to be one of the biggest telecommunication companies in the Middle East, North Africa, and South East Asia. Qtel is PIF's partner in Wataniya Mobile.

Wataniya Telecom: In 1999, Wataniya Telecom was founded to be the first privately owned telecommunication company in Kuwait. In 2007, Qtel acquired 51% of Wataniya Telecom's shares and since then it has been steadily growing in the Middle East, North Africa, and Asia. Currently, Wataniya Telecom offers its services in Kuwait, the Maldives, Saudi Arabia, Algeria, Tunisia, and Palestine. In Palestine, Wataniya Telecom established Wataniya Mobile company in partnership with PIF.

PIF's partners in the Financial Services Sector

International Finance Corporation (IFC): The IFC is the World Bank's subsidiary that deals with the private sector. IFC's main goal is to encourage private sector investments in developing countries, in hope of decreasing poverty and improving people's standard of living. IFC is PIF's partner the Affordable Mortgage and Loan Program (AMAL).

Overseas Private Investment Corporation (OPIC): OPIC is an American governmental agency that supports the economic development of developing countries. Currently, OPIC operates in 150 countries around the world. OPIC is PIF's partner in the Affordable Mortgage and Loan Program (AMAL) and the Loan Guarantee Facility (LGF).

Department for International Development (DFID): DFID is a British organization that was established in 1997 with the goal of managing the UK's aid to developing countries around the world. DFID operates in more than 50 countries, and is PIF's partner in the Affordable Mortgage and Loan Program (AMAL).

UN Habitat: UN Habitat is a UN organization that supports the development of environmentally friendly towns and small cities. UN Habitat is PIF's partner in the Affordable Mortgage and Loan Program (AMAL).

Bank of Palestine: Bank of Palestine is the largest bank in Palestine and has been in operation since 1961. It is currently PIF's partner in the Affordable Mortgage and Loan Program (AMAL)

Cairo Amman Bank: Cairo Amman Bank was established in 1960 as a Jordanian financial company that offers commercial banking and investment services in several countries including Palestine. Cairo Amman Bank is also PIF's partner in the Affordable Mortgage and Loan Program (AMAL).

Arab Bank: Started in Palestine, Arab Bank became one of the largest banks in the region. Arab Bank, along with other institutional investors, is PIF's partner in the Affordable Mortgage and Loan Program (AMAL), in addition to other programs.

PIF's Values

PIF is a national institution whose investment philosophy and strategy are guided by a number of core principles and values:

PIF's Values

Commitment to Palestine

Serving Palestinian national interests is the most important motive driving PIF and its projects. PIF aims to reach a stage where a free Palestinian state is strong enough to stand on its own. PIF also works to provide adequate standards of living for Palestinians by creating new job opportunities and unlocking hidden sources of value in the Palestinian economy.

Leadership

Over the past few years, PIF has taken on a leading role in the mission of rebuilding the Palestinian economy. With its expertise and highly trained and experienced personnel, PIF is able to lead complex partnerships to originate, structure and launch investment ventures with high developmental impact.

Innovation

PIF is known for its original, unique and innovative ideas and projects. Whether it is the scale, the nature, or the complexity, PIF's investments are all in one way or another new to the Palestinian economy.

Transparency and Accountability

PIF is committed to the highest levels of transparency and accountability both in its internal and external work. PIF truly believes that full transparency in issues relating to its decision making processes, investments, and financials boosts credibility in the eyes of both local and foreign stakeholders, and enhances the performance of its team.

Good Governance

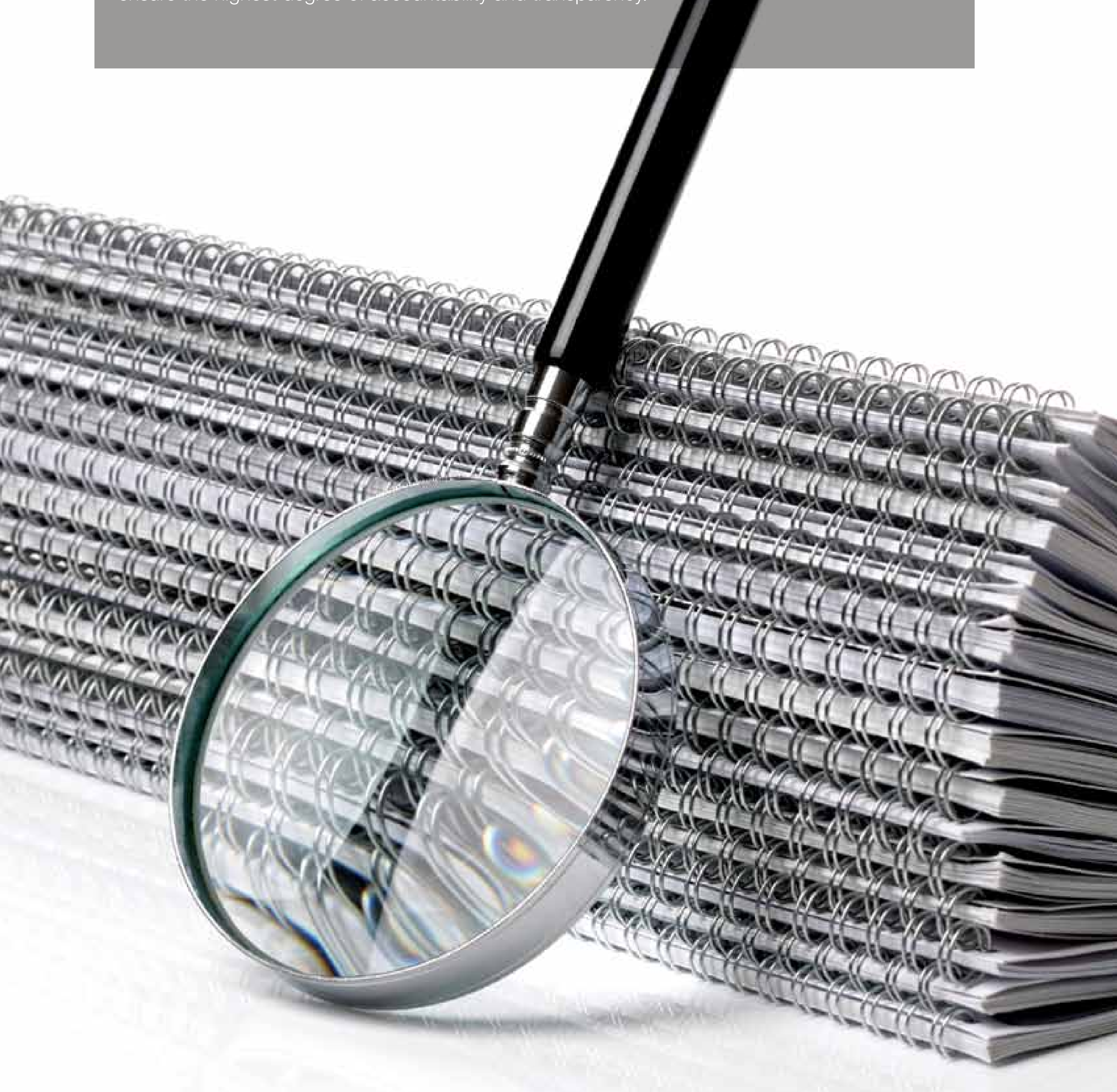
Sustainable development has been shown to be highly dependent on good governance. PIF, at its core, is founded on a set of rules and guidelines that govern its decision making processes and policies.

Responsibility towards Society

While PIF is in principle focused on investments, it is also committed to developing a number of social sectors that are essential to a strong and balanced society. These include healthcare and education. In addition, PIF's projects are designed to be environmentally friendly, publicly safe and socially responsible.

Transparency and Governance

PIF follows the highest standards of transparency and corporate governance. A sophisticated governance framework is in place to guide its investment decision making and operations and ensure the highest degree of accountability and transparency.



Transparency and Governance

General Assembly

The General Assembly represents PIF's ultimate shareholder: the people of Palestine. It executes its obligations in accordance with PIF bylaws and the Palestinian Companies Law. The General Assembly provides strategic guidance to the Board of Directors, reviews annual reports, and approves the distribution of dividends to the Palestinian Treasury. The General Assembly also assigns an external auditor on the basis of the Board of Directors recommendations. The General Assembly is comprised of 30 qualified individuals recognized for their integrity and experience. Members are appointed by the President for a three-year term.

Board of Directors

PIF operations are overseen by an independent Board of Directors, responsible for setting and overseeing goals and objectives. The Board is appointed by the President for a three-year term. Members of the Board are reputable experts in finance and management with extensive knowledge of the local market. Collective decision-making by Board members remains a core PIF practice. An executive management team oversees daily operations, reporting directly to the Board of Directors. The strictest conflict of interest rules are adhered to at all time.

Internal Audit

PIF's internal audit mechanism is split into two parts. The first part is through one of the largest auditing firms, PricewaterhouseCoopers (PwC). In 2010, PwC carried out a comprehensive internal audit to ensure the adequacy of internal controls at PIF and confirm the executive management's compliance with the laws and standards governing administrative and investment operations. It was also PwC's responsibility to provide the Board of Directors with recommendations to enhance the work of PIF's executive management.

The second part of the internal audit mechanism is an audit unit that is appointed by the Board of Directors to monitor the work of the different departments at the organization. The internal audit unit ensures that all internal laws are followed by the different departments and that all departments are working towards accomplishing the goals of the Fund.

External Auditor

PIF's external auditor is appointed by the General Assembly and reports to the General Assembly. The external auditor independently conducts an audit of PIF financials in accordance with international auditing standards. PIF's current external auditor is Ernst & Young.

Financial Disclosures

PIF is committed to the principle of transparency, which is manifested in the commitment to disclose its mission, corporate structure, investment programs, and managerial and financial performance. PIF publishes its audited financial information in the annual report and on its website, in line with its principles of transparency and accountability internal policies and procedures

PIF is committed to ensuring that internal procedures meet international best practice standards, and effectively regulate both managerial and investment decision-making and implementation. It is also subject to a strict authority matrix for investment decision making and budget allocations.

State Audit & Administrative Control Bureau

In order to maintain credibility and corporate integrity, and to ensure its governance structure continues to meet the highest professional standards, PIF continues to cooperate closely with the State Audit and Administrative Control Bureau. The Bureau audits PIF's governance and financial systems and evaluates the performance of its internal auditing systems. The State Audit and Administrative Control Bureau has commended PIF for its auditing system and called for such a system to be institutionalized across all governmental and non-governmental organizations in Palestine.

02 PIF's Investments

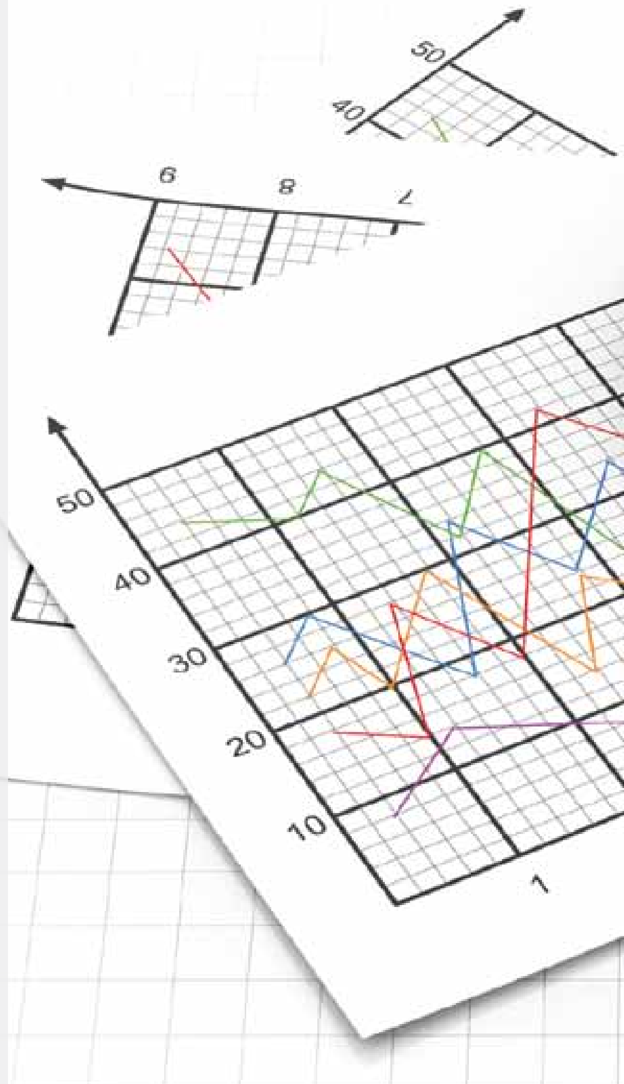
PIF's strategic investment portfolio is composed of two categories:

1. Sector-specialized wholly owned subsidiaries which include:

- Amaar Real Estate Investment Group
- Khazanah Asset Management Company
- The Dead Sea and Al-Aghwar Al-Falastiniyah Development Company
- The Palestinian Commercial Services Company

2. Programs portfolio, which includes strategic companies and projects in which PIF owns a non-controlling (minority) interest. PIF's stake in these cases is directly managed by PIF, rather than by specialized subsidiaries. PIF's Programs portfolio includes the following:

- Telecommunications Program
- Mortgage Finance Program
- SMEs Program
- Energy Program

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16.82
59.41
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12.36
27.87
LAST
CHG
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8.95
37.18
97.22
+1.82
+8.87
+1.42
+2.54
+8.92
+1.58
+8.84

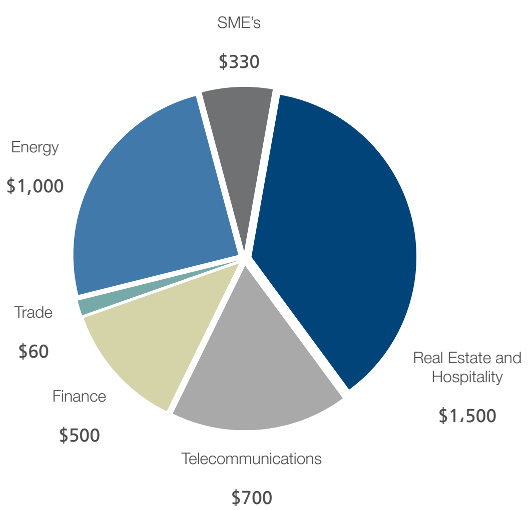
PIF's Investment Program

In 2010, PIF continued to work on its ambitious investment program, which is being implemented in partnership with international, regional and local partners. The investments are in key strategic sectors with significant contribution potential to the Palestinian economy while offering attractive emerging market type returns.

Program Sectors and Projects

PIF's investment program focuses on key economic sectors and covers real estate and tourism, telecommunications, energy, commerce, SMEs, finance, and developmental initiatives in the Jordan Valley and Dead Sea region. The diagram on the right depicts the program's sectoral distribution:

Investment Program (US $ millions)



Program's Size

The volume of this investment program is unprecedented locally and is expected to reach $4 billion within the next five years. The investment program will be financed directly by PIF, international and regional partners, as well as local and international banks and financial institutions.

Anticipated Economic Impact

PIF's investment program is expected to directly and indirectly benefit the Palestinian economy. In addition to stimulating key sectors, the program is projected to create over 100 thousand new jobs; thereby reducing poverty, unemployment and enhancing living standards in Palestine. Moreover, the program is set to have a positive transformational impact on the economy by both increasing the supply of particular goods and services, as well as increasing both direct and indirect demand. For example, according to a 2008 PIF commissioned study; the projected housing sector deficit will reach 470 thousand housing

units in the next decade. Consequently, PIF established the National Affordable Housing Program in order to address the deficit and supply affordable housing units, constructed and designed using the latest engineering know-how and principles of sustainability.

The investment program will promote and grow the competitiveness of the private sector companies, in particular SMEs which constitute over 95% of all enterprises, through targeted technical and managerial support.

The overall investment program will promote competition within different economic sectors, leading to the provision of higher quality services. The introduction of Wataniya Mobile has heralded the liberalization of the local telecommunications market, introduced competition and has benefitted consumers; in terms of reduced tariffs and better quality of service.

The competitiveness and productivity of SMEs will be enhanced by programs such as the LGF and PGCF, which offer flexible financing and access to long term capital, operational and technical know-how as well as management expertise, new capabilities to build platforms and open new markets.

Moreover, PIF programs help stimulate economic activity in interconnected sectors. For example, the launching of Wataniya Mobile has stimulated economic activity in a diverse array of sectors including media and advertising; and PIF real estate projects increase the demand for goods and services provided by engineering companies, contractors and financial service providers. PIF programs also encourage reforms to the Palestinian legal framework, which contributes to boosting investors' confidence in the Palestinian economy.

Success Factors

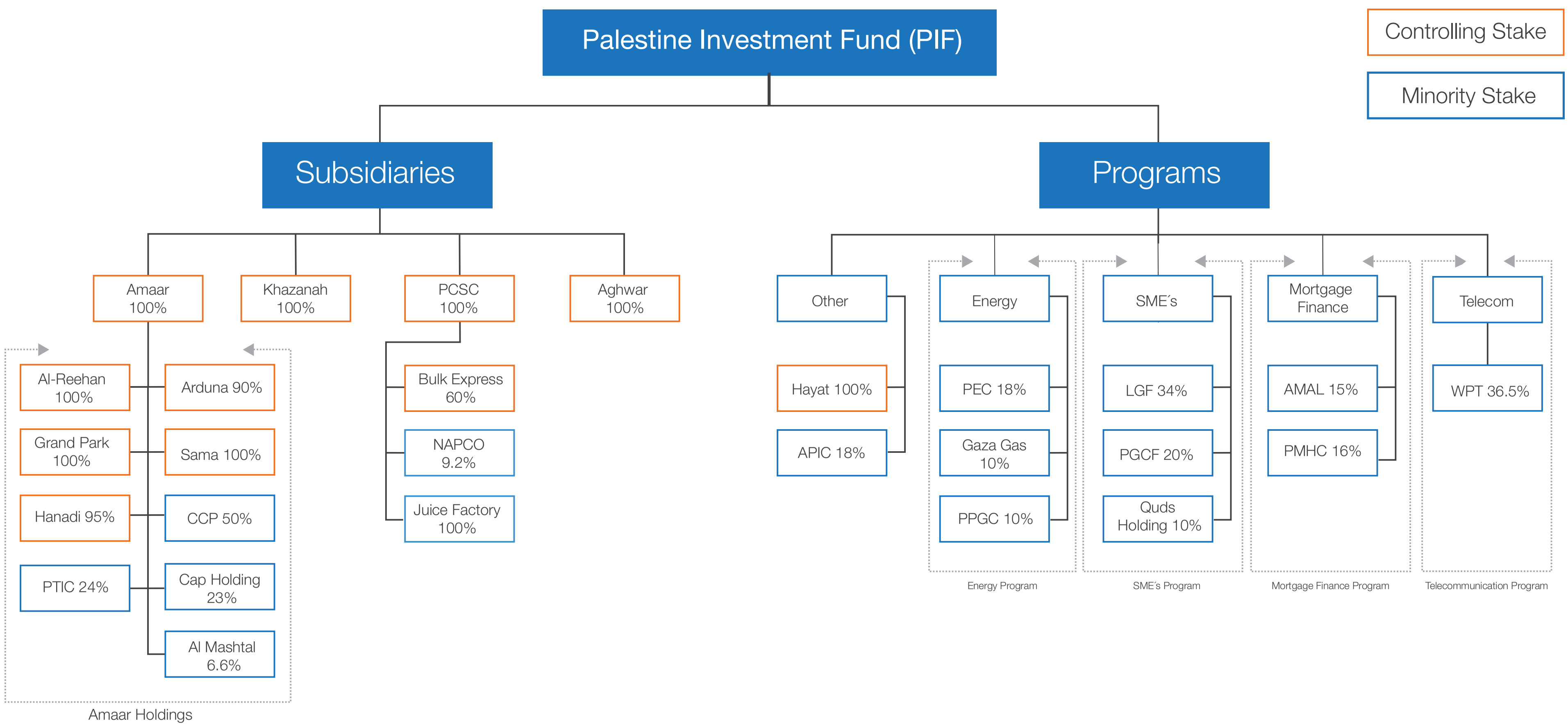
A number of factors drive the success of PIF's investment program, below is a summary of the most important ones:

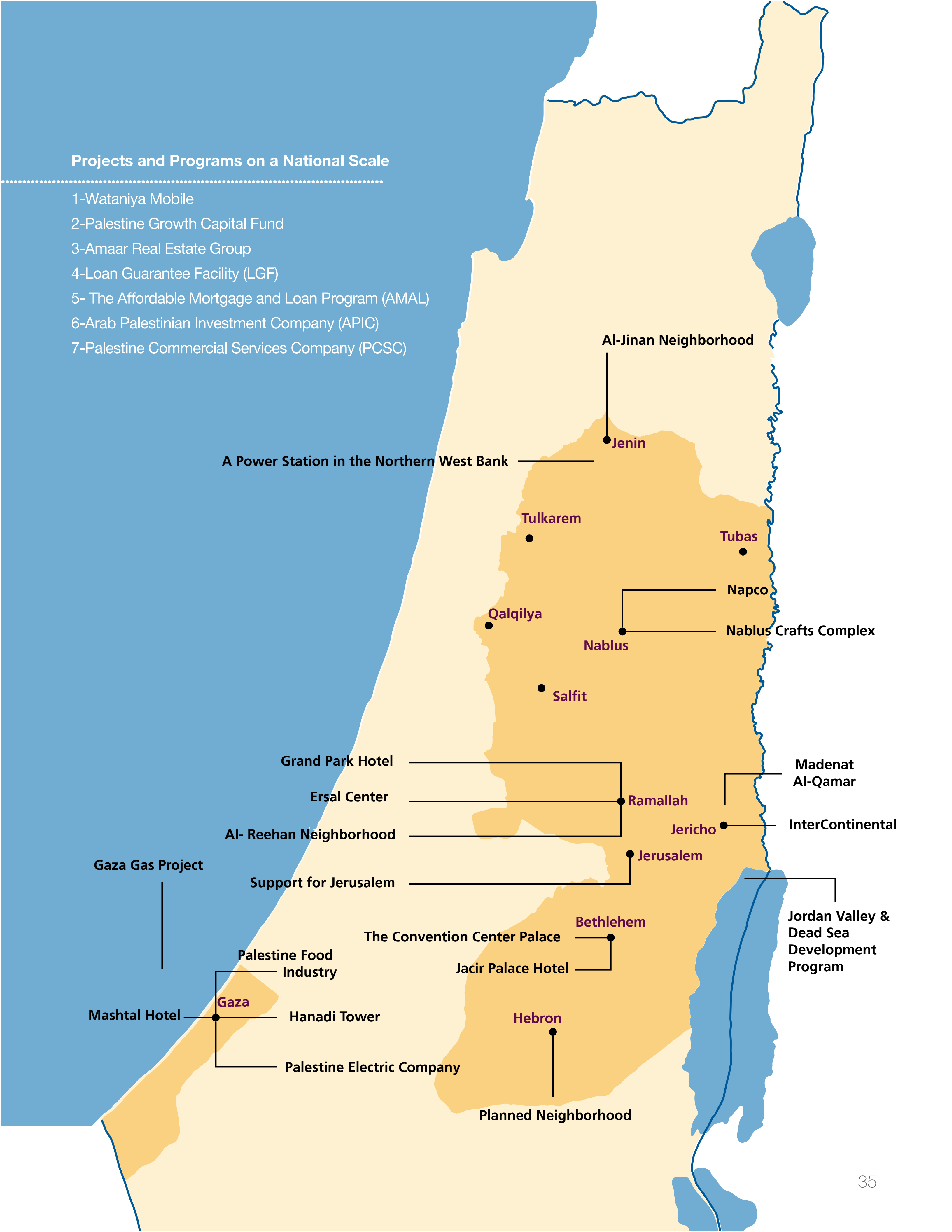
Good and Comprehensive Planning: PIF is proud of its ability to conceptualize and plan sustainable investment ideas that are both practical and financially rewarding. Moreover, PIF has the technical capacity and expertise needed to present and market these ideas to local, regional and international investors, and to develop feasible implementation mechanisms.

Professional and Process Driven Execution: PIF ensures the timely execution of its projects by adhering to strict budgeting and oversight processes. Work is carried out by dedicated teams and distributed based on specialization to ensure optimal output.

Sophisticated Risk Management: PIF incorporates risk assessments and risk mitigation strategies into its various investment action plans and therefore is well-positioned to handle adverse contingencies effectively and in a timely fashion. Moreover, the program's risk profile is in line with comprehensive risk management guidelines that prevent excessive and unmitigated risk taking.

Extensive Partnership Network: PIF has a considerable network of local, regional, and international partners that includes big institutional investors and leading international development agencies. PIF regularly leverages this network to create new partnerships and draw in new international capital to support its projects and initiatives in Palestine.


Palestine Investment Fund (PIF)
Controlling Stake
Minority Stake
Subsidiaries
Programs
Amaar 100%
Khazanah 100%
PCSC 100%
Aghwar 100%
Al-Reehan 100%
Arduna 90%
Grand Park 100%
Sama 100%
Hanadi 95%
CCP 50%
PTIC 24%
Cap Holding 23%
Al Mashtal 6.6%
Amaar Holdings
Bulk Express 60%
NAPCO 9.2%
Juice Factory 100%
Other
Hayat 100%
APIC 18%
Energy
PEC 18%
Gaza Gas 10%
PPGC 10%
Energy Program
SME´s
LGF 34%
PGCF 20%
Quds Holding 10%
SME´s Program
Mortgage Finance
AMAL 15%
PMHC 16%
Mortgage Finance Program
Telecom
WPT 36.5%
Telecommunication Program


Projects and Programs on a National Scale
1-Wataniya Mobile
2-Palestine Growth Capital Fund
3-Amaar Real Estate Group
4-Loan Guarantee Facility (LGF)
5- The Affordable Mortgage and Loan Program (AMAL)
6-Arab Palestinian Investment Company (APIC)
7-Palestine Commercial Services Company (PCSC)
Al-Jinan Neighborhood
Jenin
A Power Station in the Northern West Bank
Tulkarem
Tubas
Napco
Qalqilya
Nablus Crafts Complex
Nablus
Salfit
Grand Park Hotel
Ersal Center
Al- Reehan Neighborhood
Ramallah
Madenat
Al-Qamar
Jericho
InterContinental
Jerusalem
Gaza Gas Project
Support for Jerusalem
Jordan Valley &
Dead Sea
Development
Program
Bethlehem
The Convention Center Palace
Jacir Palace Hotel
Palestine Food
Industry
Gaza
Mashtal Hotel
Hanadi Tower
Hebron
Palestine Electric Company
Planned Neighborhood

Real Estate and Hospitality

The real estate sector continues to be a dynamic and robust economic force in Palestine because of its accelerated rate of growth and the substantial investment returns it provides. The sector also continues to be the largest economic sector comprising 50 – 60% of total investment in Palestine, employing 11% of the workforce, and contributing close to 15% of the GDP.

A recent study conducted by PIF showed that there is a need for 47 thousand housing unit a year in Palestine during the next ten years. PIF's National Affordable Housing Program aims to meet part of the overall need by building close to 30 thousand units over the next few years.

As for tourism, PIF pays special attention to hospitality

projects because the sector has a great potential to stimulate the national economy and generate significant income. PIF has historically played a leading role in launching landmark tourism projects such as Jacir Palace - Intercontinental in Bethlehem, the Grand Park Hotel in Ramallah and the Intercontinental Hotel in Jericho; comprising one of the finest hospitality portfolios in the country. PIF is also currently planning the development of several large-scale hospitality projects in the Jordan Valley and Dead Sea areas.

Commercial real estate also holds significant potential because of the pent up demand for new large scale projects. PIF recently began developing Ersal Center, a $400 million commercial center that is expected to serve 800 thousand people living in the central region of the West Bank. The project will include commercial and residential towers in addition to a hotel and other entertainment facilities.

Amaar Real Estate Group … Leading Company in the Palestinian Real Estate Sector

Amaar Real Estate group is a wholly owned PIF subsidiary that was established by PIF to oversee its diverse real estate portfolio.

Currently, Amaar is implementing a real estate development program in Palestine with a total planned value that exceeds $2 billion. In addition, Amaar is overseeing multiple real estate companies and owns shares in some of the most prestigious hotels in Palestine. Two of the companies that are managed by Amaar Group in the real estate sector are: Al-Reehan Real Estate Investment Company which specializes in developing residential projects, and Arduna Real Estate Development Company which specializes in developing commercial real estate projects like Ersal Center which is one of the largest commercial real estate projects in Palestine.

Current Holdings

Amaar Group is currently managing or has a significant stake in a number of real estate projects that are revitalizing the real estate and hospitality sector in different parts of the country. Some of Amaar's key holdings include stakes in Hanadi Commercial Tower in Gaza which is a 13 floor commercial tower; the Mashtal Hotel which overlooks the north shore of Gaza city; Jacir Palace Hotel – Intercontinental in Bethlehem; Sama Tower in Ramallah; the Conventions Palace in Bethlehem which specializes in hosting large events and cultural activities; and the Grand Park Hotel which is one of the largest hotels in Ramallah.

Projects under Development

Amaar is currently overseeing a number of projects that were started by PIF as part of its National Affordable Housing Program. These projects include: Al-Reehan and Al-Jinan Neighborhoods, in addition to Ersal Center which is expected to be the new commercial zone in Ramallah and Al-Bireh.

As for future projects, Amaar is in the process of evaluating a number of real estate, hospitality, and commercial projects that will be launched during the year 2011 in the northern and southern parts of the West Bank.

Progress on Al-Reehan Project

The National Affordable Housing Program

The National Affordable Housing Program aims to build 30 thousand housing units over the next 10 years in different parts of Palestine. This program comes in response to the problem of ever growing demand and insufficient supply of housing units in the Palestinian real estate sector.

Studies conducted by PIF show a huge deficit in the supply of affordable housing units to Palestinian families. This deficit has been caused by many reasons some of which are: the lack of a regulatory framework for investments in Palestine, in addition to the hardships of locating proper plots of land under the control of the Palestinian authority that would be adequate for such projects.

In order to solve the problem of insufficient housing units in Palestine, PIF has developed a fully comprehensive and well planned program that is expected to make a significant change in the Palestinian housing sector over the next five years. PIF has already started this program with Al-Reehan and Al-Jinan Neighborhoods.

Other projects of similar nature are still in the designing and planning phase and they are expected to be implemented in different areas of Palestine.

National and Economic Benefits from the Program

The amount of capital invested in the National Affordable Housing Program is expected to exceed $1.5 billion. Moreover, the program is expected to create 45 thousand direct job opportunities, and 25 thousand indirect job opportunities.

The creation of all these job opportunities will go a long way in reducing poverty and unemployment which will help raise the Palestinian standard of living. In addition, the program will play a major role in reducing the deficit in housing units in Palestine.

PIF has been focusing on using Palestinian products and materials whenever possible while implementing its projects. By using Palestinian products and materials, PIF has revitalized industries complementary to the construction industry.

Al-Reehan … A Unique Neighborhood Growing Day by Day

PIF has started implementing its National Affordable Housing Program by launching two residential neighborhood projects in different Palestinian cities. Through Amaar Real Estate Group, PIF has commenced work on Al-Reehan Neighborhood in Ramallah. Al-Reehan is designed to include approximately 2 thousand housing units that can accommodate up to 10 thousand people.

Al-Reehan Real Estate Investment Company which is owned by Amaar Real Estate Group, PIF's specialized subsidiary in the real estate sector, is currently working hand in hand with a number of Palestinian engineering companies and contractors to ensure that Al-Reehan Neighborhood is built in accordance with the highest international standards.

Al-Reehan Neighborhood is located on a hill that overlooks the northern side of Ramallah. The plot of land on which the neighborhood is constructed has a great view of the Palestinian landscape as well as the Palestinian coast from the western side of the neighborhood. The capital invested in the neighborhood currently stands at $200 million, and it is expected that the first stage of the construction plan, which entails the construction of 300 units, will be completely finished in. 2011 The second and third stages of the neighborhood's construction plan, which will include the construction of an additional 1,200 units, will also be launched during 2011.

Al-Reehan Real Estate Investment Company

Al-Reehan Company is a subsidiary of Amaar Real Estate Group, and is specialized in developing residential projects. Al-Reehan Company is implementing the National Affordable Housing Program which was launched by PIF in 2009. The National Affordable Housing Program aims


Phase 1 of Al-Reehan Project

to build 30 thousand residential units in Palestine over the next few years. As part of the National Affordable Housing Program, Al-Reehan Company has been overseeing the construction of two residential neighborhoods: Al-Reehan Neighborhood in Ramallah, and Al-Jinan Neighborhood in Jenin.

Al-Reehan … Designed to Combine Modernity with Palestinian Heritage

Al-Reehan's structural design is based on a modern construction approach while preserving Palestinian building traditions. Al-Reehan Neighborhood is designed to include social, commercial, and entertainment facilities that will offer Al-Reehan's residents the best services available.

The structural design for Al-Reehan Neighborhood shows a combination of residential buildings and individual villas with different areas and heights. The different options available at Al-Reehan Neighborhood ensure that each family will find the housing unit that suits its needs. In the heart of the neighborhood, Al-Reehan Company plans on building centers with commercial stores, offices, a clinic, a gym, and several other service. Almost 40% of the neighborhood's area will be used for streets, green areas, and commercial, social, and public spaces.

Launching of the Sales Campaign

The sales campaign for Al-Reehan Neighborhood's phase one residential units was launched in 2010. Phase one of the neighborhood's construction plan entails building 300 units. The sales campaign to sell the 300 residential units focused on the modern lifestyle that the neighborhood will provide to its residents. PIF, Amaar Group and Al-Reehan Company all made sure that the neighborhood has the facilities and services needed to satisfy the resident's needs whether social, educational, commercial or entertainment.

By the end of 2010, Al-Reehan Company had sold more than 60% of stage one's housing units. In order to facilitate the purchasing of its apartments and to make the process economically affordable to most people, Al-Reehan Neighborhood launched a joint campaign with Cairo Amman Bank where an initial payment of $5 thousand is paid by the customer and the rest of the amount is financed by Cairo Amman Bank and is paid back by the customer through a comfortable monthly payment plan starting from $400 per month.

Laying the Cornerstone of the AC Hospital in Al-Reehan

Additionally, PIF has launched the Affordable Mortgage and Loan Program (AMAL), which offers a greater segment of Palestinian society the ability to purchase homes by offering affordable long term loans that can be paid over a period of 25 years. The offered loans have fixed and variable interest rates with terms that are very reasonable.

Al-Reehan… Rapid Development in Cooperation with Local Companies

As part of PIF's plan to support local Palestinian companies and encourage them to take part in its projects, several tenders were awarded by Al-Reehan Company to Palestinian contractors, engineering and design companies. By allowing Palestinian companies to work on its projects, PIF helps create job opportunities for Palestinians in addition to vitalizing the sectors complementary to the construction sector.

Along the same lines, Al-Reehan Company has signed several contracts with a number of local contractors to carry out the excavation and construction work at its projects. Currently, local contractors are developing parts of Al-Reehan Neighborhood according to specifications that were provided to them by Al-Reehan Company. Moreover, tens of contracts were signed with Palestinian engineering and design firms to provide materials and basic services at Al-Reehan Neighborhood.

Al-Reehan Company has also signed a contract with Saraya Real Estate Development Company according to which Saraya would develop 60 housing units at Al-Reehan Neighborhood. Saraya has already started developing the 60 units.

PIF has ensured that Al-Reehan Neighborhood has state of the art infrastructure. An underground gas network is currently being constructed for those housing units that will be developed in the first stage of the construction plan. A local company will be taking care of installing all pipe connections and tank placements.

HE President Abbas on a Tour of Al-Reehan

Healthcare and Social Centers

In addition to focusing on developing modern housing units, PIF has ensured that Al-Reehan Neighborhood has the needed healthcare, social, and educational centers. The rights to build a specialized hospital at the neighborhood were sold to the Arab Medical Complex Company. The construction of the hospital is well on its way. The hospital will not only be serving residents of the neighborhood, it will be serving Palestinians in neighboring areas and anyone else seeking medical care.

PIF has also signed a contract with the Arab Islamic Bank's Zakat Fund to build a mosque and a kindergarten at the neighborhood.

Al-Reehan … A National Project

Al-Reehan project is a significant achievement for the Palestinian economy. On one hand, Al-Reehan project will contribute to alleviating the affordable housing shortage in Palestine. On the other hand, Al-Reehan project has created many job opportunities for Palestinians to benefit from.

Al-Reehan Neighborhood is a part of the National Affordable Housing Program which is expected to create 45 thousand direct job opportunities and 25 thousand indirect job opportunities. Moreover, Al-Reehan Neighborhood has revitalized the Palestinian economy especially the real estate sector in Ramallah and Al-Bireh.

In terms of the broad economic benefits brought about by Al-Reehan projects, Al-Reehan played a major role in not only vitalizing the Palestinian construction sector, but also the complementary sectors, including the services and SMEs sectors. While engineering and design firms participated in the design of Al-Reehan Neighborhood, small and medium sized contractors took part in the construction and completion of Al-Reehan neighborhood.

The construction of Al-Reehan Neighborhood is also aligned with the national goals of supporting Palestinians to hold on to their Palestinian identity and land.


Al-Jinan Neighborhood

Al-Jinan … Unique Location in the Green Hills of Jenin

Al-Jinan Neighborhood is the second neighborhood to be implemented as part of PIF's National Affordable Housing Program, and is located in the northern West Bank city of Jenin. By distributing its projects all over the country, PIF ensures that all Palestinian cities benefit from its projects.

Al-Jinan Neighborhood is located on the eastern hills of Jenin. The neighborhood overlooks great scenes of the Palestinian landscape from its different sides. Al-Jinan is planned to have 1 thousand housing units in addition to social, educational, healthcare, and entertainment facilities on a total area of 77 donoms.

Al-Jinan … Harmony with Palestinian Architectural Heritage and Environment

The buildings at Al-Jinan Neighborhood were all designed to conform to the Palestinian architectural heritage and the culture of Jenin's residents. Individual housing units are composed of two floors as most housing units are constructed in that region. Apartment buildings are composed of four floors, with two apartments per floor. The buildings are equipped with state of the art elevators to provide the residents with the highest levels of comfort. All housing units have 3 bedrooms, a living room, a guest room, a garage, as well as other services.

As part of PIF's interest in maintaining the green zones surrounding the neighborhood, several ideas are currently being discussed, one of which is to turn the green areas surrounding the neighborhood into a nature reserve that will be open to all of Jenin's residents.

Al-Jinan … Accelerating Progress

By the end of 2010, outer construction work for 54 housing units that form Al-Jinan's first phase was completed and their inner finishing work started. In addition to the 54 units that are near completion, the construction work for another 28 units has started.

As it is the case with Al-Reehan Neighborhood, Al-Reehan Company has signed a number of contracts with several

Palestinian companies to develop different parts of Al-Jinan Neighborhood. Moreover, whenever possible, Al-Reehan Company has been using Palestinian products and materials to support local companies and the Palestinian private sector.

Revitalizing Jenin's Economy

PIF has decided to build Al-Jinan Neighborhood in Jenin to help the city stand on its feet after years of closure by the Israeli occupation. Al-Jinan Neighborhood is intended to revitalize Jenin's economy, and provide Jenin's residents with adequate housing and better social, environmental and commercial services.

Moreover, Al-Jinan Neighborhood is expected to create job opportunities for Jenin's residents especially in sectors complementary to the construction sector. Additionally, Al-Jinan project will provide SMEs with more business opportunities and will encourage investments in the city in general.

Hospitality Projects

Out of deep belief in the economic potential of the tourism sector, PIF has been allocating significant resources to hospitality projects including hotels and related facilities.

Convention Center Palace

Convention Palace

The Convention Palace is considered to be the number one venue in Palestine for large scale events including conferences, meetings and cultural events. The Convention Palace has a strategic location that is surrounded by all necessary services which are designed according to the highest standards. The Convention Palace is a joint venture between Amaar Group and the Consolidated Contractors Company (CCC). The construction of the Convention Palace was completed in 2008. It includes a large auditorium that seats 1,600 guests, a multi-purpose hall that can accommodate 500 guests, as well as two meeting rooms that can seat 150 guests each.

In 2010, the Palace hosted a number of high level local and international events including: the Sixteenth Palestinian Pharmaceutical Conference with a total attendance of 2 thousand people; the 2010 Palestinian Investment Conference with an attendance of 4 thousand people from Palestine and other Arab and foreign countries; in addition to a number of cultural and political events with audiences that ranged in size between 500 and 2 thousand people.

Grand Park Hotel

During 2010, the Grand Park Hotel has undergone a unique transition in terms of the services and facilities available to its guests. The Grand Park Hotel's management has been trying to keep up with the latest trends in the hospitality business and provide its guests with the highest levels of comfort. As part of the 2010 development plan, the hotel's pool area was totally revamped, and modifications to the inner halls and rooms were introduced. The renovation plan is expected to continue throughout 2011 and be completed before year's end. The Grand Park Hotel is fully owned by Amaar Real Estate Group, PIF's real estate investment arm.

Grand Park Hotel

Intercontinental Hotel – Jericho

Intercontinental Hotel - Jericho

The 5-star Intercontinental Hotel is located in Jericho, the world's oldest city. Jericho, which is known for its heritage, was chosen as the location to construct the Intercontinental Hotel to support the region's tourism industry. The hotel provides its guests with the highest standards of luxury and comfort. Some of the many facilities available to guests at the Intercontinental Hotel include Dead Sea water swimming pools, tennis courts, and other outdoor sport courts. The Intercontinental Hotel has 181 rooms in addition to 15 luxurious suites as well as several halls and business meeting rooms. Amaar Real Estate Group, PIF's real estate investments arm, is the second largest shareholder in the hotel.

Jacir Palace

Jacir Palace is one of the most famous landmarks in Bethlehem. Jacir Palace welcomes thousands of tourists each year and has outstanding facilities that include swimming pools, restaurants, and luxurious halls and rooms.

Amaar Real Estate Group, PIF's real estate investments arm, is the second largest shareholder in the hotel.

Jacir Palace


Night View of the Ersal Center

Ersal Center: Modern Commercial Center in the Heart of Palestine

PIF has a group of commercial real estate projects that are managed by Amaar Group—PIF's real estate investment arm. These project complement PIF's real estate strategy which aims to develop a number of large-scale commercial real estate projects in major Palestinian urban centers. Amaar Group's portfolio includes Sama Real Estate Company which manages an office space building in Ramallah, and Hanadi Tower Company which manages a number of mixed-use real estate developments in Gaza.

In addition, Amaar Group manages the development of Ersal Center through Arduna Real Estate Development Company. Ersal Center will be the largest commercial real estate development in Palestine and is expected to serve close to 800 thousand residents in the central region of the West Bank, including Jerusalem.

Ersal Center Project is a large-scale mixed-use complex expected to grow into a prosperous business district and a valuable asset for the Palestinian economy. The Center resides on a 50 thousand sqm land plot located in Al-Bireh city and will include high-quality mixed-use towers, commercial and office buildings, residential units and a 5-star hotel.

The project will be developed by Arduna Real Estate Development Company. The first phase of the project is expected to be completed in the fourth quarter of 2013. The project is expected to be fully completed by the first quarter of 2015. Total invested capital is expected to exceed $400 million.

Location

Ersal Center enjoys a strategic dynamic location as it resides on the northern front of Al-Bireh city, only 2km north of downtown Ramallah. It intermediates and connects the northern and southern regions of the West Bank.

Furthermore, Ersal Center project will be adjacent to the 150 thousand sqm National Park being developed by the National Committee Overseeing the National Park and the Palestinian Economic Council for Development and Reconstruction (PECDAR).

Facilities

Ersal Center will have approximately 220 thousand sqm divided between business and office facilities, commercial and retail space, libraries, a diplomatic center, restaurants, cafes, a 5-star hotel in addition to residential apartments and a number of gardens.

Modern Designs with Palestinian Flavor

Ersal Center will feature a distinct architectural identity that shall further enhance its realization as a unique landmark within the city and complement its integration within the existing unique Palestinian urban tissue. The buildings and towers are designed to blend in with their immediate surroundings and to maximize their functionality. Part of the development was inspired by the designs of old commercial markets in Jerusalem and other Palestinian cities.

The design process was carried out by Consolidated Consultants-Jafar Tukan Architects, one of the leading architectural firms in the region. Ersal Center design scheme aims at situating the project within the city's context so that it is not perceived merely as a destination or an imposition on the city's layout but rather as an extension of it. The design therefore ensures preserving visual corridors that enhance its connection to the context while liberating it from centrality.

Furthermore, the design of the towers in Ersal Center intends to create a dynamic skyline that respects the existing city skyline as well as human scale. This is ensured through introducing volumetric compositions that comprise midrise building podiums as a base with a unified level throughout the site and raised towers that mark the iconic character of the development.

The ambient pedestrian streets and the main boulevard moreover elevate the public experience since these streets are meant to animate commercial fronts of the podiums and interlace through public squares that eventually lead to the opening of the central park. Additionally, the design proposes a road network that is intended to manage vehicular traffic not only for the benefit of the development but rather of the city as a whole.

Laying the Cornerstone of the Ersal Center

Working in Ersal Center

With 66% of the total project built-up-area dedicated for office space, Ersal will have a healthy mix of corporate institutional tenants including leading financial institutions and banks, insurance companies, IT and telecommunication companies.


Infrastructure Works in the Ersal Center

Shopping in Ersal Center

Al-Ersal will be a modern environment and a pedestrian friendly business community, due in part to the smart planning of entry and exit points, the use of a ring road to absorb traffic jams, and the indoor outdoor parking solutions, coupled with wide pedestrian walkways, green areas, shopping centers and boulevards. Around 20% of Ersal Center is envisioned for high-end commercial and retail spaces for the shopping, dining, and entertainment needs of its visitors. It will be the premier address for shopping and entertainment, and certainly a first of its kind in Palestine.

Living in Ersal Center

Around 14% of the total Ersal Center built-up-area is earmarked for high-end residential units and a hotel tower. Ersal Center residents will enjoy a prestigious living experience, and have the convenience and pleasure of being within walking distance from work, shopping, fine dining, cultural and entertainment sites.

The project will also include a 5-star hotel that will cater to the city's visitors. It will include typical facilities for a 5-star hotel including recreation, fine dining, conference halls, meeting rooms, and banquette centers.

First Stage of Ersal Center Project

The first stage of Ersal Center Project, which started in 2010, is expected to be completed in the fourth quarter of 2013. Comprising approximately 66% of the total project, the first stage of the construction plan includes the construction of four office towers and a commercial mall. The four towers will house the headquarters of several leading Palestinian institutions including the Bank of Palestine, Al-Quds Bank, Amaar Group and Consolidated Contractors Company (CCC).

Cornerstone and Infrastructure Works

President Mahmoud Abbas laid the cornerstone for the project on 22 July 2010, an event that signaled the launch of the development. Excavation and earth works for a ring road with an approximate length of 850m have already commenced. Work on Phase I, which has already commenced in 2010, will include the construction of four commercial towers that are expected to be completed in the fourth quarter of 2013.

About Arduna: Ersal Center's Developer

In 2008, PIF's partnership agreement with The Land Holding resulted in the founding of Arduna Real Estate Development Company Ltd, with an initial capital investment of $45.5 million. Arduna is part of Amaar Group, the Real Estate investment arm of the Palestine Investment Fund. The Land Holding, a leading real estate developer in the Middle East region, owns a 10% stake in Arduna.

A Number of Leading Palestinian Companies Join Ersal Center

As a sign of confidence in the potential of Ersal Center, a number of leading Palestinian firms have already announced their intentions to relocate their headquarters there. These include the Bank of Palestine, Quds Bank, Wataniya Mobile, CCC, and Amaar group.

Bank of Palestine, considered one of the most influential banks in Palestine, has already bought rights to develop an 18 story tower in Ersal Center. Al-Quds Bank, also a leading bank in Palestine, bought the right to develop a 19 story tower. The CCC will also develop another tower. Finally, Amaar Group will develop a fourth tower that will house new headquarters for PIF and its subsidiaries.

Telecommunications Sector

The Palestinian telecommunications market is considered a very promising one in view of the statistics that point to the growing population of young people in Palestine and, at the same time, the low average spread of mobile phones in comparison to neighboring countries in the region.

Despite the rapid increase in the usage of mobile phones, the penetration rate has remained relatively low in Palestine, averaging 49% only at the end of 2009. This is currently the lowest rate of mobile phone penetration in the region. For example, the average mobile phone penetration reached 101% in Jordan last year. This indicates that there is much room for growth and expansion in the Palestinian telecommunications sector.

Listing Ceremony of Wataniya Mobile on PEX

Wataniya Mobile… Fastest Growing Telecom Company in Palestine

Wataniya distinguished itself as the fastest growing telecom company in Palestine during 2010. The company fulfilled its promise to provide advanced telecommunication services, and as a result has earned the trust of more than 350 thousand subscribers by the end of its first full year of operations.

Wataniya Mobile… A Distinguished Mobile Network Operator

Wataniya Mobile, with a paid-up capital of $258 million, is one of the largest investment ventures in Palestine. The Company launched its operations in November of 2009 after winning an international tender to set up Palestine's second mobile operator.

Ambitious Strategy

Wataniya built its strategy around the goal of becoming the number one choice for Palestinian consumers when it comes to mobile network services. This strategy is based on enhancing competitiveness by regularly upgrading product and price offerings, and paying special attention to customer service. In fact, Wataniya Mobile's network was designed and built by Ericsson to a specification particular to the Palestinian market, to provide a high quality of service to customers using the latest technology .This allows the Company to offer differentiated and more competitive products and tariffs.

IPO Success

In a critical step towards strengthening direct investment in the Palestinian telecommunications market, Wataniya Mobile underwent an IPO of 15% of its shares to public investors in Palestine during the period between November 7 and December, 2010. The stock is now listed for trading on the Palestine Exchange (PEX).

This IPO is considered to be the largest of its kind in Palestine since 2000. The total number of shares that were offered is 38.7 million, equivalent to 15% of the company's declared capital, at a price of $1.30 per share raising a total of $50.31 million. The IPO was 155% oversubscribed with a strong demand from regional and international investors in the Middle East, Europe, and the United States.

Following the IPO, PIF's equity share dropped to 36.55%, while Qtel's share dropped to 48.45% and the public now holds 15%.

The Listing of Wataniya Mobile in the Palestine Exchange

The listing of the shares of Wataniya Mobile adds significant value to the Palestine Exchange (PEX) by drawing in many new local and foreign retail and institutional investors.

The process of listing the shares of Wataniya Mobile is of great importance for both the company and the investor, because the listing enhances public confidence in the Company due to its commitment to the laws of disclosure and transparency that are applied by the financial market and the Capital Market Authority. As for the investing public, this listing will offer a promising investment opportunity and provide a good return on investment.

Experienced Partners

Wataniya Mobile gains significant local and international advantages from its close relationships with its largest shareholders, Qatar Telecom (Qtel) and the Palestine Investment Fund (PIF).

Qtel is a leading operator in the Middle Eastern and Asian telecom markets. It offers Wataniya Mobile access to international know-how through its operational experience in other developing markets. The Company also benefits from group synergies and access to Qtel's key relationships with suppliers, vendors and banks. As of 30 September 2010, Qtel had over 66 million customers across the 16 countries and territories in which it has telecom operations.

Qtel holds its interest in Wataniya Mobile through a chain of subsidiary companies, which includes National Mobile Telecommunications Company (NMTC). NMTC is a leading international telecommunication company in its own right and is listed on the Kuwait Stock Exchange.

On the other hand, PIF's strong presence in the Palestinian economy, deep local experience and knowledge, and strong business network inside and outside Palestine offers the Company invaluable local support.

Wataniya Mobile Service Center

Energy Sector

As a result of decades of neglect and chronic under-investment by the Israeli occupation authorities, the PA inherited a struggling energy sector in 1994. At present, the PA is compelled to spend a significant part of its annual revenues on the import of energy resources such as oil and gas. Palestine's energy sector plays a crucial role in economic development due to its significant cost impact. The sector is also a major contributor to the PA's budget through fuel excise duties and VAT. In light of the importance of the energy sector to Palestine's economy, PIF has endeavored to advance its development for many years. Importantly, PIF has sought to reduce Palestine's dependence on foreign states - especially Israel - for energy resources. Therefore, PIF teamed up with a number of international partners to develop a natural gas field situated off the coast of Gaza.

Gaza Gas

PIF is a minority strategic partner in the consortium that was granted exclusive oil and gas exploration rights off the Gaza coast in an agreement signed in 1999 with the PA. The consortium comprises BG Group, the Consolidated Contractors Company (CCC), and PIF with rights apportioned at 60:30:10, respectively. In 2000, the consortium discovered over 30 billion cubic meters of natural gas in two Palestinian offshore gas fields. The larger field is Gaza Marine, which is located entirely in Palestinian territorial waters, and contains an estimated 28 billion cubic meters of gas; and the smaller is Border Field, which is an extension of the Israeli Noa Field, partially located in Israeli territorial waters. The volume of gas in Border Field is estimated at around 3.5 billion cubic meters.

At current prices, the value of the natural gas discovered in both fields is estimated at over $6.5 billion. To date, the consortium has invested around $100 million in the venture. The total volume of investment in the project is expected to reach $800 million.

Ongoing Challenges

Attempts to develop Gaza's gas fields have faced several major obstacles. Primarily, Israel's de facto and illegal control of Palestinian territorial waters has impeded attempts to export Palestinian natural gas to international markets. Israel has refused to implement measures required to extend a pipeline to Al-Areesh in Egypt, a prerequisite to liquefying the gas and exporting it to international markets. Israel has also refused to provide the necessary clearances required by developers. In addition, negotiations to export gas to Israel have been unsuccessful to date, as the PA and developers are unwilling to sell gas at lower than fair market prices. The

Palestinian Authority and developers continue to demand clear guarantees, backed by commercial contracts, that the Gaza power station will be supplied with natural gas on an uninterrupted basis in the event that Palestinian natural gas is exported to Israel. Guarantees are also being sought that gas revenues be transferred to the PA without hindrance.

Financial Revenues for the PA

The natural gas project will be a major contributor to the PA's fiscal budget; especially in light of the fact that the Palestinian proceeds will amount to 50% of the venture's net profits. The PA will receive royalties, tax revenues and PIF profit. The PA is expected to generate a healthy income of $2.4 billion from this project throughout its 15-year lifespan.

PIF's Strategy to Develop the Gas Fields

PIF prepared a new strategy for the development of the gas fields discovered off the coast of the Gaza Strip in order to exploit this important natural resource and promote Palestinian energy independence. PIF's strategy is based on the following two elements:

Utilizing the gas reserves in electricity production in Palestine

Using the Gas Reserves in electricity production is a strategic Palestinian goal, as the replacement of diesel currently used at the Gaza Power Station with Palestinian natural gas will significantly reduce the cost of electricity production and restrict the volume of diesel imported from Israel, thereby increasing its economic independence from Israel.

Establishing new electricity power plants

PIF plans to expand the existing power plant in Palestine and establish new ones to create the economic scale needed to make the new strategy work. In fact, PIF and a number of Palestinian investors recently announced plans to establish a new power plant in the West Bank. A third power plant is also currently being contemplated in order to bring the total local electrical generation capacity to 1250 MW. This is expected to save the Palestinian treasury hundreds of millions of dollars annually by eliminating the need to import electricity from Israel.

Strategic Benefits

PIF expects a number of significant economic, environmental, financial, and political benefits to materialize if the new strategy is implemented successfully:

- Save the Palestinian economy close to $560 million annually by eliminating the need to import electricity from Israel. Total savings during the lifetime of the project are expected to reach $8.5 billion.
- The Palestinian Authority is expected to receive close to $2.4 billion over the course of the project (between 15 and 18 years) in the form of royalties taxes and profits.
- Create new investment opportunities in the Palestinian energy sector.
- Reduce economic dependence on Israel by eliminating or at least minimizing electricity imports from Israel.
- Lower the price of electricity for Palestinian consumers.
- Help improve environmental conditions in Palestine by utilizing natural gas instead of diesel in electricity production.

The Way Forward

The new PIF strategy requires commitment and substantial political support from various national and international stakeholders:

- Stakeholders need to adopt and agree on all the components of the new strategy.
- International stakeholders including development agencies are needed to provide part of the needed financing and technical assistance to make this strategy work.
- The international community needs to play a critical political role in overcoming Israeli objections and obstacles.

The Palestine Electric Company (PEC)

PIF is one of the main founding partners of the Palestine Electric Company (PEC). PEC owns Palestine's only power plant, which is located in the Gaza Strip and has a 140 MW generation capacity. The plant has dual generation turbines operated by diesel and natural gas. PEC's other shareholders include the CCC, PADICO, the Arab Bank and APIC.

PEC is working to improve power generation at the Gaza plant, as the plant's output is limited to 50% of capacity because of the condition of the electricity grid in the Gaza Strip. PEC's future plans include doubling the generation capacity of the Gaza plant and the replacement of gasoil supplies from Israel with natural gas supplies from the gas fields offshore Gaza .

A Power Station in the Northern West Bank

Currently 88% of domestic Palestinian electricity is imported including 100% of electricity in the West Bank. Consequently, a group of Palestinian investors – including PIF – decided to explore the viability of constructing a power station in the Northern West Bank. This initiative is intended to reduce the dependence of the Palestinian energy sector on Israel.

In 2010, a group of Palestinian investors, including PIF, established a new company with the name of Palestine Power Generating Company (PPGC) that will develop and own the first power generation plant in the West Bank. PPGC will have a power generation capacity of 300 MW using natural gas. The project's total development costs are estimated to be $300m of which $120m will be equity capital and $180m will be debt capital.

Plans to design, construct and commission the power plant in the northern West Bank are well underway. Initial clearances from the Palestinian Energy Authority have already been obtained and a comprehensive feasibility study is being prepared. The construction and commissioning of the power plant is expected to take between 24 and 30 months.

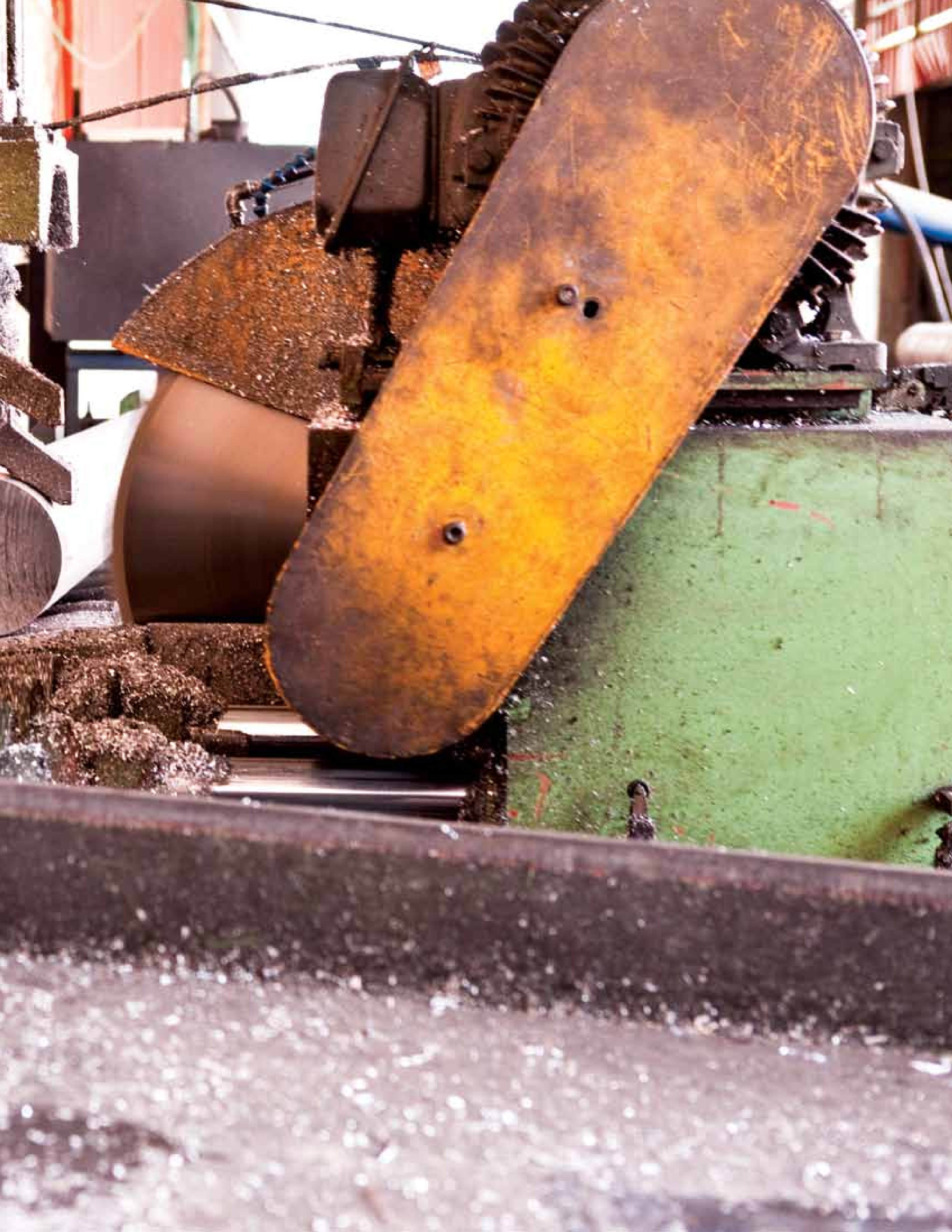
This project is expected to strengthen the Palestinian economy by enhancing energy security and reducing reliance on Israeli energy sources and creating new employment opportunities. Palestinian companies will benefit from this project by participating in the construction of the plant, and supplying the necessary human resources including highly qualified engineers and technicians. The plant will supply electricity to the Palestinian people at reduced price, while Palestinian firms will be contracted to distribute the electricity within Palestine.

Trade, Industry, and Services Sectors

The trade sector is a vital sector in Palestine and plays a major role in creating opportunities for economic growth. The trade sector links Palestine to the outside world and is the main channel through which goods and currency flows into and out of our economy. The sector currently suffers from severe Israeli restrictions and arbitrary practices that inhibit its growth and development.

The capacity of the industrial sector directly shapes the growth potential of any economy. It is a major contributor to job creation and poverty reduction in an economy and typically requires significant private and public investment. Unfortunately the sector remains highly underdeveloped in Palestine because of the lack of capital and limited governmental support. However, there are signs of improvement especially with stone and marble industries, which have significant export potential.

Similar to the trade and industry sectors, the services sector is also an important component of a strong and modern economy. Over the past few of years, countries around the world have been reinventing themselves into service-based economies where services form the base on which the rest of the economy is built. The services sector has high returns and is a very important sector in solving unemployment problems. Moreover, the services sector contributes to the overall productivity of the economy.

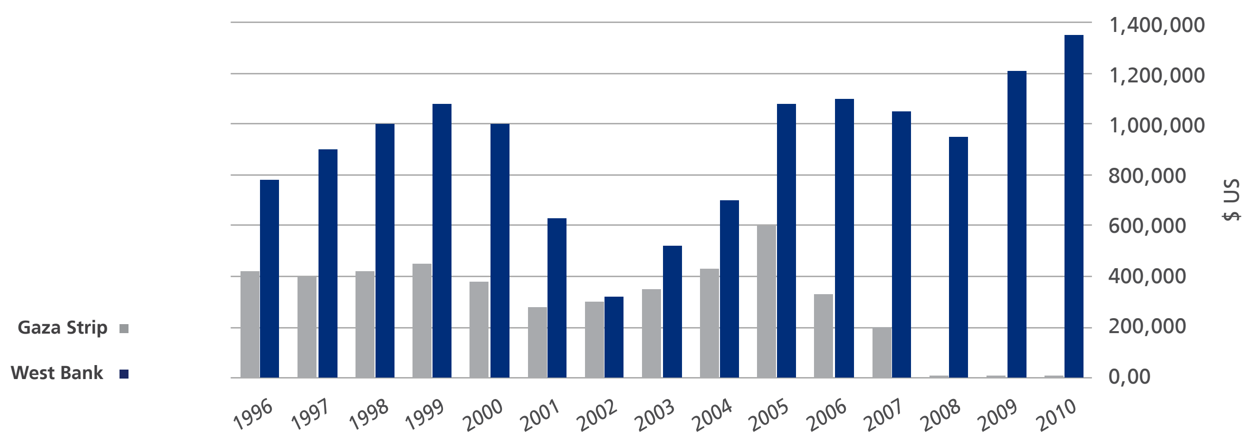


The Palestinian Commercial Services Company (PCSC)

The Palestinian Commercial Services Company (PCSC) is the main supplier and distributor of cement in Palestine. PCSC imports cement from several sources including Israel and Jordan and offers quality cement at competitive prices. PCSC also owns Bulk Express Company which specializes in cement transportation.

PCSC's sales have been steady and fast growing historically, but the Company was completely shut out of the Gaza market since the second half of 2007 as a result of the Israeli blockade that started then. The Company's future plans include the building of a cement production capacity to reduce reliance on outside sources and expand its productive assets.

Cement Sales Quantities in the West Bank and Gaza (In Tons)



Gaza Juice Factory

Palestine Food Industries Company (PFIC)

PFIC currently runs Gaza's Juice factory, which has vitalized the Juice industry in Gaza by providing a local alternative to foreign juices available in the market.

Over the past few of years, Gaza's Juice Factory has focused on developing its competitive advantage by purchasing and installing new high-tech assets such as plastic bottle blowing lines and juice filling machines, in addition to acquiring a new set of commercial trademarks like Fruita, Tropika, Lamoni, and others.

The quality of juice provided by Gaza's Juice factory is high and it is sold for relatively low prices .For that reason ,Gaza's Juice Factory has been exporting juice to multiple countries like UAE, Egypt, Israel, and the US. Unfortunately, the recent blockade on Gaza by the Israeli occupation has stopped the factory from exporting any of its products to the outside world.

PFIC is planning on replacing production lines that were damaged as a result of the war in Gaza, and buying new state of the art lines as a step towards expanding its production capabilities. These changes should enhance the factory's productivity and will make it possible for the factory to add several products to its production line like juice in cartons and jelly in glass containers.

APIC Portfolio

Arab Palestinian Investment Company (APIC)

APIC was established in 1995 by a number of Arab and Palestinian businessmen who were interested in investing in Palestine. The main goal of APIC is to create local projects in Palestine that will in turn revive the Palestinian economy and encourage others to invest in Palestine. Al-Aqqad Investment Company is the largest investor in APIC, followed by PIF as the second largest investor.

APIC has investments in different sectors like food industries, trade, distribution and services, and currently runs its investments through a number of subsidiaries including:

- Siniora Food Industries Co.
- Unipal General Trading Company
- Palestine Automobile Company Ltd. - Hyundai
- Medical Supplies and Services Company
- The Arab Palestinian Shopping Centers Company-PLAZA
- Sky Advertising Company
- Arab Palestinian Replacement Parts Company
- Partner and Founder of the Palestine Electricity Company

Over the next few years, APIC is planning on developing its services and products to a point where it can extend its sales to regional and international markets. In order to do so, APIC is currently developing a strategy that aims to maintain its success in the different economic sectors that it is already involved in, and to always be on the lookout for new growth opportunities with promising high returns on the long run.

NAPCO Factory

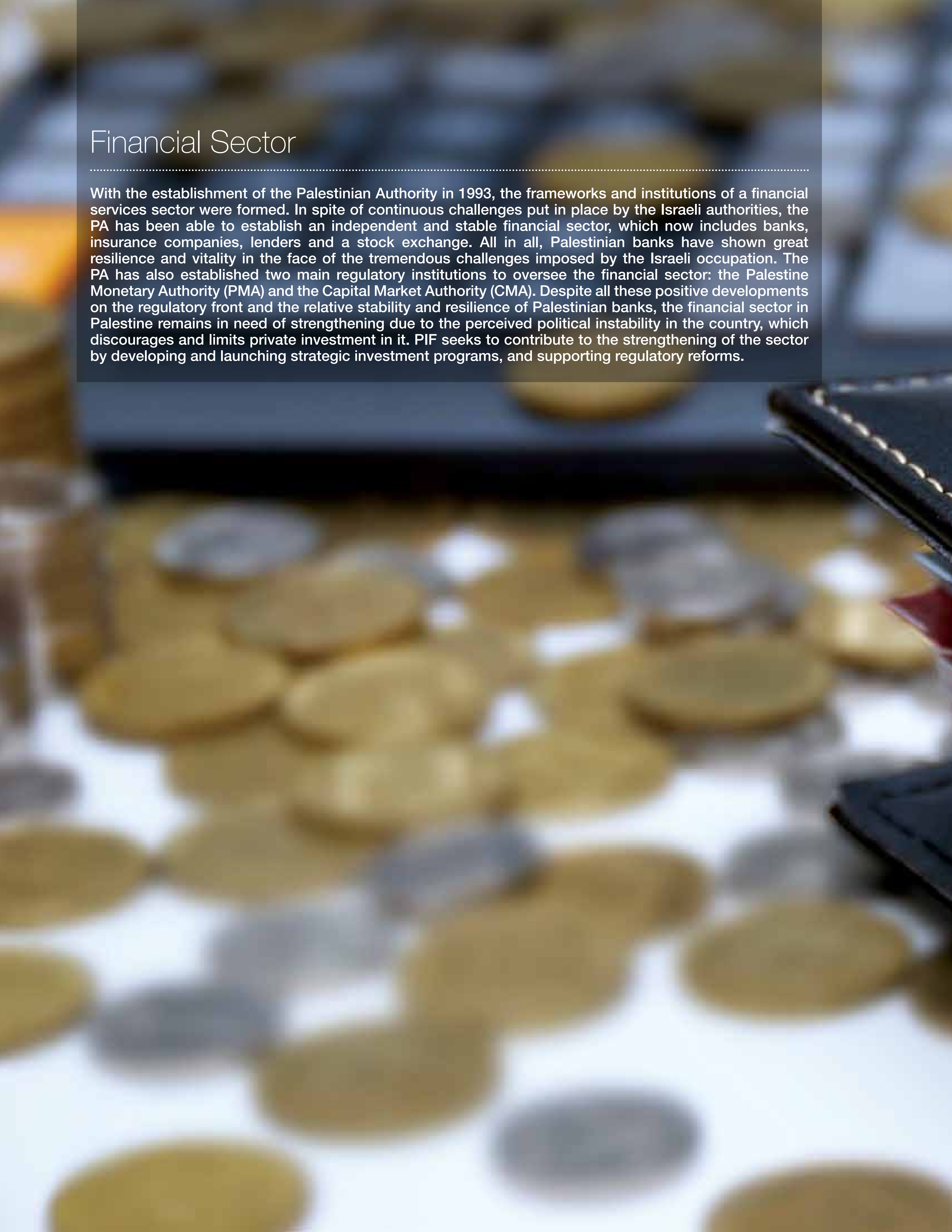
National Aluminum and Profiles Company (NAPCO)

PIF is a shareholder in the National Aluminum and Profiles Company (NAPCO), a subsidiary of the Arab and Palestinian Investment Company (APIC), which is the only manufacturer of aluminum profiles in Palestine.

NAPCO was founded in 1991 with an initial Palestinian capital of about $20 million and a workforce of more than 160 employees, distributed among several production lines.

NAPCO's production capacity is around 6 thousand metric tons, enough to meet all of the Palestinian market's needs of aluminum profiles. In addition to manufacturing aluminum profiles, NAPCO also offers engineering consultations relating to aluminum systems used in various applications.

NAPCO imports its production materials from Russia and its products are in line with the highest international standards.



Financial Sector

With the establishment of the Palestinian Authority in 1993, the frameworks and institutions of a financial services sector were formed. In spite of continuous challenges put in place by the Israeli authorities, the PA has been able to establish an independent and stable financial sector, which now includes banks, insurance companies, lenders and a stock exchange. All in all, Palestinian banks have shown great resilience and vitality in the face of the tremendous challenges imposed by the Israeli occupation. The PA has also established two main regulatory institutions to oversee the financial sector: the Palestine Monetary Authority (PMA) and the Capital Market Authority (CMA). Despite all these positive developments on the regulatory front and the relative stability and resilience of Palestinian banks, the financial sector in Palestine remains in need of strengthening due to the perceived political instability in the country, which discourages and limits private investment in it. PIF seeks to contribute to the strengthening of the sector by developing and launching strategic investment programs, and supporting regulatory reforms.

The Affordable Mortgage and Loan Program (AMAL)

In an effort to alleviate the burden on young families seeking affordable housing, PIF and its partners launched the Affordable Mortgage and Loan program (AMAL) – a $500 million program that provides loans to low- and middle-income Palestinian households. PIF will contribute $72 million to the program. This program is in line with the development needs of the housing sector in Palestine and complements PIF's National Affordable Housing Program.

Program Goals

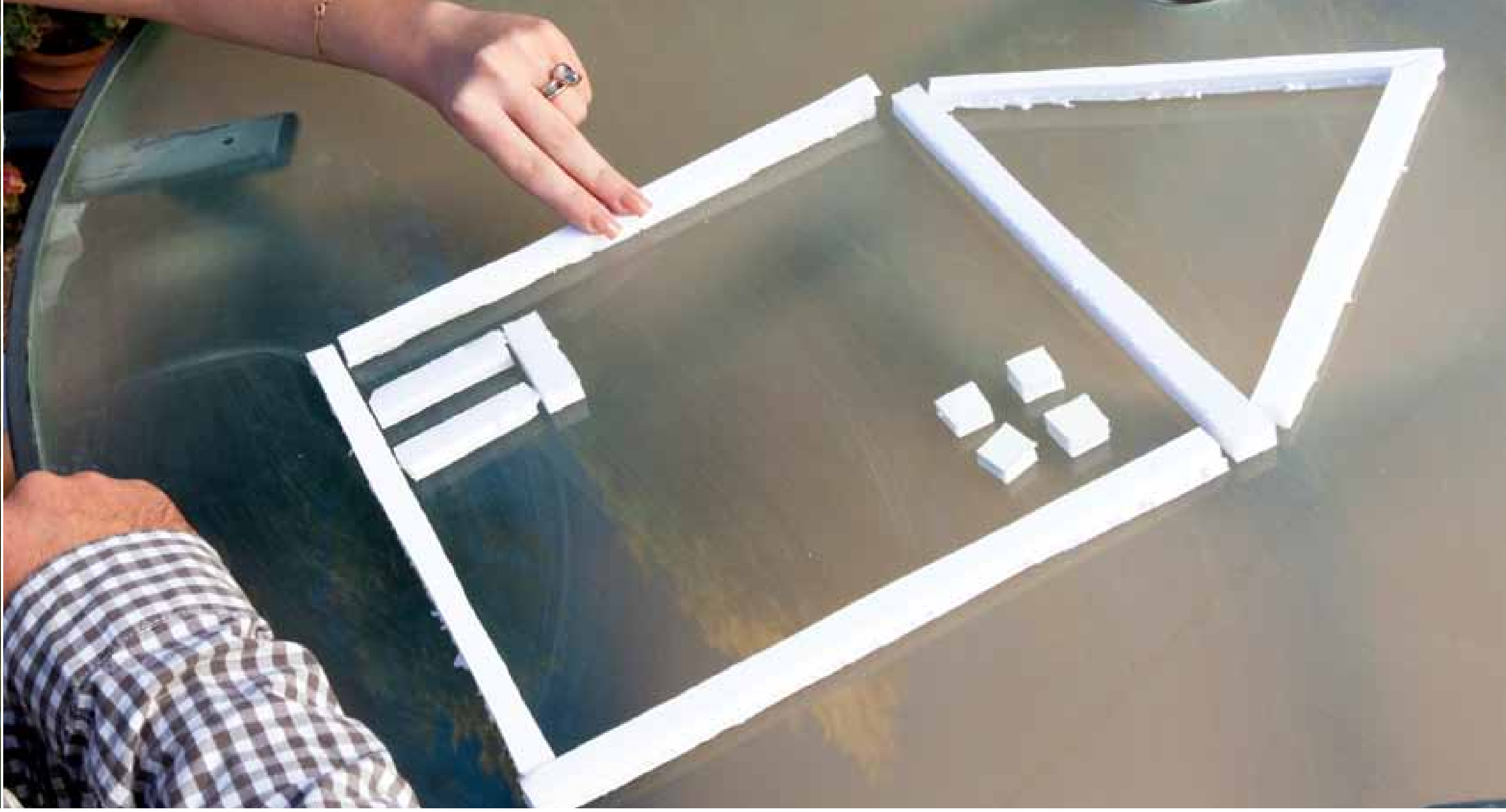
PIF aims to facilitate the process of purchasing a new home for individuals with limited income who are unable to do so within current market terms. The program will offer long-term loans for up to twenty five years at fixed and variable interest rates, with monthly payments commensurate with the income of the borrowers, and will employ reasonable conditions and guarantees.

Amal Company

Amal Company was established in the first half of 2010, and will play a central role in managing and monitoring the program, in addition to coordinating the efforts of the partners involved and providing the link between the funders and the participating banks.

Economic Benefits of the Program

The program will effectively contribute to the development of the mortgage finance sector in Palestine in addition to contributing to overall economic growth. The program will also support a number of complementary sectors that stand to benefit from overall improvement in the mortgage finance market. Also, the program will significantly support

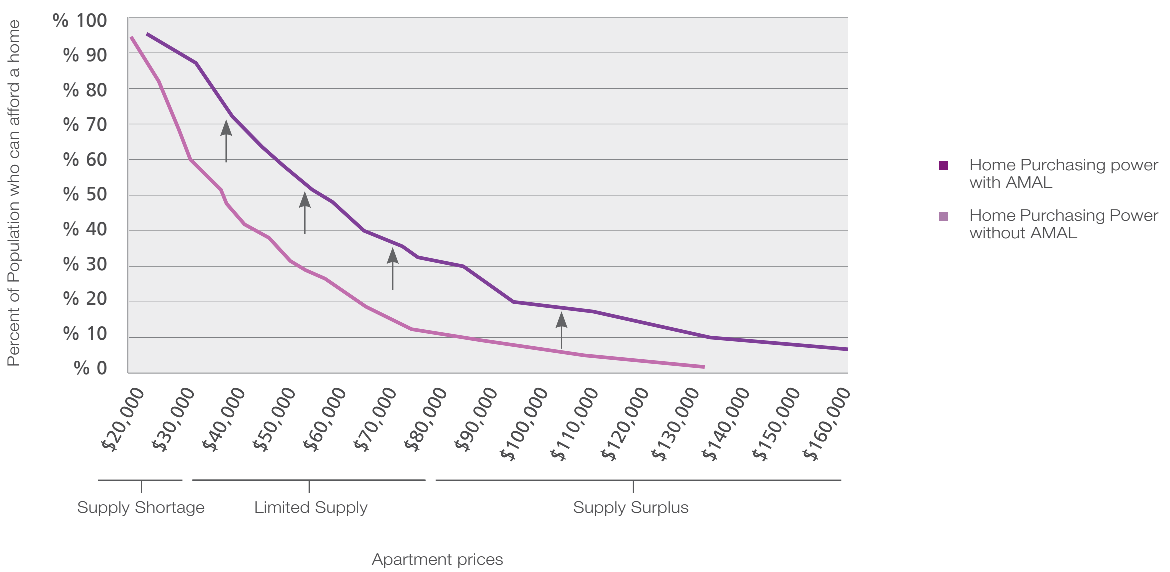


the National Affordable Housing Program by supporting and stimulating overall demand.

Increasing Home Purchasing Power

AMAL will play an important role in helping to expand homeownership in Palestine. It is estimated that the program will be able to increase the percentage of Palestinians who can afford buying a new home from less than 20% to more than 70%. This will be achieved by offering long-term loans for up to twenty five years at fixed and variable interest rates, with monthly payments commensurate with the income of the borrowers.

Significant Rise in Home Purchasing Power after implementing AMAL



Job Creation

The increase in the availability of mortgage finance will stimulate demand for housing units and in turn provide more real estate development opportunities in Palestine. This will translate into new projects and greater job opportunities in the real estate sector and other complementary sectors. In fact, PIF's own National Affordable Housing Program is expected to directly generate close to 45 thousand new job opportunities and indirectly generate close to 25 thousand job opportunities during the coming decade.

Effect on National Output

PIF and its partners expect that AMAL will have a tremendous economic impact in Palestine, especially that it will provide $500 million in new mortgage loans. PIF expects that that this program alone will contribute between 0.5% and 0.75% to GDP growth annually.

Effect on Banking Sector

AMAL will work to improve the existing banking capacity in Palestine, and will help the banking community build and expand a sustainable line of business and extend credit and mortgage finance loans to segments of society that haven't benefitted from such services in the past.

Technical assistance provided through the program will also be developing standardized processes and forms that emphasize transparency of the transaction, and a rigorous underwriting and servicing regime that the originating banks will be required to follow. This includes upgrading and improving current banking systems and processes.

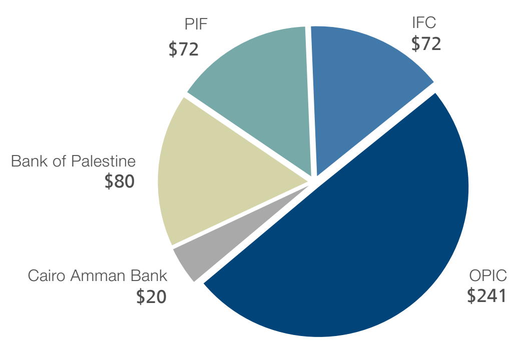
Partners

PIF, which will contribute $72 million in financing to the program, managed to attract a number of leading local and international institutions to the program:

Project Financiers:

- The Overseas Private Investment Corporation (OPIC): a U.S. government agency dedicated to promoting economic development in developing countries, will contribute $313 million to the program.
- The International Finance Corporation (IFC): the investment arm of the World Bank tasked with promoting sustainable private sector investment in developing countries, will guarantee $72 million of the amount OPIC committed.
- Two leading local banks: Bank of Palestine and Cairo-Amman Bank will contribute $100 million to the program.

Project Financiers (US $ million)



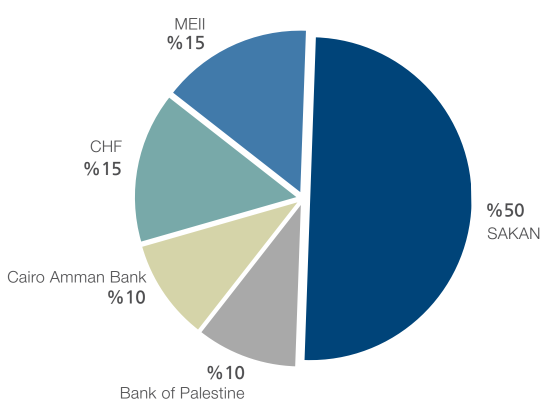
AMAL Equity Shareholders:

- CHF International: an international development organization whose mission is to promote social, economic and environmental development around the world, will own 15% of the company.
- The Palestinian Affordable Housing Foundation (SAKAN), a non-governmental non-profit foundation established to support affordable housing and mortgage finance activities in Palestine, will own 50% of the company.

Signing of AMAL Program

- The Middle East Investment Initiative (MEII), an independent U.S. non-profit organization that was formed to help foster economic activity, create new jobs and help Palestinians develop a strong stake in the future stability of the region, will own 15% of the company.
- Cairo Amman Bank and Bank of Palestine, two leading banks in Palestine, will each own 10% of the company.

AMAL Equity Shareholders



Catalytic Support provided by:

- The U.K. Department for International Development (DFID), which works in 150 countries around the world on fighting world poverty, contributed close to $20 million in technical support to the program.
- The United Nations Human Settlements Program, UN-HABITAT, which works to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all, will contribute part of Sakan's equity share ($1 million) in the company and will provide technical support for the program.
- World Bank, the leading international development agency, will provide funding for a technical assistance program that will be launched as part of the program.

Small and Medium Enterprises (SMEs)

SMEs constitute almost 95% of all registered enterprises in Palestine and are therefore considered to be the core of the Palestinian economy. Moreover, over 80% of Palestinians are employed by SMEs. SMEs also play a major role in the success of both the industrial and services sectors, as well as being responsible for over 55% of the overall GDP.

Out of PIF's belief in the importance of SMEs to the Palestinian economy, it has launched two novel programs to help develop the SMEs sector. The two programs are the SMEs Loan Guarantee Facility (LGF) and the Palestine Growth Capital Fund (PGCF).

SMEs Loan Guarantee Facility (LGF)

The main obstacle in the way of SME's growing and developing their products and services is their limited access to capital. Local banks usually require guarantees that can reach up to 200% of the loan value. With such extreme requirements, SMEs are unable to get the funds needed to develop their businesses.

In a step towards strengthening SMEs, and increasing their access to capital, PIF, in partnership with a number of local and international organizations, launched the SMEs Loan Guarantee Facility (LGF) in 2008. LGF aims to support the private sector by offering local banks the guarantees needed to loan SMEs over $230 million over the next five years. Loans will be offered to both existing SMEs and startups to enable them to develop their assets and expand their operations.

PIF expects that the program will revitalize the Palestinian Economy and will help create more than 15 thousand job opportunities for Palestinians over the next five years.

Successful Local and International Partnerships

PIF has a number of strategic partnerships with many local and international organizations. In addition to PIF's partnership with nine local banks in implementing this program, it has partnerships with several prestigious international organizations that support the program. Two of the international organizations that have been supporting LGF are the Overseas Private Investment Corporation (OPIC) and the Middle East Investment Initiative (MEII). The program also receives various sorts of support from international parties. For example, the Norwegian government has provided $5 million in funding to cover the operational expenses of the program. Similarly, the United States Agency for International Development (USAID) has donated $2 million to cover for the technical assistance expenses offered to banks by the program.

Active Role for Banks

Nine Palestinian local banks are currently involved LGF. Banks take the responsibility of interacting with SMEs directly by offering them the loans needed. Since guarantees that reach 70% of the loans value are covered by the program, banks get to focus on locating viable projects with promising growth and return potential rather than focusing on (collateral to minimize) their risk.

It is worth mentioning that LGF is helping transform banks' lending mentality from one that depends on over collateralization to one that focuses on cash flow and project feasibility.

As part of the program, PIF is offering bank technical assistance and on-the-job training to develop the banks' credit analysis and loan monitoring capabilities.

The number of SMEs benefitting from the program increase day by day, and they are distributed all over the country. Moreover, the SMEs benefitting from the program come from different economic sectors. By the end of 2010, the number of loans offered reached 354 loans with a total value of $67 million. On average the loans offered range from $10 thousand to $200 thousand.

Economic Sectors Benefitting from the Program

PIF has ensured that the benefits of the program are distributed among all economic sectors. The results collected at the end of 2010 were very encouraging, especially in a number of vital economic sectors like the trade sector, services sector, and the industry sector. The trade sector was the sector with the greatest number of loans, about 28% of all loans offered. The services sector followed with 21% of all loans offered, and in third place came the industry sector at 20%. Other sectors that benefitted from the program as well were the construction, transportation, tourism, telecommunication and agriculture sectors.

Palestinian Cities that Benefitted from the Program

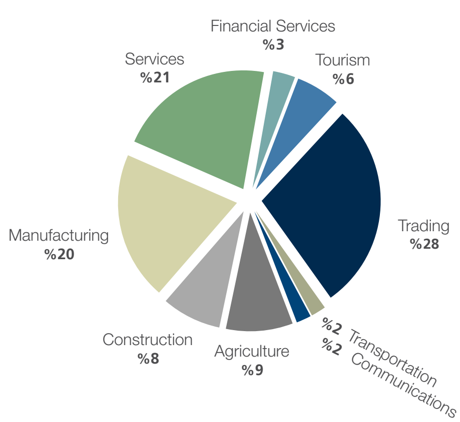
One of LGF's goals was to ensure that all Palestinian cities benefit from the program. The 2010 results indicate that the program has managed to achieve this goal effectively.

Thousands of Job Opportunities Created by the program

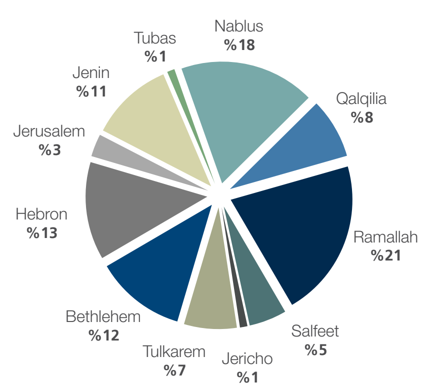
By the end of 2010, more than 3,500 job opportunities were created through projects that were funded by the program. Moreover, by focusing on viable and feasible projects that have sustainable returns and that will vitalize the Palestinian economy, it is expected that the program will create an additional 15 thousand job opportunities throughout the country over the next five years.

In addition, the program has ensured that women have their fair share of its benefits. By the end of 2010, 27% of the job opportunities created by the program were taken by women. This kind of initiative both encourages women to participate in the job market and supports them financially and economically.

Economic Sectors Benefitting from the Program



Palestinian Cities that Benefitted from the Program



Palestine Growth Capital Fund for Investment in SMEs

In 2009, and in partnership with Abraaj Capital, PIF launched the Palestine Growth Capital Fund (PGCF), a $50 million private equity investment vehicle, which will be entirely dedicated to investing in the Palestinian SME sector. Next to PIF, which contributed $10 million to the fund, investors in PGCF include Abraaj Capital, Bank of Palestine, the European Investment Bank (EIB) and CISCO Company.

Support for SMEs

PGCF aims to accomplish a number of goals that have to do with supporting SMEs in Palestine. Some of these goals are:

- Providing SMEs with the opportunity to obtain the needed funding to grow and expand.
- Encouraging SMEs to expand their operations by providing them with the needed technical assistance, and by working with them to build a solid network with Arab and international investors.
- Enhancing SMEs corporate governance codes and frameworks and introducing best practices in terms of business and financial management.

Abraaj Capital … A Unique Partner

Abraaj Capital is one of the largest private equity houses in the MENA region with offices located in 6 different countries. In this program, Abraaj is working through one of its subsidiaries, Riyada Enterprise Development Company, which is specialized in investing in SMEs. Riyada will be managing PGCF's operations in Palestine. The Company already appointed a fund manager and opened an office in Ramallah. Work on screening and evaluating potential investments is underway.

Vital Economic Sectors Targeted by PGCF

Some of the potential promising sectors that PGCF may invest in include information technology, tourism, education, and real estate. In general, businesses in these sectors that have scalable markets, the ability to benefit from an investment in next generation technology, the ability to expand regionally and beyond, and finally capable and highly incentivized management teams constitute ideal investment targets for PGCF.


1.199
1.201
100M
200M
300M
400M

Capital Markets Investments

Capital markets play an important role in promoting economic development and growth by facilitating business access to capital, providing investment opportunities for local and foreign investors, and promoting transparency and good governance in the corporate landscape.

PIF manages capital markets portfolios in local, regional and international capital markets. These diverse portfolios adhere to strict investment guidelines that are in line with PIF's risk appetite and investment strategy. By the end of 2010, PIF's capital markets investments reached $238 million.

Khazanah Asset Management Company

Khazanah is the PIF capital markets investments arm responsible for managing the PIF investments in local, regional and global capital markets. Khazanah has a highly experienced management team that brings together expertise and knowledge in different asset classes including equities and fixed income investments. Khazanah's investment strategy is in line with PIF's moderate risk/return appetite. The company plays an important role in diversifying PIF's overall investment portfolio and risk profile.

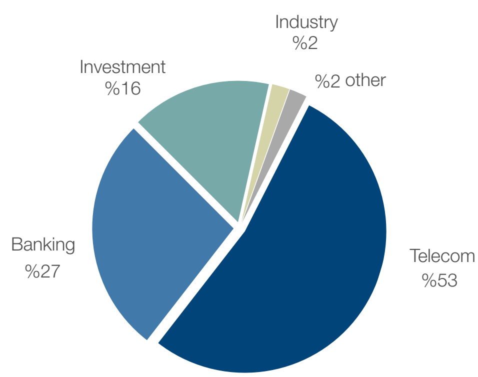
PIF's Investments in the Palestine Exchange (PEX)

The core of PIF capital markets investments is invested in the Palestine exchange (PEX) for its strategic importance to the development of the Palestinian private sector. PIF plats a key role in this market to enhance market efficiency and encourage local and foreign investments in the market.

From an investment perspective, the Palestinian capital market presents very attractive fundamentals that reinforce PIF's case for investing. To start with, it is currently trading near its cheapest level over the past 5 years at an expected 2011 P/E and Dividends Yield of 8.5x and 4.2%, respectively. In addition, 76% of the listed companies reported profits in 2010 and over 48% achieved higher profits than the previous year.

At the end of 2010, PIF had around $127 million invested in the Palestine Exchange distributed across main economic sectors that include banking, telecom, industry and services. These investments are expected to grow to $300 million in the next five years.

Sectoral Distribution of Khazanah investment portfolio in PEX - 31/12/2010



Taking PIF Subsidiaries Public

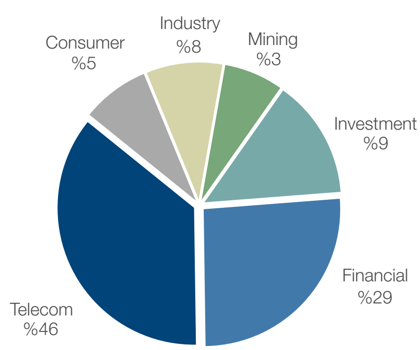
AS a Part of PIF's strategy to support the Palestinian capital market is to add depth to the market by listing companies that have sound and proven business models and represent attractive investment opportunities to local and foreign investors on the PEX. In 2010, PIF and its partner Qtel listed 15% of Wataniya Mobile's shares on PEX. They plan to offer 15% more in the coming years. PIF plans to initiate similar public offerings for some of its subsidiaries including the Palestinian Commercial Services Company (PCSC) and Amaar Group.

Investment Portfolio in Regional and Global Markets

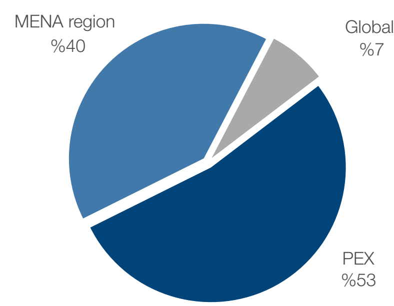
PIF currently holds less than 50% of its capital markets investments in the regional and global markets. At the end of 2010, these investment portfolios were valued at approximately $111 million. PIF investments in these markets tend to be highly liquid equities that have good dividend yield and growth potential.

PIF's regional and International portfolio forms a strategic way to manage PIF's capital surplus while having the power to liquidate it gradually to cover its investments in projects launched in Palestine. PIF's regional and international investments are very diverse in terms of geography, asset class and economic sectors, which reduces risk and diversifies PIF's portfolio of investments.

Sectoral Distribution of Khazanah overall investment portfolio - 31/12/2010



Geographic Distribution of Khazanah investment portfolio - 31/12/2010



Developing the Jordan Valley and Dead Sea Region

The Jordan Valley and the Dead Sea region comprise 2,400 sqm or 30% of the total land area of the West Bank. The area is of immense geopolitical and economic importance to Palestine; in terms of its size, geographic location and its agricultural base, as the land is highly fertile and rich in natural resources. The area as a whole benefits from a warm and all year round tropical climate, and is suitable for growing diverse agricultural products. As a result of all these factors, investment in the Jordan Valley and Dead Sea region is a strategic priority for PIF.

PIF is in the process of developing a long-term development plan that will revive and energize the region as a whole, and hopes to launch a series of projects as soon as Israeli-imposed obstacles have been overcome. The development plan will focus on developing and expanding diverse enterprises, creating thousands of new employment opportunities and boosting the agriculture and tourism sectors in Palestine.

The Dead Sea and the Palestinian Valley Development Company (Aghwar Co.)

In order to proceed with implementing PIF's vision of developing the Jordan Valley and Dead Sea region, PIF established the Dead Sea and Al-Aghwar Al-Falasiniyah Development Company. The Company will manage the projects initiated by PIF's National Program for Developing the Jordan Valley and Dead Sea Region. Moreover, the Company will design suitable investment strategies to attract Palestinian and foreign investors to invest in these projects. Furthermore, the Company will work on securing all the needed licenses and approvals in preparation for the launching of the program.

“Madenat Al-Qamar”… Strategic Initiative North of Jericho

PIF is currently conducting a number of studies with the help of local and foreign partners to assess the feasibility of a number of strategic projects that it plans on implementing in unused plots of land owned by PIF to the north of Jericho city. These will include agricultural, residential, industrial, logistic services, tourism and trade projects that will be collectively known as “Madenat Al-Qamar”.

The initial plans for “Madenat Al-Qamar” include residential, and seasonal and permanent resorts, as well as a group of restaurants and other recreational facilities. Also, a specific part of the region will be dedicated to agricultural projects.

Moonlight Tourism City... Overseeing the Dead Sea

A critical component of PIF’s development plan for the Jordan Valley and the Dead Sea region is the hospitality project, ‘Moonlight Tourism City.’ Moonlight City is planned on a 7 km strip of the Dead Sea shore and it will focus on six key economic nodes: tourism, commerce, recreational, residential, therapeutic and cultural areas. The plan also includes the construction of luxury hotels, conference centers, educational and research institutes and student hostels. The overall investment is estimated to be $1.5 billion. Progress in this project is contingent upon getting the necessary Israeli permits to proceed with the planned projects.

PIF's Strategy to Develop the Agriculture Sector in the Jordan Valley

Throughout history, the Jordan Valley has been celebrated for its fertile soil, abundant waters and superior agricultural output as a result of its warm and all year round tropical climate, which is suitable for growing diverse agricultural products. For many years now, the region has been subject to constant Israeli restrictions in terms of access and ability to develop its lands and agricultural base.

PIF plans to develop innovative frameworks that will revive the agricultural sector in the Jordan Valley and Dead Sea region. Given the diversity in agricultural products in the region, PIF is exploring the possibility of establishing projects specialized in the field of light food industry.

PIF, in cooperation with private sector investors, is also examining proposals to develop large scale agricultural projects in the Jordan Valley, which will help improve and boost output. PIF is also exploring plans to set up a marketing company for agricultural products in cooperation with private sector investors, which would support the marketing and export of products.

03 Our Activities

PIF's strategy revolves around the goal of promoting sustainable economic growth and private sector development in Palestine in partnership with the Palestinian private sector and regional and international partners. PIF maintains the highest levels of transparency and ensures full cooperation with media outlets and any national or international entities that are interested in learning about its activities and the Palestinian economic landscape in general.

PIF's public outreach activities revolve around emphasizing the message that PIF is an independent organization that works to contribute to sustainable economic development in Palestine in addition to promoting the various investment activities it is involved in.


Panel at the 2010 Palestine Investment Conference

Excellencies President Abbas and PM Fayyad visiting PIF's Booth during the 2010 PIC

2010 Palestine Investment Conference

PIF participated in the 2010 Palestine Investment Conference as an official sponsor for the event. The conference included representation from a wide range of local and international economic and investment organizations in addition to individual investors and political figures from the region and around the world.

During the conference, PIF set up an exhibition in which it showcased a number of its investment projects in Palestine. It also used the event as an opportunity to sign with its partners the agreement for the Affordable Mortgage and Finance Facility (AMAL) in the presence of President Mahmoud Abbas.

PIF representatives also participated in a number of panels discussing different aspects of investing in various economic sectors in Palestine during the course of the conference.

PIF ensures participating in this conference annually because of the opportunities it opens in terms of cooperation with other investors and development agencies and because of the exposure this venue affords for its various activities within Palestine and out.

PIF's General Assembly Meeting

PIF's General Assembly Meeting

PIF's General Assembly's meeting was held with the participation of PIF's internal and external auditors, in addition to members of the General Assembly and the Board of Directors; the Companies' Controller and the President of the State Audit and Administrative Control Bureau.

This meeting was in line with PIF's commitment to good governance and transparency best practices. The meeting also provided an opportunity to the General Assembly to review of PIF's activities during the year and approve of the annual report and annual financial statements.

At the end of the meeting, the GA discussed the 2010 business plan including details of ongoing and future projects including the Jordan Valley and Dead Sea Development Program, and emphasized the importance of continuing to diversify PIF's investment portfolio.

High level delegations visit Al-Reehan Neighborhood

Al-Reehan Neighborhood welcomed Mr. David Harden, senior Advisor to Senator George Mitchel, in addition to a number of USAID representatives including Mr. Scot Kleinberg and Mr. Ghassan al-Jamal. The delegation toured the neighborhood and received an update on the ongoing construction work and a brief on future development plans.

Mr. Tony Blair during a Visit to Al-Reehan

International Delegations' Visits to Al-Reehan Neighborhood

PIF organized a number of tours in Al-Reehan neighborhood for delegations from the IFC, USAID, OPIC and CHF and a number of international political and economic figures including former British Prime Minister and Quartet special envoy to the Middle East Mr. Tony Blair. These tours are part of PIF's effort to spread awareness of investment opportunities and business potential in Palestine.

PIF Supports the "Friends of Intajuna" Initiative

In line with the Palestine Investment Fund's strategy of supporting national products and in support of the Palestinian private sector and small and medium enterprises, PIF participated in an event organized by the "Friends of Intajuna" initiative to express gratitude for companies participating in the program. The program works to affirm the need for our institutions to carry their responsibilities towards the Palestinian national product and give it priority in their procurement systems.

Friends of "Intajuna" Ceremony

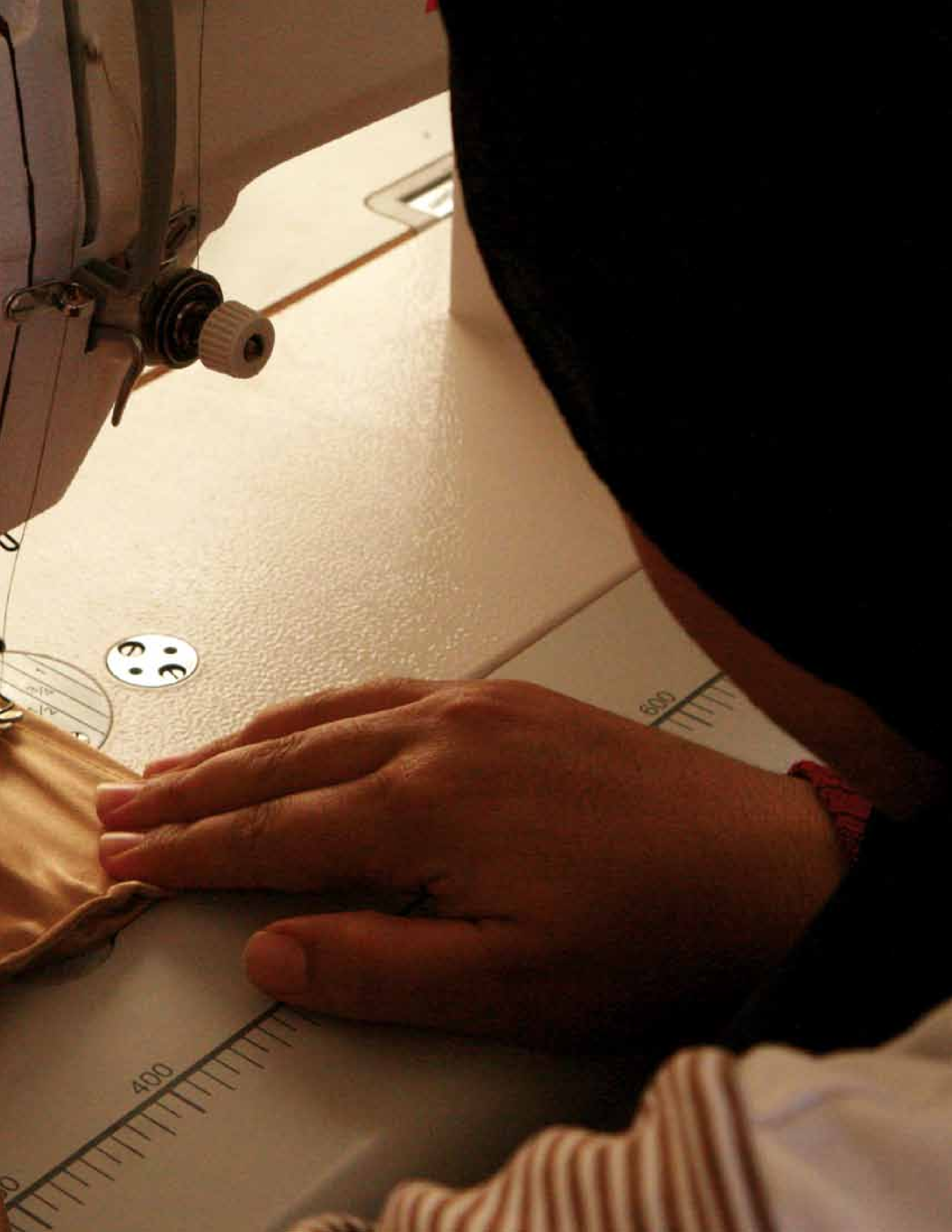
Workshop on the "Assassat" Initiative

PIF Participates in a Workshop Introducing "Assasat" Initiative

PIF participated in a workshop whose goal was to introduce the "Assasat Initiative" which aims to promote Palestinian national products in the construction sector. "Assasat" was an initiative sponsored and supported by PIF, the Palestinian Commercial Services Company and the Catholic Organization for Development and Aid (Cordaid); and was implemented by Solutions for Development Consulting Company.

04 Corporate Social Responsibility (CSR)

PIF's role in Palestine extends far beyond the establishment of profit-generating programs. PIF's vision is guided by national aspirations and therefore contributing to holistic and sustainable human development by linking corporate social responsibility projects with PIF's investment vision, strategy and objectives and supporting initiatives that can directly affect the lives of Palestinians everywhere through financial or in-kind donations. Some of the sectors that receive significant attention from PIF in this regard include education, health, and culture.



Launch of HE President Abbas' Education Fund

Education

Supporting Palestine's education sector is of strategic importance to PIF because of its role in supporting human capital development in Palestine. In addition to supporting educational institutions and programs, PIF also supports many high achieving undergraduate students from financially disadvantaged backgrounds.

President Mahmoud Abbas's Fund for Palestinian Students in Lebanon

The Palestine Investment Fund donated one million dollars to President Mahmoud Abbas fund to help Palestinian students in Lebanon. The fund aims to support university education for Palestinian students living in refugee camps and the diaspora in Lebanon. This contribution comes in line with PIF's strategy in the field of social responsibility in general and to support the education sector in particular, in addition to strengthening the steadfastness of our people in the refugee camps in Lebanon, arming them with education to cope with the difficulties that they face.

"Made in Palestine" – Supporting Palestinian Creativity and Innovation

In line with its commitment to supporting the local economy, PIF sponsored the 2010 "Made in Palestine" competition and exhibition, which was organized by Al-Nayzak Organization. This event represented an opportunity to create a linkage between creative and innovative Palestinian minds on the one hand and Palestinian businessmen on the other. This event was part of the "Made in the Arab World" competition which is being organized by the Arab Organization for Science and Technology, which is based in the UAE.

Health Sector

Because a well-developed and accessible health sector is an important component of any successful society, PIF dedicates special attention and resources for health projects in Palestine.

Preparing the Ground for Medical Training at Palestinian Universities

In cooperation with Georgetown University, PIF is preparing to launch a medical training exchange program that involves a leading Palestinian university. This is an important initiative that will help develop medical expertise and training in Palestine.

Building Facilities for an Eye Hospital in Tulkarem

PIF is currently supporting the expansion of the Red Crescent Hospital in Tulkarem to accommodate an eye treatment facility dedicated to serving patients in the northern region of the West Bank. This will help improve access to healthcare in the area. Residents of northern cities and villages used to have to travel all the way to cities like Jerusalem to receive eye care. PIF is currently considering supporting other initiatives that aim to improve healthcare in the region.

“Made in Palestine” – Supporting Local Products and Services

In line with its commitment to supporting the local economy, PIF sees the importance of expanding the market share of Palestinian products by supporting relevant initiatives.

Supporting “Friends of Intajuna” Initiative

In line with PIF’s strategy of supporting national products and in support of the Palestinian private sector and small and medium enterprises, PIF sponsored the “Friends of Intajuna” initiative, affirming the need for our institutions to carry their responsibilities towards the Palestinian national product and give it priority in their procurement system.

The idea of the initiative – which is being implemented by the Solutions for Development Consulting Company – grew out of the need to enable our national product to grow in our local market and to support Palestinian companies, especially small and medium-sized enterprises, in order to increase their share in our local market.

The initiative managed to secure commitments from 130 local and international institutions and companies working in Palestine, from the private and public sectors, as well as civil society institutions, schools and universities to give the Palestinian product a priority in their procurement systems. The initiative highlighted the importance of the public and private sectors’ support for Palestinian products, in addition to creating a network of institutions working to support and restore confidence in the Palestinian product to better affect social and economic development in Palestine.

“Assasat” ... An Initiative to Encourage and Promote the Palestinian Construction Industry by Launching “Assasat” Initiative

PIF launched “Assasat” to promote Palestinian construction materials and the sector at large. PIF’s goal is to increase locally manufactured construction materials’ share in the market and to change negative perceptions on quality. “Assasat” is considered a capacity building initiative that increases local awareness of Palestinian products through emphasizing private sector capabilities. “Assasat” is implemented by Solutions for Development Consulting, in partnership with PIF, the Palestinian Commercial Services Company (PCSC) and Cordaid; an international development organization.

Supporting Al-Karameh National Empowerment Fund

In 2010, the Ministry of National Economy launched the “AL-Karameh National Empowerment Fund” campaign to remove Israeli settlement products from the Palestinian market. PIF and its partner companies were among the pioneers in supporting this campaign by directly donating more than $200,000 to its efforts. This campaign was in line with PIF’s efforts to promote national products and to enhance their competitiveness locally and abroad.

Sponsoring an Exhibition for Palestinian Industries…..An Additional Step in PIF’s Support of Local Products

Under the slogan “Made in Palestine”, the Chamber of Commerce organized a Palestinian Industrial exhibition in Hebron. PIF supported the exhibition which aims at highlighting national products. 90 local companies participated in the exhibition displaying locally manufactured products. More than 67 thousand visitors from all over Palestine attended the exhibition boosting confidence in the quality and competitiveness of local products.


Part of the Activities at the 2010 Jerusalem Festival

Culture and Art

PIF recognizes the importance of preserving Palestine's national heritage as well as its historic and cultural sites, not least because of the importance of culture to the development and continuity of nation-states. Therefore, in the last year, PIF has supported several initiatives in these spheres, several of which are outlined below.

Supporting Al-Hakawaty Theater

PIF provided financial support to Al-Hakawaty Theater Group to enable it to complete and carry out a number of plays and shows. This support is in line with PIF's emphasis on supporting activities that highlight Palestinian culture and identity and promote the arts among Palestinian youth.

Supporting the Edward Said Institute for Music

PIF provided support for the Edward Said Institute for Music to help it in organizing "Layali Al-Tarab Festival" and the "National Orchestra". This was part of PIF's effort to promote the arts and music in Palestine.

Sponsoring the 2010 Jerusalem Festival

PIF sponsored the 2010 Jerusalem Festival which included a variety of cultural and artistic events. This was part of PIF's effort to help in preserving Jerusalem's Arab and Palestinian identity.


Financial Report
Annual Review

05 Financial Statements

Palestine Investment Fund PLC

Consolidated Financial Statements

December 31, 2010

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Independent Auditors' Report to the Shareholders of
Palestine Investment Fund Company

We have audited the accompanying consolidated financial statements of Palestine Investment Fund Company (PIF), which comprise the consolidated statement of financial position as of December 31, 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Palestine Investment Fund Company as of December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

March 25, 2011
Ramallah, Palestine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(U.S $ 000'S)

	Notes	2010	2009
		U.S. $ 000'S	
Assets			
Non-current assets			
Property, plant and equipment	5	83,541	89,155
Goodwill	6	26,505	26,483
Investment properties	7	89,471	90,238
Projects in progress	8	58,281	23,350
Investments in associates	9	66,023	54,143
Joint ventures	10	7,633	27,562
Loans granted	11	3,224	15,134
Available-for-sale investments	12	251,766	252,289
Prepayment on investment	13	45,800	-
		632,244	**578,354**
Current assets			
Accounts receivable	14	80,042	20,327
Other current assets	15	29,624	39,772
Cash and deposits at banks	16	125,789	163,173
		235,455	**223,272**
Total assets		**867,699**	**801,626**
Equity and liabilities			
Equity			
Paid-in share capital	17	574,000	574,000
Shareholder's current account	18	-	(45,800)
Statutory reserve	19	76,413	70,570
Voluntary reserve	19	11,991	6,148
Foreign currency translation		10,881	7,737
Available-for-sale reserve	12	38,623	44,260
Retained earnings		67,140	60,396
Total equity attributable to shareholder		**779,048**	**717,311**
Non-controlling interests		3,924	795
Total equity		**782,972**	**718,106**
Non-current liabilities			
Long-term finance lease obligations	21	21,094	27,430
		21,094	**27,430**
Current liabilities			
Accounts payable	22	26,621	15,044
Provisions and other current liabilities	23	26,361	26,464
Provision for Income tax	24	4,324	-
Short term loan	25	-	8,255
Finance lease obligations maturing within one year	21	6,327	6,327
		63,633	**56,090**
Total liabilities		**84,727**	**83,520**
Total equity and liabilities		**867,699**	**801,626**

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

(U.S $ 000'S)

	Notes	U.S. $ 000'S 2010	2009
Operating income	26	161,186	139,702
Cost of goods sold	26	(106,742)	(96,156)
Operating expenses	26	(21,950)	(16,217)
		32,494	**27,329**
Gain from investment portfolio	27	20,265	50,889
Interest revenues	28	2,100	3,305
Gain from business combination of subsidiaries	4	5,191	3,423
Share of associates results of operations	9	(14,396)	(13,558)
Share of joint ventures results of operations	10	(862)	(2,087)
Investment department expenses	29	(4,178)	(4,507)
Other revenues		2,310	3,479
		42,924	**68,273**
General and administrative expenses	30	(12,200)	(8,921)
Finance costs		(1,328)	(2,250)
Donations		(2,017)	(1,370)
Currency exchange (loss) gain		(2,713)	326
Depreciation of property, plant and equipment		(1,116)	(956)
Assets impairment loss	7	(647)	-
Gain (loss) from sale of property, plant & equipment		38	(67)
Recovery of doubtful loans , receivables and advances	31	40,968	7,796
Provision for litigations		-	(989)
Profit before tax		**63,909**	**61,842**
Income tax expense	24	(5,125)	-
Profit for the year		**58,784**	**61,842**
Attributable to:			
Shareholder		58,430	61,480
Non-controlling interests		354	362
		58,784	**61,842**

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2010

(U.S $ 000'S)

	Notes	U.S. $ 000'S 2010	2009
Profit for the year		58,784	61,842
Other comprehensive income:			
Net change of available–for-sale investments:	12		
Change in fair value of available for sale investments		4,945	21,853
Realized profit reclassified to the consolidated income statement		(14,357)	(51,117)
Impairment of available-for-sale investments reclassified to the consolidated income statement		3,775	8,803
		(5,637)	**(20,461)**
Foreign currency translation		3,144	(677)
Total other comprehensive income		**(2,493)**	**(21,138)**
Total comprehensive income for the year		**56,291**	**40,704**
Attributable to:			
Shareholder		55,937	40,342
Non-controlling interests		354	362
		56,291	**40,704**

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

(U.S. $ 000'S)

	Attributable to Shareholder										
2010	Paid-in share capital	Shareholder's current account	Advances on capital increase	Statutory reserve	Voluntary reserve	Foreign currency translation	Available-for-sale reserve	Retained Earnings	Total	Non-controlling interests	Total equity
At January 1, 2010	574,000	(45,800)	-	70,570	6,148	7,737	44,260	60,396	**717,311**	795	**718,106**
Profit for the year	-	-	-	-	-	-	-	58,430	**58,430**	354	**58,784**
Other comprehensive income	-	-	-	-	-	3,144	(5,637)	-	**(2,493)**	-	**(2,493)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**3,144**	**(5,637)**	**58,430**	**55,937**	**354**	**56,291**
Transferred to reserves	-	-	-	5,843	5,843	-	-	(11,686)	**-**	-	**-**
Shareholder's current account (note 18)	-	45,800	-	-	-	-	-	-	**45,800**	-	**45,800**
Non-controlling interest arising on a business combination	-	-	-	-	-	-	-	-	**-**	2,993	**2,993**
Distributed dividends (note 20)	-	-	-	-	-	-	-	(40,000)	**(40,000)**	(218)	**(40,218)**
At December 31, 2010	**574,000**	**-**	**-**	**76,413**	**11,991**	**10,881**	**38,623**	**67,140**	**779,048**	**3,924**	**782,972**

	Attributable to Shareholder										
2009	Paid-in share capital	Shareholder's current account	Advances on capital increase	Statutory reserve	Voluntary reserve	Foreign currency translation	Available-for-sale reserve	Retained Earnings	Total	Non-controlling interests	Total equity
At January 1, 2009	574,000	(139,628)	11,851	64,422	-	8,414	64,721	21,141	**604,921**	338	**605,259**
Profit for the year	-	-	-	-	-	-	-	61,480	**61,480**	362	**61,842**
Other comprehensive income	-	-	-	-	-	(677)	(20,461)	-	**(21,138)**	-	**(21,138)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(677)**	**(20,461)**	**61,480**	**40,342**	**362**	**40,704**
Transferred to reserves	-	-	-	6,148	6,148	-	-	(12,296)	**-**	-	**-**
Land transferred from the shareholder	-	78,983	-	-	-	-	-	-	**78,983**	-	**78,983**
Land returned to the shareholder	-	-	(4,960)	-	-	-	-	-	**(4,960)**	-	**(4,960)**
Distributed dividends (note 20)	-	9,929	-	-	-	-	-	(9,929)	**-**	-	**-**
Settlement of advances on capital	-	4,916	(6,891)	-	-	-	-	-	**(1,975)**	-	**(1,975)**
Change in non-controlling interests	-	-	-	-	-	-	-	-	**-**	95	**95**
At December 31, 2009	**574,000**	**(45,800)**	**-**	**70,570**	**6,148**	**7,737**	**44,260**	**60,396**	**717,311**	**795**	**718,106**

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

(U.S. $ 000'S)

	U.S. $ 000'S	
	2010	2009
Operating activities		
Profit before tax	63,909	61,842
Adjustments:		
Net finance income	(772)	(1,055)
Share of associates results of operations	14,396	13,558
Share of joint ventures result of operations	862	2,087
Gain from investment portfolio	(20,265)	(50,889)
(Gain) loss from sale of property, plant & equipment	(38)	67
Recovery of doubtful loans	(324)	(9,000)
Provision for litigations	-	989
Gain from sale of Investment properties	(70)	-
Recovery of doubtful loans and advances	(40,644)	(581)
Other non cash revenues	(7,501)	(3,640)
Other non cash expenses	9,552	9,135
	19,105	**22,513**
Working capital adjustments:		
Accounts receivable	(15,668)	(9,038)
Other current assets	9,489	(3,594)
Accounts payable	11,617	(3,942)
Provisions and other current liabilities	(5,168)	78
Net cash flows from operating activities	**19,375**	**6,017**
Investing activities		
Purchase of available-for-sale investments	(160,085)	(110,823)
Sale of available-for-sale investments	165,553	113,098
Purchase of property, plant and equipment	(2,771)	(17,090)
Sale of property, plant and equipment	57	-
Investment properties	190	(2,251)
Joint ventures	23	(669)
Purchase of investment in an associate and a subsidiary	(13,845)	(4,729)
Projects in progress	(5,232)	(113)
Loans granted	(8,600)	(9,610)
Collections from loans granted	-	9,000
Dividends and bonds interest received	9,683	7,813
Cash flows from acquisition of subsidiaries	5,144	939
Net cash flows used in investing activities_	**(9,883)**	**(14,435)**
Financing activities		
Cash dividends paid	(40,000)	-
Payments of finance lease obligations	(6,336)	(17,451)
Proceeds from short term loans	-	8,000
Repayments of short term loans	(255)	-
Non-controlling interests reduction	(2,115)	-
Finance costs paid	(1,328)	(1,935)
Net cash flows used in financing activities	**(50,034)**	**(11,386)**
Net decrease in cash and cash equivalents	**(40,542)**	**(19,804)**
Cash and cash equivalents, beginning of year	163,173	183,756
Foreign currency translations difference	3,158	(779)
Cash and cash equivalents, end of year	**125,789**	**163,173**

The attached notes 1 to 38 form part of these consolidated financial statements.

1. Corporate information

The Palestine Investment Fund (PIF), a Public Shareholding Company, was incorporated in Gaza under registration number 562600718 on March 17, 2003 with an initial capital of U.S. $ 500 million. On March 28, 2004, PIF's share of capital increased to U.S. $ 574 million by capitalizing the advances paid on the capital account.

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

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

PIF's consolidated financial statements as of December 31, 2010 were authorized for issuance in accordance with a resolution of the Board of Directors on March 25, 2011.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as of December 31, 2010. PIF's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

		Ownership	Capital (U.S. $ 000's)	
		%	2010	
	Activity	2010	Subscribed	Paid
Palestine Commercial Services Company	Cement trade	100	20,000	20,000
Bulk Express Company PSC	Cement transporting	60	846	846
Amaar Real Estate Group	Real estate investment	100	100,591	100,591
Reehan for Real Estate Investment Company	Real estate investment	100	20,800	20,800
Sama Al Aqaria PSC	Real estate investment	100	7,042	7,042
Grand Park Hotel and Resorts LTD	Tourism investment	99	5,642	5,642
Arduna real estate development company	Real estate investment	90	27,500	27,500
Hanadi Tower Company	Real estate investment	100	500	500
Red sea international investment company	Financial investment	100	11	11
Others	Investment in real estate and securities	100	2,984	644

Subsidiaries are companies over which PIF exercises control over their financial and operational policies. Most of PIF subsidiaries operate in the Palestinian National Authority territories.

3.1 Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as of December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which PIF obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

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

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If PIF loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that PIF has adopted the following new and amended IFRS and IFRIC Interpretations:

- IFRS 3 – Business Combinations (Revised)
- IAS 27 – Consolidated and Separate Financial Statements (Amended)

Standards issued but not yet effective up to the date of issuance of PIF's financial statements are as follows:

- IFRS 9 – Financial Instruments*
- IAS 24 – Related Party Disclosures (Revised)

* IFRS 9 allows, among other provisions, to make an irrevocable election to present in other comprehensive income changes in the fair value of an equity instrument that is not held for trading with no recycling to the income statement.

3.3 Significant accounting judgments, estimates and assumptions

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

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

Impairment of non-financial assets

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

Providing for doubtful debts

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

Useful lives of tangible and intangible assets

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

Provision for income tax

PIF and its subsidiaries use certain estimates in determining the provision for income tax.

PIF management believes that the estimates and assumptions used are reasonable.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using 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.

3.4Summary of significant accounting policies

Revenue recognition

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

Real estate sale revenue

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

Sale of goods

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

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 gains

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 expensed in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

PIF and its subsidiaries provide for income tax in accordance with the Income Tax Law and IAS (12), which requires recognising the temporary differences at the reporting date. Such temporary differences might result in recognising deferred tax assets and liabilities. However, PIF's subsidiaries management elected not to recognise deferred tax assets due to uncertainty of benefiting from their future outcomes.

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.

Property, plant and equipment

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

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

	Useful lives (years)
Buildings	33 - 50
Transportation means, equipment and spare parts	4 - 10
Computers	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, measured 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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated income statement.

Goodwill is initially measured at cost being the excess of the consideration transferred over PIF's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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.

Joint Ventures

PIF has a joint control in joint ventures which constitute jointly controlled entities. Investment in joint ventures is accounted for using the equity method of accounting. According to the equity method, investments in joint ventures appear in the consolidated Statement of financial position at cost plus the subsequent changes in PIF's share in the joint ventures net assets. PIF's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between PIF and the joint ventures are excluded to the extent of PIF's share in the joint ventures.

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

Projects in progress

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

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

Investment properties

Investment properties are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of investment properties. Land is not depreciated.

The carrying value of investment properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, investment properties are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognised 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 recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner occupied property becomes an investment property, PIF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on weighted average cost basis
- Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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.

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 reflects the share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associates, PIF recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between PIF and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associates is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries of 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.

After application of the equity method, PIF determines whether it is necessary to recognise an additional impairment loss on PIF's investment in its associates. 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.

Upon loss of significant influence over the associates, PIF measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated statement of income.

Loans granted and accounts receivable

Loans are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

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 amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Investments in financial assets

PIF's financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss or available-for-sale investments. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Available-for-sale investments

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

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

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

Fair values

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

Impairment of financial assets

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

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

Cash and deposits at banks

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

Accounts payable and accrual

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

Loans and borrowings

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

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

Offsetting of financial instruments

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

Provisions

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

Provision for employees' indemnity

Provision for employees' indemnity is calculated in accordance with the Labor Law prevailing in Palestine based on one-month salary for each year of employment.

Leases

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

PIF as a lessee

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

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

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

PIF as a lessor

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

Foreign currency translation

PIF consolidated financial statements are presented in U.S. $, which is also the parent's functional currency. PIF's subsidiaries determine their own functional currency. Items included in the financial statements of each entity are measured using subsidiaries' functional currency.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement with the exception for available-for-sale financial assets were any foreign exchange differences are recognised in other comprehensive income.

PIF subsidiaries

The assets and liabilities of PIF's subsidiaries with functional currency other than U.S. $ are translated into U.S. $ at the rate of exchange prevailing at the reporting date and their income statements at the weighted average exchange rates for the year. The exchange differences arising on the translations are recognised in other comprehensive income. On disposal of these subsidiaries, the component of other comprehensive income relating to that particular subsidiary is recognised in the consolidated income statement.

4. Business combinations

During April 2010, Amaar Real Estate Group (subsidiary) acquired an additional 40% share of Arduna for Real Estate Development Company (Arduna) for U.S. $ 17,284,000. Accordingly Arduna became a subsidiary of Amaar starting May 1, 2010. Had the financial statements of Arduna been consolidated with Amaar as from the beginning of the year 2010, Amaar and PIF profit would have been increased by U.S. $ 109,000.

Also, PIF acquired the capital of Al Hayat Newspaper (Al Hayat) for U.S $, 300,000, accordingly, Al Hayat became a subsidiary of PIF from December 31, 2010. Had the financial statements of Al Hayat been consolidated with PIF from the beginning of the year 2010, PIF profit would have been increased by U.S. $ 478,000.

Following are the fair values of the assets and liabilities of the acquired subsidiaries at the date of acquisition:

	U.S.$ 000's
	Fair values at the acquisition date
Assets at Fair value	
Property, plant and equipment	281
Projects in progress	29,699
Loans to shareholders	16,640
Accounts receivable and other current assets	1,197
Cash and deposits at banks	5,144
	52,961
Liabilities at Fair value	
Provisions and other liabilities	976
Provision for employees' indemnity	500
	1,476
Fair value of net assets	51,485
Non-controlling interest's share in the net assets of the acquired subsidiaries	(5,106)
Fair value of investment in the acquired companies at the date of acquisition	(25,528)
Cost of acquisition of additional shares	(17,584)
Other adjustments	(641)
Gain as a result of business combination	**2,626**
The increase in fair value of the investment carrying value at the date of acquisition	2,565
Total gain from business combination	**5,191**

According to IFRS (3), the business combinations of Arduna and Al Hayat resulted in a gain (negative goodwill) of U.S. $ 2,626,000. Amaar also re-evaluated its share in Arduna as of the acquisition date and recognized an amount of U.S. $ 2,565,000 as a gain in the consolidated income statement, accordingly total gain from business combinations recognized in the income statement amounted to U.S. $ 5,191,000. In addition Arduna capital was reduced from U.S. $ 45.5 million to U.S.$ 27.5 million.

5. Property, plant and equipment

U.S. $ 000's

	Land	Buildings	Transportation means, equipment and spare parts	Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2010	**17,157**	**17,469**	**75,525**	**3,380**	**2,987**	**116,518**
Acquisition of subsidiaries (note 4)	-	-	30	178	73	**281**
Additions	-	1,114	584	311	762	**2,771**
Disposals	-	-	(161)	(51)	(1)	**(213)**
Foreign currency translation	133	114	140	85	13	**485**
At December 31, 2010	**17,290**	**18,697**	**76,118**	**3,903**	**3,834**	**119,842**
Accumulated depreciation						
At January 1, 2010	**-**	**3,214**	**20,363**	**2,369**	**1,417**	**27,363**
Depreciation charge for the year	-	698	7,550	394	263	**8,905**
Disposals	-	-	(161)	(32)	(1)	**(194)**
Foreign currency translation	-	65	81	70	11	**227**
At December 31, 2010	**-**	**3,977**	**27,833**	**2,801**	**1,690**	**36,301**
Net carrying amount						
At December 31, 2010	**17,290**	**14,720**	**48,285**	**1,102**	**2,144**	**83,541**
At December 31, 2009	**17,157**	**14,255**	**55,162**	**1,011**	**1,570**	**89,155**

- Property, plant and equipment include U.S. $ 2,469,000 and U.S. $ 2,140,000 of fully depreciated assets owned by PIF and its subsidiaries that are still operational as at 2010 and 2009, respectively.
- Depreciation expense includes transportation means, equipment and spare parts depreciation of U.S. $ 7,789,000 that was charged to operating expenses.
- Transportation means include leased asset of a cost of U.S. $ 52,050,000 and a net book value of U.S. $ 42,346,000 and U.S. $ 47,556,000 as at December 31, 2010 and 2009, respectively.

6. Goodwill

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

	U.S. $ 000's	
	2010	2009
Cement trade	25,244	25,244
Cement transportation	360	338
Tourism	901	901
	26,505	**26,483**

Cement trade

The recoverable amount of the cement trade 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 seven-year period. The pre-tax discount rate applied to cash flow projections is 14%, and cash flows beyond the seven-year period are extrapolated using a 3% growth rate.

Cement transportation

The recoverable amount of the 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 seven-year period. The pre-tax discount rate applied to cash flow projections is 14%, and cash flows beyond the seven-year period are extrapolated using a 3% growth rate.

Tourism

The recoverable amount of the 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 after-tax discount rate applied to cash flow projections is 11.1%, and cash flows beyond the five-year period are extrapolated using a 3% growth rate.

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 rate used and growth rate used to extrapolate cash flows beyond the budget period:

- **Discount rate**

Discount rate reflects management's estimate of the risks specific to each business segment. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- **Growth rate estimates**

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

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

7. Investment properties

This item represents cost of PIF's and its subsidiaries' investments in land in the West Bank and Gaza. PIF's management estimates the fair value of these lands, based on reports of specialized actuaries, to be valued at U.S. $131,251,000. The fair value reflects market conditions at the date of appraisal. Following is the movement on investment properties:

	U.S. $ 000's	
	2010	2009
Balance, beginning of year	90,238	8,994
Additions during the year	-	81,244
Land registration fees	22	-
Impairment loss	(647)	-
Sale of investment properties	(142)	-
Balance, end of year	**89,471**	**90,238**

Additions during 2009 include land lots in Jericho of U.S $ 78,983,000 that were transferred at fair value from the shareholder.

8. Project in progress

	U.S. $ 000's	
	2010	2009
At January 1, 2010	23,350	14,098
Additions	6,180	1,283
Transferred from property, plant and equipment	-	416
Land sold out of project in progress	(948)	(1,170)
Acquisition of subsidiaries (note 4)	29,699	8,723
At December 31, 2010	**58,281**	**23,350**

Following are the projects in progress as of December 31, 2010 and 2009:

	U.S. $ 000's	
	2010	2009
Al Reehan Project	19,214	14,183
Al Jenan Project	2,228	446
Ersal Center Project	27,029	-
Tourism projects	8,841	8,721
Grand park development project	718	-
Other projects	251	-
	58,281	**23,350**

Total costs to complete these projects is estimated at U.S. $ 231 million.

9. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2010	2009	2010	2009
	%	%	U.S. $ 000's	
Palestine Tourism Investment Company	25.72	23.58	6,557	1,083
Wataniya Palestine Mobile Telecommunications Company	36.55	43	59,466	53,060
			66,023	**54,143**

Following is PIF's share in the associates' assets and liabilities:

	U.S. $ 000's	
	2010	2009
Non-current assets	98,294	117,454
Current assets	40,153	11,677
Non-current Liabilities	(47,903)	(54,616)
Current liabilities	(24,521)	(20,372)

PIF's share of associates' revenues and results of operations:

Revenues	15,234	2,470
Results of operations	(14,396)	(13,558)

During 2010, PIF capitalized an amount of U.S. $ 21,199,000 from total loans granted to Wataniya Palestine Mobile Telecommunication Company as an additional investment in Wataniya's capital (note 11).

PIF's investment in Wataniya is mortgaged for the benefit of banks against loans granted to the Company.

10. Joint ventures

	U.S. $ 000's	
	2010	2009
Convention Palace Company	7,633	8,518
Arduna Real Estate Development Company	-	19,044
	7,633	**27,562**

During 2010, Amaar acquired additional 40% of Arduna for Real Estate Development Company, accordingly Arduna became a subsidiary of PIF and its financial statements are consolidated with PIF's consolidated financial statements (note 4).

	U.S. $ 000's	
	2010	2009
PIF's share in the joint ventures' assets and liabilities:		
Non-current assets	9,913	19,468
Current assets	1,616	10,892
Non-current liabilities	(1,563)	(2,726)
Current liabilities	(2,333)	(72)
PIF's share of joint ventures results of operations:		
Revenues	475	39
Result of operations	**(862)**	**(2,087)**

11. Loans granted

	U.S. $ 000's	
	2010	2009
Wataniya Palestine Mobile Telecommunications Company *	2,150	13,354
Other	1,000	1,287
Accrued interest on loans	74	810
	3,224	15,451
Provision for doubtful loans	-	(317)
	3,224	**15,134**

* During 2009, PIF and QTEL Company granted Wataniya a syndicated loan in the amount of U.S. $ 31,057,000, in which PIF's share amounted to U.S. $ 13,354,000. PIF's previous loans and accrued interest balances were settled in the new loan. The loan bears interest of LIBOR plus interest rate of %5.85. The loan will be settled in one payment the later of December 31, 2014, or six months after the maturity of all or any senior loan(s) which Wataniya is or becomes part of. During the year PIF granted Wataniya additional U.S. $ 8,600,000, which made PIF share of the syndicated loan U.S. $ 21,954,000, of which during the year PIF capitalized an amount of U.S. $ 21,199,000 from loans granted and related accrued interest to Wataniya as an investment in Wataniya's capital (note 9).

Following is the movement on the provision for doubtful loans:

	U.S. $ 000's	
	2010	2009
Balance, beginning of year	317	14,345
Additions	7	14
Recoveries	(324)	(9,000)
Write offs	-	(5,042)
Balance, end of year	**-**	**317**

12. Available-for-Sale investments

	U.S. $ 000's	
	2010	2009
Quoted shares	190,816	155,902
Portfolios investments	45,561	43,936
Quoted bonds	973	35,389
Unquoted shares *	14,416	17,062
	251,766	**252,289**

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

Movements on cumulative changes in fair value arising from available-for-sale investments are as follows:

	U.S. $ 000's	
	2010	2009
Balance, beginning of year	44,260	64,721
Unrealized gains	4,945	21,853
Realized profit reclassified to the consolidated income statement (note 27)	(14,357)	(51,117)
Impairment of available-for-sale investments reclassified to the consolidated income statement	3,775	8,803
Balance, end of year	**38,623**	**44,260**

13. Prepayment on investment

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

14. Accounts receivable

	U.S. $ 000's 2010	2009
Orascom Telecommunications Holdings *	45,000	45,000
Cap Holding Company	11,305	11,305
Aviation receivables	15,998	7,512
Checks under collection	10,704	5,700
Trade receivable	7,176	7,552
First Trading Center	1,100	1,100
Others	2,771	1,373
	94,054	**79,542**
Provision for doubtful accounts	(14,012)	(59,215)
	80,042	**20,327**

* This item represents amounts due from selling certain investments to Orascom Telecommunications Holdings during 2005. PIF has provided in full for this amount. During 2010 PIF reached a final settlement with Orascom Telecommunications Holdings Company to settle the amounts due, as a result PIF recovered an amount of U.S.$ 41 million from the provided provision and recognized it in the consolidated income statement. Subsequent to financial statements date, PIF collected the total amount due from Orascom.

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

	U.S. $ 000's 2010	2009
Balance, beginning of year	59,215	59,802
Additions	154	19
Recoveries	(41,075)	(600)
Written off	(4,346)	-
Foreign currency translation	64	(6)
Balance, end of year	**14,012**	**59,215**

Nominal value of doubtful accounts receivable which are fully provided for, as of December 31, 2010 and 2009 amounted to U.S. $ 14,012,000 and U.S. $ 59,215,000, respectively. As of December 31, 2010 and 2009, the aging analysis of the unimpaired accounts receivables 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
2010	**80,042**	13,167	64,140	1,278	1,457
2009	**20,327**	9,379	8,301	808	1,839

PIF's subsidiaries do not obtain any guarantees against these receivables. Nonetheless, management believes, based on its past experience, that the value of the unimpaired receivable is recoverable.

15. Other current assets

	U.S. $ 000's	
	2010	2009
Due from brokers*	19,054	34,035
Cash margin	5,486	4,817
Value added tax	3,975	2,459
Advances to suppliers	4,488	1,976
Employees' receivables	489	256
Accrued interest on deposits at banks	258	365
Prepaid expenses	168	189
Others	359	158
	34,277	**44,255**
Provision for uncollectible current assets	(4,653)	(4,483)
	29,624	**39,772**

* This item represents balances due from brokers as a result of selling available-for-sale investments.

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

	U.S. $ 000's	
	2010	2009
Balance, beginning of year	4,483	2,718
Additions	270	1,771
Write-offs	(100)	-
Foreign currency translation	-	(6)
Balance, end of year	**4,653**	**4,483**

16. Cash and deposits at banks

	U.S. $ 000's	
	2010	2009
Cash on hand and current accounts at banks	23,428	18,957
Term deposits at banks	102,361	144,216
	125,789	**163,173**

Term deposits at banks as of December 31, 2010 include deposits at banks with an original maturity of less than three months. During 2010, the average interest rate was 0.85% on U.S. $ deposits, 3.4% on Jordanian Dinar deposits, and 1.27% on Euro deposits.

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.

18. Shareholder's current account

The movement on the shareholder's current account during 2010 and 2009 was as follows:

	U.S. $ 000's	
	2010	2009
Balance, beginning of year	45,800	139,628
Prepayment on investment (note 13)	(45,800)	-
Land transferred from the shareholder	-	(78,983)
Distributed dividends (note 20)	-	(9,929)
Advances on capital increase	-	(4,916)
Balance, end of year	**-**	**45,800**

19. Reserves

Statutory Reserve

In accordance with the Corporate Law, an appropriation of 10% of the annual profit shall be made to the statutory reserve account. Such appropriation shall not be halted before the accumulated amounts equal to 25% of the capital. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

Based on the Board of Directors recommendation dated July 14, 2009, a voluntary reserve is appropriated at 10% of PIF profit started from 2009. This reserve will be used to finance the establishment of a new company that aims at supporting the economical development in Palestine.

20. Paid and proposed dividends

The Board of Directors in its meeting held on March 25, 2011, decided to propose to the shareholder to distribute U.S. $ 25 million as dividends from the year 2010 profits.

Based on the recommendation of the Board of Directors, the shareholder decided on May 4, 2010 to distribute dividends of U.S. $ 40 million from the year 2009 profits.

Based on the recommendation of the Board of Directors, the shareholder decided on May 9, 2009 to additional distribute dividends of U.S. $ 9,929,000 from the year 2008 profits. The amount was deducted from the shareholder current account.

21. Finance lease obligations

U.S. $ 000's

	2010		2009	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within one year	7,270	6,327	7,515	6,327
Due after one year and within five years	22,508	21,094	29,756	27,430
Total minimum lease payments	**29,778**	**27,421**	**37,271**	**33,757**
Less: finance costs	(2,357)	-	(3,514)	-
Present value of minimum lease payments	**27,421**	**27,421**	**33,757**	**33,757**

A finance lease agreement was signed on February 17, 2009, for leasing of a transportation mean for six years. The lease is subject to an interest rate of LIBOR plus 3.5%. The last payment will be due on February 15, 2015.

The lease obligation is guaranteed by retaining the ownership of the leased equipment by the lessor until PIF settles all the obligations under the lease agreement, in addition to cash deposits of U.S. $1,900,000.

22. Accounts payable

U.S. $ 000's

	2010	2009
Trade payables	12,788	11,643
Contractors payables	766	354
Others	13,067	3,047
	26,621	**15,044**

23. Provisions and other current liabilities

U.S. $ 000's

	2010	2009
Liabilities related to the development of the National Park *	9,000	12,000
Provision for employees indemnity	4,093	2,777
Provision for litigations	3,196	2,998
Accrued expenses	3,572	1,847
Property improvement taxes	2,580	2,482
Due to Palestinian National Authority	1,975	1,975
Postponed checks	25	1,176
Employees' income tax payable	786	684
Others	1,134	525
	26,361	**26,464**

* On March 25, 2007, PIF and the National Committee for Establishment and Supervision of National Park Project and Palestinian Economic Council for Development and Reconstruction (PECDAR) signed a memorandum of understanding by which PIF will finance the establishment of the national park in Al-Bireh city (Ersal area). PIF's total obligation under this agreement amounted to U.S. $ 15,000,000 payable in five installments. During the year and previous years, PIF paid a total of U.S. $ 6,000,000,

24. Provision for income tax

According to the understanding with the Ministry of Finance, PIF and its subsidiaries taxable income became subject to nominal income tax rate of 15%, starting January 1, 2010.

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

	U.S. $ 000's 2010
Balance, beginning of year	-
Additions during the year	5,125
Advance payment during the year	(1,074)
Currency variance	273
Balance, end of year	**4,324**

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

	U.S. $ 000's 2010
Accounting profit before income tax	63,909
Non-taxable income	(46,659)
Non-deductible expenses	16,917
Taxable income	34,167
Tax expense at statutory income tax rate of 15%	5,125
Effective income tax rate	**%8.02**

25. Short term loan

On February 8, 2009, PIF obtained a loan of U.S. $ 8 million from Arduna Real Estate Development Company Ltd. (Arduna).The loan bears an annual interest rate of 3.5%. During 2010 PIF acquired additional 40% of Arduna for Real Estate Development (Arduna) capital, which included the settlement of outstanding loan balance and related accrued interest, which results in a gain of U.S. $ 320,000 recognized in the consolidated income statement.

26. Operating income

	U.S. $ 000's 2010			
	Operating revenues	Cost of goods sold	Operating expenses	Operating Income
	U.S. $	U.S. $	U.S. $	**U.S. $**
Lease of transportation means	18,043	-	(16,826)	**1,217**
Palestine Commercial Services Company	138,000	(105,222)	(3,393)	**29,385**
Sama Al Aqaria	423	-	-	**423**
Hanadi Tower Company	325	-	(102)	**223**
Al Reehan Real Estate Company	1,966	(1,168)	-	**798**
Grand Park	2,429	(352)	(1,629)	**448**
	161,186	**(106,742)**	**(21,950)**	**32,494**

	U.S. $ 000's 2009			
	Operating revenues	Cost of goods sold	Operating expenses	Operating Income
	U.S. $	U.S. $	U.S. $	**U.S. $**
Lease of transportation means	13,633	-	(11,703)	**1,930**
Palestine Commercial Services Company	119,750	(94,549)	(2,577)	**22,624**
Sama Al Aqaria	817	-	(248)	**569**
Hanadi Tower Company	284	-	(98)	**186**
Al Reehan Real Estate Company	2,400	(1,186)	-	**1,214**
Grand Park	2,818	(421)	(1,591)	**806**
	139,702	**(96,156)**	**(16,217)**	**27,329**

27. Gain from investment portfolio

	U.S. $ 000's	
	2010	2009
Gain from sale of available-for-sale investments	14,357	51,117
Dividends income	8,247	7,372
Impairment of available-for-sale investments	(3,775)	(8,803)
Interest on bonds	1,436	441
Other	-	762
	20,265	**50,889**

28. Interest revenues

	U.S. $ 000's 2010	2009
Interest on deposits with banks	1,323	2,506
Interest on granted loans	777	799
	2,100	**3,305**

29. Investment department expenses

	U.S. $ 000's 2010	2009
Employees salaries, wages and benefits	1,810	1,551
Professional fees	1,553	1,559
Investment sale commissions	440	450
Travel and transportation	197	216
Others	178	731
	4,178	**4,507**

30. General and administrative expenses

	U.S. $ 000's 2010	2009
Employees salaries, wages and benefits	7,334	5,644
Professional fees	1,212	398
Marketing	492	173
Rents	403	463
Travel and transportation	354	267
Telephones and courier	205	174
Insurance	160	137
Maintenance	139	86
Fees and subscriptions	132	397
Printings and stationery	91	96
Hospitality	75	63
Others	1,603	1,023
	12,200	**8,921**

31. Recovery of provision for doubtful accounts and advances

	U.S. $ 000's 2010	2009
Recovery for doubtful loans (note 11)	317	8,986
Recovery for doubtful accounts (note 14)	40,921	581
Provision for uncollectible current assets (note 15)	(270)	(1,771)
	40,968	**7,796**

32. 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, 2010 and 2009:

U.S. $ 000's

	Carrying amount		Fair value	
	2010	2009	2010	2009
Financial assets				
Loans granted	3,224	15,134	3,224	15,134
Available-for-sale investments				
quoted	237,350	235,227	237,350	235,227
Accounts receivable	80,042	20,327	80,042	20,327
Other current assets	26,760	37,791	26,760	37,791
Cash and deposits at banks	125,789	163,173	125,789	163,173
	473,165	**471,652**	**473,165**	**471,652**
Financial liabilities				
Finance lease obligation	27,421	33,757	27,421	33,757
Accounts payable	26,621	15,044	26,621	15,044
Short term loan	-	8,255	-	8,255
Other current liabilities	22,268	23,687	22,268	23,687
	76,310	**80,743**	**76,310**	**80,743**

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 current assets, cash and deposits at banks, accounts payable, provisions and other current liabilities and the short term loan approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the loans granted and finance lease obligations are determined based on variables such as interest rates, specific country risk factors and the other party. As of December 31, 2010 the carrying amount of the loans granted and finance lease obligations is not materially different from its fair value.
- The fair values of quoted available-for-sale investments were based on their price quotations at the reporting date.

Fair value hierarchy

PIF uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- **Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

However, PIF used only Level 1 to determine and disclose the fair value of its quoted available-for-sale investments. None of the other two levels was used.

33. Related party transactions

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

Balances with related parties included in the consolidated statement of financial position as of December 31, 2010 and 2009 are as follows:

	U.S. $ 000's	
	2010	2009
Aviation receivables	15,998	7,512
Shareholder current account	-	45,800
Loans granted to associates	2,172	14,134
Loan from a joint venture	-	8,255
Accounts payable due to a sister company	-	333
Due to Palestinian National Authority	1,975	1,975

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

	U.S. $ 000's	
	2010	2009
Leasing of transportation means to the shareholder	18,043	13,633
Interest revenue on loans to associates and sister companies	757	788
Interest expense on loan from joint venture	63	255

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

	U.S. $ 000's	
	2010	2009
Board of Directors compensations	90	90
Key management share of salaries and related benefits	3,696	2,639
Key management share of end of service indemnity	302	244

34. Financial risk management objectives and policies

PIF's principal financial liabilities comprise finance lease obligations, the short term loan, accounts payable and provisions and 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 loans granted available-for-sale investments, accounts receivables, other financial assets and cash and deposits at banks 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 the finance lease obligation. The following table demonstrates the sensitivity of PIF's consolidated income statement as at December 31, 2010 to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on PIF's profit for one year, based on the floating rate of short-term deposits at banks held at December 31, 2010. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

2010	Increase in interest Rate	Effect on profit for the year
	(basis points)	U.S. $ 000's
U.S. Dollar	+10	37
Jordanian Dinar	+10	40
Israeli Shekel	+10	1

2009	Increase in interest Rate	Effect on profit for the year
	(basis points)	U.S. $ 000's
U.S. Dollar	+10	58
Jordanian Dinar	+10	56
European Monetary Unit (EURO)	+10	2
Israeli Shekel	+10	7

Foreign currency risk

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

2010	Increase in currency rate to U.S. $	Effect on profit before tax	Effect on equity
	%	U.S. $ 000's	
Israeli Shekel	+10%	2	1,971
European Monetary Unit (EURO)	+10%	(414)	-

2009	Increase in currency rate to U.S. $	Effect on profit before tax	Effect on equity
	%	U.S. $ 000's	
Israeli Shekel	+10%	473	5,276
European Monetary Unit (EURO)	+10%	239	-

Equity price risk

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

2010	Change in equity price (%)	Effect on equity U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	12,109
Shares listed in Amman Stock Exchange	+10	1,162
Shares listed in other markets	+10	10,464
Shares not listed	+5	721

2009	Change in equity price (%)	Effect on equity U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	9,044
Shares listed in Amman Stock Exchange	+10	1,451
Shares listed in other markets	+10	13,062
Shares not listed	+5	853

Credit risk

PIF and its subsidiaries have a broad client base. The credit risk associated with the accounts receivable is widely distributed among a large number of individual customers. PIF is currently managing its credit risks by receiving collaterals from some customers and monitoring the accounts receivable collections 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 (11) and (14). In addition, PIF's real estate companies limit the credit risks by not transferring the ownership of the sold properties to customers until collection of all installments.

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 credit facilities and pursuing the collection of accounts receivables.

The table below summarizes the allocation of undiscounted financial liabilities as at December 31, 2010 and December 31, 2009, based on their remaining maturity:

	U.S. $ 000's			
	Less than 3 months	3 to 12 Months	1 to 5 years	Total
As at December 31, 2010				
Finance lease obligations	1,837	5,433	22,508	**29,778**
Accounts payable	26,621	-	-	**26,621**
Provisions and other financial liabilities	10,688	11,580	-	**22,268**
	39,146	**17,013**	**22,508**	**78,667**
As at December 31, 2009				
Finance lease obligations	1,898	5,617	29,756	**37,271**
Accounts payable	15,044	-	-	**15,044**
Provisions and other financial liabilities	9,205	14,482	-	**23,687**
Short term loan	8,349	-	-	**8,349**
	34,496	**20,099**	**29,756**	**84,351**

35. 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 of the capital structures during this year and the previous one.

Capital includes paid-in share capital, advances on capital increase, retained earnings, shareholder's current account, statuary and special reserve, proposed dividends, foreign currency translation and cumulative changes in fair value and non controlling interest totalling of U.S. $ 782,972,000 and U.S. $ 718,106,000 as at December 31, 2010 and December 31, 2009, respectively.

36.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 cement operations, real estate investment, tourism, in addition to the investment sector. The following table presents revenue and profit information and certain asset and liability information regarding PIF's business segments:

December 31, 2010	Investment sector	Cement operations	Real Estate Investment	Tourism	Eliminations	Consolidated
			U.S. $ 000's			
Revenues						
External revenues	18,043	138,000	2,714	2,429	-	**161,186**
Inter-segment	-	-	-	-	-	-
Total revenues	**18,043**	**138,000**	**2,714**	**2,429**	**-**	**161,186**
Profit for the year	34,705	23,104	5,906	(26)	220	**63,909**
Other information						
Depreciation	7,726	422	423	334	-	**8,905**
Impairment loss	-	-	647	-	-	**647**
Capital expenditure	899	415	6,550	139	-	**8,003**

The following table presents segments' assets and liabilities as of December 31, 2010:

Assets and liabilities	Investment sector	Cement operations	Real Estate Investment	Tourism	Eliminations	Consolidated
Operating assets	839,878	45,036	112,511	10,492	(140,218)	**867,699**
Operating liabilities	55,158	18,722	12,839	947	(2,939)	**84,727**

December 31, 2009	Investment sector	Cement operations	Real Estate Investment	Tourism	Eliminations	Consolidated
			U.S. $ 000's			
Revenues						
External revenues	13,633	119,750	3,501	2,818	-	**139,702**
Inter-segment	413	-	-	-	(413)	**-**
Total revenues	14,046	119,750	3,501	2,818	(413)	**139,702**
Profit for the year	37,084	21,437	2,928	806	(413)	**61,842**
Other information						
Depreciation	6,968	318	381	264	-	**7,931**
Capital expenditure	13,955	528	2,665	55	-	**17,203**

The following table presents segments' assets and liabilities as of December 31, 2009:

Assets and liabilities	Investment sector	Cement operations	Real Estate Investment	Tourism	Eliminations	Consolidated
Operating assets	758,334	55,131	216,418	9,719	(237,976)	**801,626**
Operating liabilities	63,021	14,544	5,460	1,141	(646)	**83,520**

37. Provision for Litigation and other Contingencies

- PIF may be liable for obligations associated with liquidating some non-operating companies whose ownerships were transferred by the shareholder to PIF.

- On July 25, 2007, PIF entered into partnership with the Overseas Private Investment Corporation (OPIC) and the Middle East Investment Initiative (MEII) to create its Loan Guarantee Facility (LGF), that aims to support the Palestinian private sector by providing guarantees for loans to small- and medium-size enterprises (SME's) throughout Palestine. PIF may be obligated to pay the guaranteed amount in case of default of the loans.

  As of December 31, 2010, total loans granted under this agreement by local banks amounted to U.S. $ 43.5 million. PIF's share of the total guarantee provided against these loans was U.S. $ 9.5 million.

- During 2006, PIF signed a memorandum of understanding with the Palestinian Authority, represented by Palestinian Land Authority, to allow PIF to develop and establish its investment projects on the Saraya Gaza land – which is located in the center of Gaza and which is currently being used as a military camp - and on another plot of land in the Gaza Strip on which currently the Zahrat Al Madaen Village Bungalows resides. In return, PIF agreed to build a new building to serve as a military camp in place of the one in Saraya, and to construct a building that substitutes for the one on the Zahrat Al Madaen land currently being used for presidential purposes. Other plots of land that was previously assigned to PIF in Hebron and Nablus for the purpose of developing and establishing investment projects, was returned to the Palestinian Authority during the year.

- According to PIF legal counsel, the Palestinian Authority reached a settlement for the lawsuit raised against it in the USA, therefore PIF management believes that no contingent liabilities related to this case are probable.

38. Subsequent events

Subsequent to the financial statements date, a group of people confiscated assets owned by PIF and its subsidiaries based on instructions from the government in Gaza, the carrying value of confiscated assets which includes land, building and other current assets amounted to U.S. $ 10,373,000 as of December 31, 2010.

Investing in our People's Future