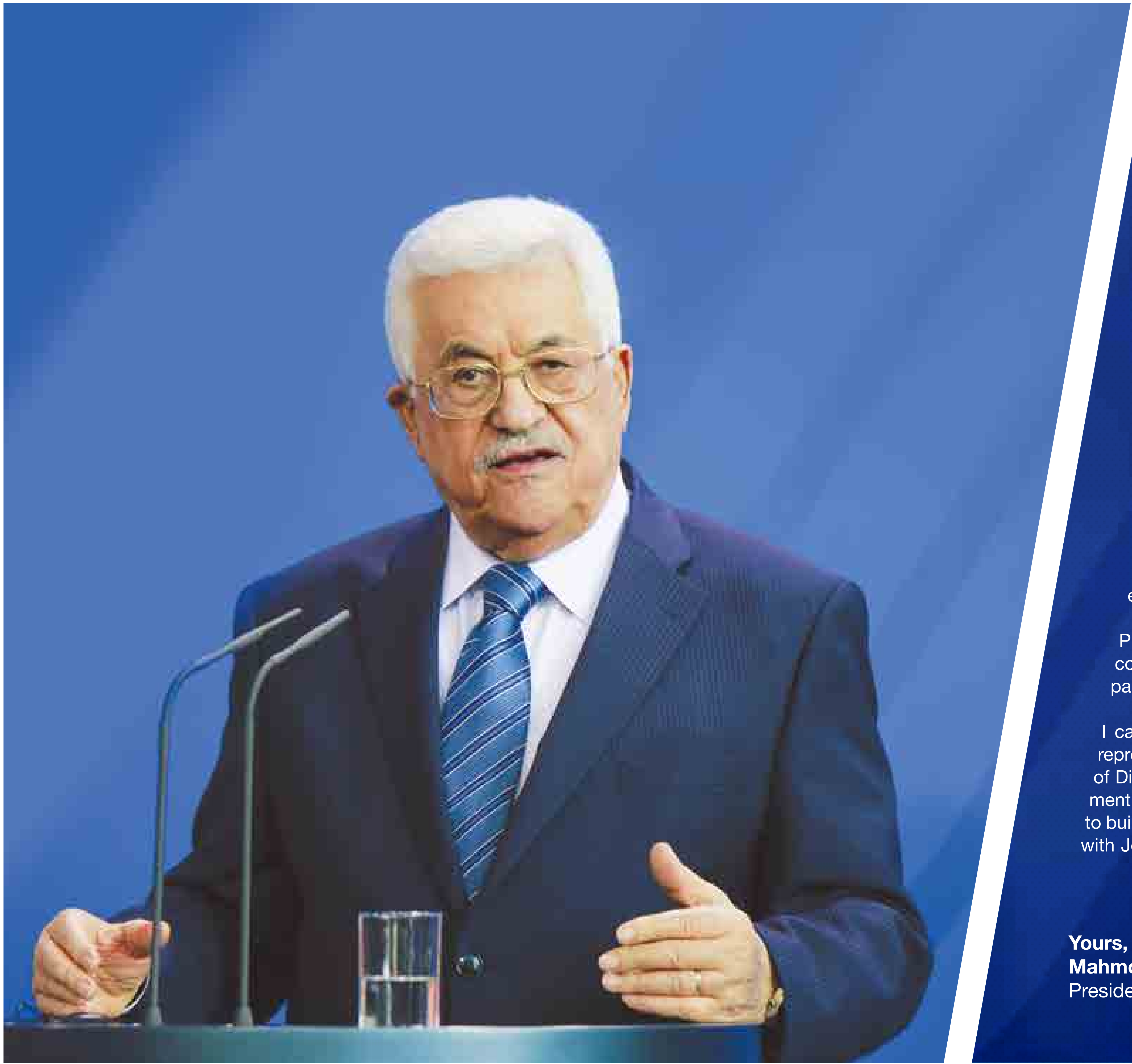
صندوق الاستثمار الفلسطيني
Palestine Investment Fund
نستثمر لمستقبل أبنائنا

ANNUAL REPORT

2016

Annual Report
2016

Index



"The last 10 years bear witness to PIF's remarkable growth and its role in building the foundations of an independent national economy for the independent Palestinian state.

In 2016, PIF delivered another year of stellar performance, which included laying the cornerstone for the Palestine Cement Plant, inaugurating the Jenin Power Plant, implementing youth employment programs, as well as achieving remarkable progress in the fields of health, agriculture, small and medium enterprises, real estate and renewable energy, and others.

PIF is a source of pride for all Palestinians, with its commitment to the highest levels of integrity, transparency and good governance.

I cannot but express my sincere appreciation to PIF, represented by its Chairman, members of the Board of Directors and General Assembly, executive management and staff. I wish PIF continued success in its efforts to build the economy of an independent Palestinian state with Jerusalem as its capital."

Yours,
Mahmoud Abbas
President of the State of Palestine

Chairman's Message

Dr. Mohammad Mustafa
Chairman of the Board

The Palestinian economy remains stunted by the Israeli occupation and its unjust policies. Rampant settlement expansion, restricted access to our natural resources, and restricting the freedom of movement of people and goods have left the Palestinian economy in a fragile state.

Despite these challenges, the Palestinian pursuit of independence and freedom continues unabated across the diplomatic, political, institutional and economic tracks.

As Palestine's sovereign wealth fund, PIF has relentlessly strove to build the foundations of an independent and thriving economy; a quest which underpins PIF's long-term strategy and its investment plans.

Ladies and Gentlemen,

It is our pleasure to present to you PIF's accomplishments in 2016; accomplishments that reflect the vision of the Board of Directors and the guidance of President Mahmoud Abbas.

PIF's strategy focuses on a number of economic objectives, including boosting Palestinian energy security, investing in productive sectors that can create jobs, and reducing dependency on the Israeli economy. Agriculture, manufacturing, as well as the development of Jerusalem's economy remain among our top priorities.

Investment to boost energy security

In 2016, PIF laid the cornerstone of the first power generation plant in Jenin governorate. The plant is expected to meet nearly 40 percent of the electricity needs in Palestine, with an investment of around 600 million US dollars.

The project is being developed by the Palestine Power Generating Company; a partnership between PIF with 40.3%, Palestine Development and Investment Company (PADICO Holding) with 20%, Palestinian Telecommunications (Paltel) with 10%, The Arab Bank Group with 10%, Palestine Electric Company with 5%, the Arab Palestinian Investment Company (APIC) with 4% and a number of prominent investors including the Bank of Palestine, Al-Quds Bank, Cairo Amman Bank, PRICO and the National Insurance Company.

The plant will operate on natural Palestinian gas that we hope to extract by utilizing our available national natural resources.

PIF has signed a partnership agreement with the Palestinian government to develop the Rantis oil field. This comes within a unified national endeavor and a holistic program to enhance the independence of the energy sector in Palestine and reduce dependency on Israel, including development of natural resources of gas and oil.

It is expected that the Palestinian government revenues will account for more than 70% of the project revenues, through its share in production, royalty fees and taxes. Realizing this project will increase the independence and the reliance on local natural resources, as well as affirming Palestine's sovereignty over its natural resources.

PIF has also begun the implementation of the "Noor Palestine" solar energy investment program. The program aims at establishing small solar power generation plants with a total production capacity of 35 megawatts in the first phase and an investment of around 50 million US dollars.

PIF has signed MoUs with municipalities of Ramallah, Al Bireh, Qalqilia and Tubas to construct solar power generation plants to meet their energy needs. Other similar MoUs were signed with the operators of 25 artesian wells in Tubas governorate for the same purposes. The tenders for land-leveling works are expected to be published soon, followed by tenders for the construction of the solar parks.

As part of PIF's efforts towards providing full turnkey energy solutions, starting from energy production to distribution and infrastructure, PIF has signed a strategic partnership agreement with the Jerusalem District Electricity Company (JDECO). Under this agreement, PIF acquired 10% of the company's shares. The agreement set a framework for strategic cooperation and partnership between the two parties, such as exchange of technical and professional expertise, knowledge of solar power generation plants, cooperation in the Information Technology (IT) and Communications sectors including the development of the company's optical fiber networks next to electricity networks, and collaboration in infrastructure development. The significance of this strategic partnership lies in the empowerment of JDECO as it is the largest operating company in occupied Jerusalem, the capital of the future independent Palestinian state. This shall strengthen the city's economy and contribute to job creation, in accordance with PIF's strategy.

Manufacturing and Agriculture, pillars of our national economy

In the construction industries sector, Sanad Construction Company laid the cornerstone for the Palestine Cement Plant. As the first Palestinian cement plant, , the project will contribute to advancing Palestinian economic independence, through catalyzing a national cement industry and providing the local market with high quality cement. The cement plant is expected to create 1500 direct and indirect jobs. The plant will be built in two consecutive phases; the first is the construction of a cement mill with a total investment of around 65 million US dollars, which is expected to become 310 million US dollars upon completing phase two, and the construction of the cement plant.

"Alongside the intertwined diplomatic, political, institutional and economic tracks, PIF remains determined to yield results in a complex environment under occupation, fulfilling its objectives to develop a solid and independent national economy."

In the fourth quarter of 2016, Sanad completed its Initial Public Offering (IPO) of six million shares, representing 10% of the company's overall shares, at a total value of 14.1 million USdollars. The IPO stems from PIF's belief in the importance of partnerships with private investors, individuals and companies, to promote economic development. The IPO was extremely successful and attracted small and large investors alike.

In another endeavor in the manufacturing sector, the Sharakat Investment Fund has signed an investment agreement with Plastopal for plastic industries in Hebron. Plastopal produces plastic packages for dairy and food products.

"PIF laid the cornerstone of the first power generation plan in Jenin. The plant will meet nearly 40 percent of the electricity needs in Palestine, with an investment of around 600 million US dollars."

In agriculture, Sharakat has steadily progressed towards the development of this vital sector. It has signed several investment agreements during 2016, including, the agreement with AgriPal Company (Khaizaran Palestine). The company is setting up unique farms in the central and northern parts of the Jordan valley producing mainly vegetables and fresh herbs for export. AgriPal focuses on adopting modern technologies and optimal resource utilization, which, in turn, would increase employment potential and improve agricultural export capacity. Other Sharakat investments in the agricultural sector include "Pal Farm" cow farms. Additionally, plans are underway to expand PIF's investment footprint in the fields of agriculture, crops and forage.

"PIF laid the cornerstone of the first power generation plan in Jenin governorate. The plant will meet nearly 40% of the electricity needs in Palestine, with an expected total investment of 620 million US dollars."

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Health, tourism and the economy of Jerusalem

In the health sector, Istishari Arab Hospital launched its operations early in 2016 at Al-Reehan neighborhood, which is another iconic PIF project. Through Aswaq Company for Investment Portfolios, PIF has increased its investment in the Arab Specialized Complex Company (Parent-company of the Specialized Arab Hospital in Nablus city and Istishari Hospital), to around 20% during 2016. PIF is also an investor in Ibn Sina Specialist Hospital in Jenin.

41.3
Million USD

PIF's pretax earnings for 2016

Based on the firm belief of PIF's Board of Directors in its role in developing and nurturing promising economic sectors through direct investment, PIF took a decision to form a new specialized investment portfolio in the hospitality and tourism sector, carrying the ancient Canaanite name of Jerusalem, Yabous. PIF has increased its investment in the Arab Hotels Company, owner of the Ramallah Movenpick Hotel, to 54%, adding it to PIF's other investments in this sector such as the Grand Park Hotels in Ramallah and Bethlehem, the Jacir Palace and the Bethlehem Convention Palace and Ibis Hotel in Jerusalem, among others.

"PIF continues its restless efforts to support and catalyze the economy of Jerusalem. Those efforts include developing the existing investment portfolio in the holy city focusing on tourism, real estate, small and medium enterprises, in addition to employment, financing and tourism programs that will be hopefully announced in 2017"

Social investment... towards job creation and sustainability for youth

Ladies and Gentlemen,

PIF has always believed in serving the community on all levels, and in the importance of a comprehensive approach. PIF is actively developing the concept of corporate social responsibility into a comprehensive social investment strategy.

PIF's efforts in this domain are led by the Palestine for Development Foundation, which aims at developing the skills and capacities of Palestinian to meet the needs of the labor market, and be positive agents within their communities. Those goals will be achieved through various programs fostering the culture of entrepreneurship, and promoting a knowledge-based economy focused on innovation.

"Ibda" [Start] program for youth employment is an example of PIF's social investment strategy. The program offers financing for self-employment projects and the necessary support and training to boost those projects.

PIF assets at the end of 2016 reached

856.2
Million USD

On the financing side, the program offers loans with attractive terms to youth startups or to youth planning to expand existing family businesses. This will lead to job creation and fostering the culture of entrepreneurship. The program was launched with a significant contribution of 30 million US dollars in loans from the Arab Fund for Economic and Social Development.

The second component has been set into motion through signing an agreement with the International Labor Organization (ILO) and the Palestinian Ministry of Education (MoE) to provide required trainings and capacity building programs for youth. This will expand the youth' horizons and their potential.

The Palestine for Development Foundation will train around 200 teachers and target more than 500 students in vocational centers through the "Introduction to the Business World" program. The foundation will also train 25 trainers on "How to select your business idea" and "How to start your project". Those trainers will be tasked to train more than 500 entrepreneurs who wish to start their own businesses.

The Palestine for Development Foundation continues to work on the Economic Empowerment Program for Palestinian Refugees in Lebanon. The program expanded to include new partners such the Arab Fund for Social and Economic Development and Silatech organization. Around 2100 projects were financed until the end of 2016, with a total value of nearly 3.67 million US dollars, in various sectors, benefiting around 12,000 refugees.

Ladies and Gentlemen,

PIF continues to improve its performance through good corporate governance, a new organizational structure and the adaptation of international best practices in audit, compliance and investment.

President Mahmoud Abbas issued a decree appointing Mr. Fadi Dweik as General Manager of PIF.

PIF's achievements are well reflected in its financial performance. PIF has achieved 41.3 million US dollars in pretax earnings, and a net profit of 37.3 million US dollars. PIF transferred a total of 21 million US dollars to the Palestinian treasury comprising of the remainder of its 2015 dividend payment, and an advance dividend payment for 2016. To date, PIF's total transfers to the treasury reached 764.5 million US dollars.

PIF's assets at the end of 2016 reached 856.2 million US dollars, a 7% increase since 2015. PIF investment allocation inside Palestine accounts for 93% of its overall investment portfolio.

I would like to seize this opportunity to express the Board of Directors' gratitude to President Mahmoud Abbas, for his wise guidance and support to PIF and its strategies.

I would also like to thank my colleagues on the Board of Directors and members of the General Assembly for their contribution to PIF. Last but not least, I extend my sincere appreciation and thanks to all staff members for their dedication, commitment and hard work to realize PIF's goals and mission in laying the foundations for a strong and independent economy for our future state.

Yours,
Mohammad Mustafa
Chairman of the Board

About PIF

About PIF

PIF is the sovereign wealth fund of the state of Palestine. PIF was established in 2003 as a public shareholding company with financial, administrative and legal independence, governed by its internal bylaws in line with Palestinian law.

Mission

The mission of PIF is to contribute to the building of an independent and vibrant economy as a pillar of the future Palestinian state. It also aims to empower the Palestinian private sector and to enhance its leading role. PIF aims to achieve its mission by investing in feasible and socially responsible developmental projects, which create jobs and promote sustainable growth in vital sectors.

Governance

PIF believes that good corporate governance is the key to long-term stability and growth.

The success of PIF's investments and those of its subsidiaries depends on PIF's professionalism and credibility. As such, PIF adheres not only to the Palestinian law, but to international best practices and standards in corporate governance.

Its membership in the International Forum of Sovereign Wealth Funds reflects this vision, as its performance and work follow the Santiago Principles set by the World Bank.

PIF's Organizational Structure is based on four pillars:

1. General Assembly.
2. Board of Directors.
3. Internal and External Audit.
4. Uniform policies and procedures based on best practices and qualified human resources.

Governance Tools

PIF is committed to the principles of good governance and transparency through multiple criteria that include:

- The Board of Directors internal audit committee, and the continuous coordination with the State Audit and Administrative Control Bureau and Ministry of National Economy, since PIF is registered as a public shareholding company.
- Internal audit unit supported by Deloitte, which reports to the Board of Directors.
- External auditors (Ernst & Young) who report to the Board of Directors and ensuring commitment to international auditing standards.
- Adopting a number of policies and procedures that govern PIF's work.

Such measures have enabled effective management of PIF's assets and the success of its investment portfolios.

Board of Directors

PIF Board of Directors is comprised of 11 members representing the Palestinian business sector, academia, civil society and regulatory bodies.

Board of Directors Committees and Responsibilities

1- Audit Committee:

Review PIF's financial statements, review its internal audit reports, monitors adherence to procedures and oversees issues that impact PIF's financial statements.

The Committee members are:

- Mr. Tarek Aggad – Chair
- Mr. Mohammad Abu Ramadan
- Mr. Mazen Sinokrot
- Mr. Tamer Bazzari

2- Investment Committee:

Reviews and sets investment policies, reviews and approves investment decisions, and oversees the performance of the different investment portfolios.

The Committee members are:

- Dr. Mohammad Mustafa – Chair
- Mr. Azzam Shawwa
- Mr. Tarek Aggad
- Mr. Mazen Sinokrot
- Mr. Mohammad Nasr

3- Governance Committee:

Headed by the Chairman of the Board of Directors, the committee is tasked to oversee PIF's commitment to its bylaws, review and determine internal governing policies and procedures, including ensuring that no conflict of interest occurs within the senior management.

The Committee members are:

- Dr. Mohammad Mustafa – Chair
- Mr. Maher Al Masri
- Dr. Mohammad Nasr
- Mr. Tamer Bazzari

4- Human Resources Committee

Responsible for reviewing and adopting Human Resources policies and salaries and bonuses at all levels, including senior management,and the General Manager's salary and bonus.

The Committee members are:

- Eng. Nabil Al Sarraf – Chair
- Mr. Samer Khoury
- Mr. Tarek Aggad
- Ms. Lana Abu Hijleh

Board of Directors

Dr. Mohammad Mustafa. Chairman of the Board

Chairman of the Board of PIF, former Deputy Prime Minister, former Deputy Prime Minister for Economic Affairs, former Minister of Economy, and former PIF's CEO. In his former capacity as CEO of PIF, Dr.Mustafa led the fund to become an engine of development and investment in Palestine by launching transformative projects in vital sectors such as telecommunications, real estate, energy, small and medium enterprises, construction, tourism and infrastructure. Prior to joining PIF, Dr. Mustafa worked in the World Bank in Washington and as an economic reform and investment consultant in Kuwait and Saudi Arabia, CEO of Paltel, and a lecturer at the George Washington University.

Mr. Maher Al Masri

Chairman of the Board of Directors of Islamic Palestinian Bank, as a representative of PIF, former Minister of National Economy. Former chairman of the board for several economic enterprises and institutions. Mr.Masri holds a master's degree in Economics from the American University of Beirut.

Mr. Azzam Al Shawwa

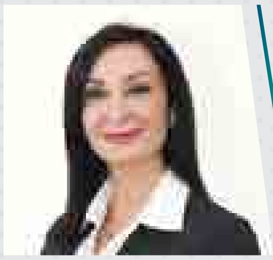
Governor and chairman of the Palestine Monetary Authority, former Head of Energy Authority and member of several local and international economic organizations and institutions. He holds a bachelor's degree in Mathematics from Memphis University.

Mr. Mazen Sinokrot

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

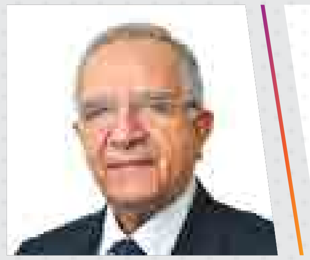
Mr. Samer Khoury

CEO of the Consolidated Contractors Company (CCC), who serves on the board of over 28 entities worldwide. He holds a bachelor's degree in Civil Engineering from California State University, and a master's degree from the University of Southern California



Mrs. Lana Abu Hijleh

Director General of Global Communities in the West Bank and Gaza Strip since 2003, and an expert on local and international development. She served as Assistant Resident Representative for UNDP, and is a member of the board of directors of several leading Palestinian organizations.



Eng. Nabil Al Sarraf

Businessman who is serving on the boards of several companies in Jordan and Palestine and other non-governmental and charity organizations. He obtained his master's degree in Civil Engineering in 1966 from Aachen University, Germany.

Mr. Tarek Aggad

Chairman of the Board of Directors and CEO of APIC and executive board member of Aggad Investment Company (AICO), besides serving on the boards of several companies in manufacturing, distribution and services sectors in Palestine, Jordan and Saudi Arabia. Mr. Aggad holds a bachelor's degree in Economics from Harvard University.

Mr. Mohammad Abu Ramadan

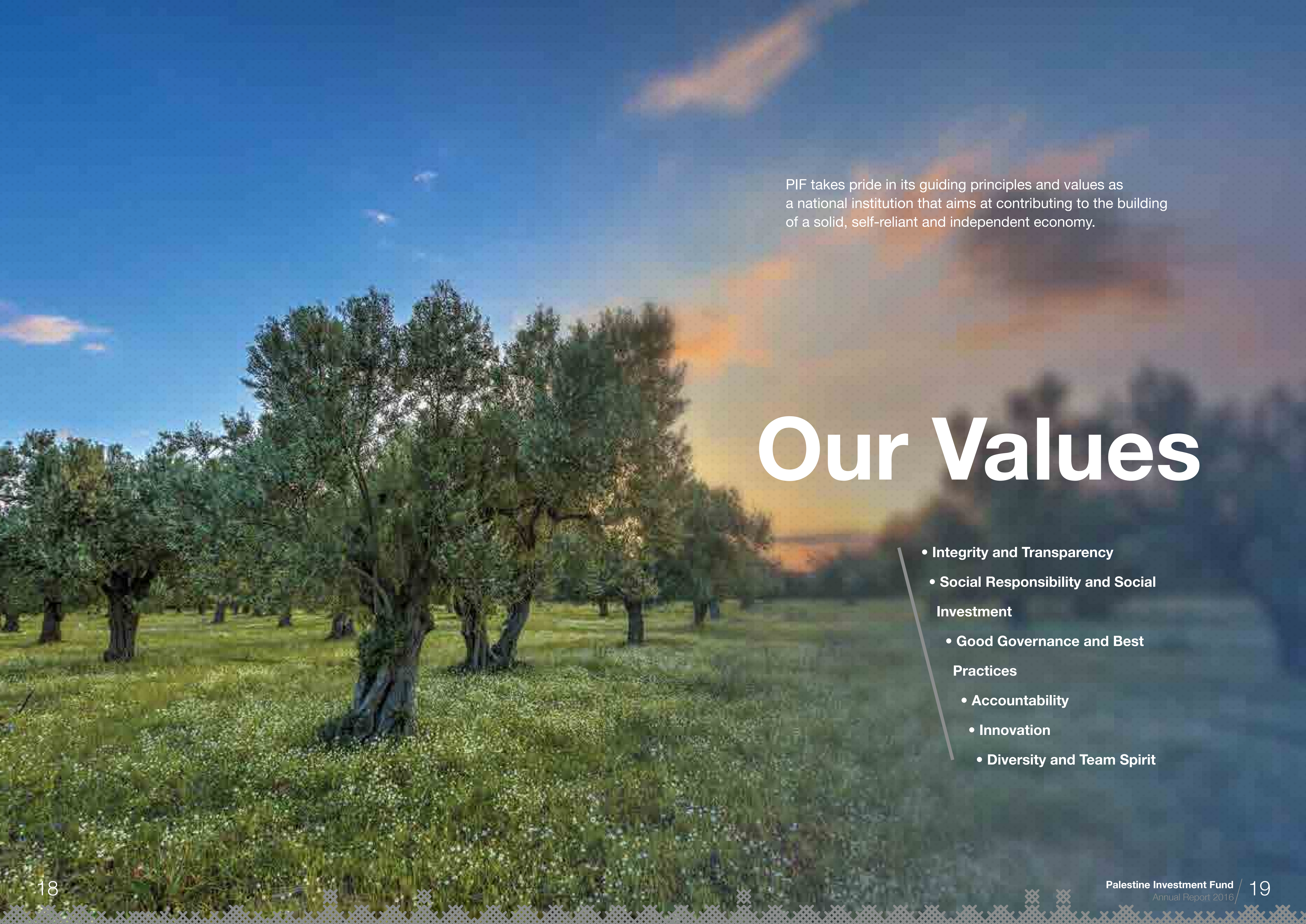
Chairman of the Board of Directors of Wataniya Mobile (WM), as a representative of PIF, and former Minister of Planning and Administrative Development. He is also a member of the Boards of Directors of several companies and economic institutions, and holds a bachelor's degree in Business Administration from Syracuse University.

Dr. Mohammad Nasr

Associate Professor of Economics at Birzeit University and chairman of the Board of Directors of Amaar Company, as a representative of PIF. He is also a member of the Board of Trustees and the research advisors group at the Palestine Economic Policy Research Institute (MAS). Dr. Nasr holds a PhD. in Economics from Ohio University and an MBA from Wayne State University.

Mr. Tamer Bazzari

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



PIF takes pride in its guiding principles and values as a national institution that aims at contributing to the building of a solid, self-reliant and independent economy.

Our Values

- Integrity and Transparency
- Social Responsibility and Social Investment
- Good Governance and Best Practices
- Accountability
- Innovation
- Diversity and Team Spirit

General Assembly

General Assembly

The General Assembly is the primary supervisory body representing PIF's main shareholder; the Palestinian people. It is comprised of 30 independent and experienced members, representing the diverse spectrum of Palestinian society, including the business community, regulatory bodies and civil society organizations. The President of Palestine appoints the members for the General Assembly, for a three-year term, during which they are responsible for the provision of general strategic guidance for PIF. The General Assembly also reviews the annual reports and approves the distribution of dividends.

The General Assembly is also responsible for the appointment of the external auditors based on the recommendations of the Board of Directors.

- Dr. Mohammad Mustafa
- Governor of the Palestine Monetary Authority
- Chairman of the Board of Directors, Palestine Stock Exchange
- Chairman of the Federation of the Palestinian Chambers of Commerce
- Chairman of the Board of Directors, Capital Markets Authority
- President of the Private Sector Coordination Council
- Director of the Presidential Court
- Representative of the Board of Directors of the Palestinian Business Women's Forum
- Mr. Maher Al Masri
- Mr. Samer Khoury

- Mr. Nabil Al Sarraf
- Mr. Mazen Sinokrot
- Mr. Mohammad Abu Ramadan
- Mr. Tarek Al Aggad
- Mr. Azzam Al Shawwa
- Mrs. Lana Abu Hijleh
- Dr. Mohammad Nasr
- Mr. Faisal Al Shawwa
- Dr. Mohammad Ishtayyeh
- Mr. Kamal Hassouneh

- Dr. Hasan Qassem
- Dr. Jawdat Al Khudari
- Dr. Hani Nijem
- Mr. Sam Bahour
- Mr. Abdulkader Al Husseini
- Dr. Safaa Nassereddine
- Mr. Hashim Al Sawwa
- Mr. Ahed Bseiso
- Mr. Nassar Nassar
- Mr. Iyad Joudeh

2016 Highlights and Figures

PIF launched a package of projects in 2016 in cooperation and partnership with several leading private sector companies with a total expected investment size of

Covering the following economic sectors

Tourism
Through Yabous and Amaar

Agriculture
Through Sharakat

Health
Through Aswaq

Industry
Through the investments of Sanad and Sharakat

Energy
Through Massader

Capital Markets
Through the investments of Aswaq and Khazanah

PIF Highlights for the year

2016

Palestine Investment Fund
صندوق الاستثمار الفلسطيني
نستثمر لمستقبل أبنائنا

2016

JAN | FEB | MAR | APR
MAY | JUN | JUL | AUG
SEP | OCT | NOV | DEC

Completion of phase one of Jericho Agro-Industrial Park (JAIP)

14/3/2016
Opening of Al-Istishari Arab Hospital
330 Beds
750 Jobs

24/5/2016
Investing in the Jerusalem District Electricity Company (JDECO)
by %10

30/5/2016
Launching Ibtikar Fund, as part of Investment of Sharakat
by funding 9 emerging companies

Launching Noor Palestine program
35 MW through solar energy with 50 million USD worth investment

Fourth quarter
Launching Yabous Company for Tourism Investments
%54 of Movenpick Hotel

29/9/2016
Incorporating "Know About Business" curricula as part of IBDA youth program in the education system.

1/10/2016
Laying corner stone for first cement factory in Palestine
310 Million USD
1000 Jobs

30/10/2016
Opening of Khaizaran Palestine farm, an investment by Shrakat Company
Protected agriculture over an area of 350 square meter

24/11/2016
Jenin Power Plant
%40 of electricity needs of Palestine with a 600 million USD worth investment.

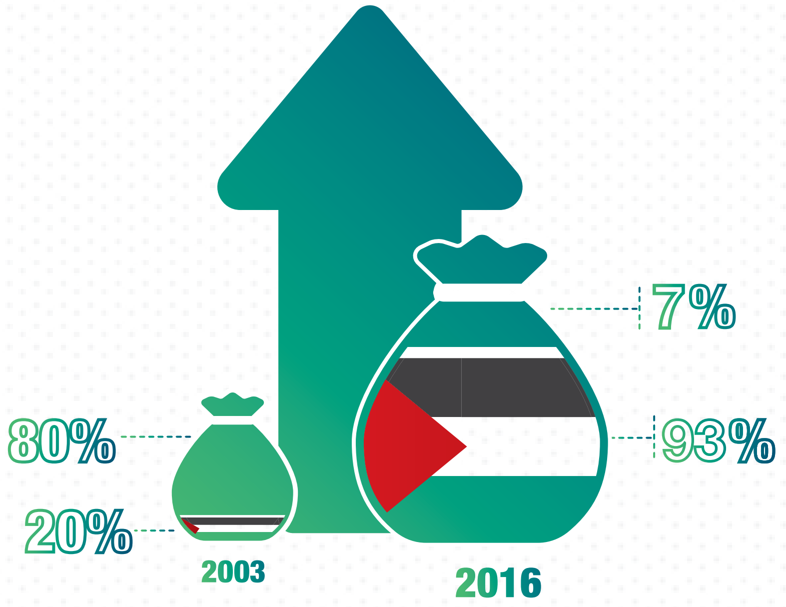
5/12/2016
IPO of Sanad Construction Resources

PIF Profits in **2016**

41.3 Million USD
gross profit pretax

37.3 Million USD
net profit after tax

Total transferred to State treasury as dividend payment since 2003
764.5 Million USD



PIF investments inside and outside Palestine

PIF assets by end of **2016**
856.2 Million USD
with growth percentage of
7%
compared to 2015

PIF Investment Portfolios

Specialized Development Mechanisms

In order to optimize PIF's performance and enable its ambitious strategy, the Board of Directors adopted a new organizational structure for PIF and its investment subsidiaries.

The structure is based on specialization, and includes seven main investment portfolios, including the newly launched Yabous Company for hospitality and tourism, and Massader company, and the Palestine for Development Foundation; PIF's social investment and social responsibility subsidiary.

massader
a PIF Company

Massader for the Development of Natural Resources and Infrastructure Projects

Massader is the PIF investment arm in Natural resources and infrastructure sectors. Massader is currently developing a large portfolio of strategic investments that will contribute to the economic independence and serve as basic building blocks for the State of Palestine.

Massader's investment strategy is focused on promoting public private partnerships that unlock investment opportunities in the following key economic sectors:

- Upstream Oil & Gas.
- Conventional Power Generation.
- Renewables Power Generation (Solar and Wind).
- Water Desalination and Waste Water Treatment.
- Waste to Energy.

Massader's current investment program is estimated at around USD 2.5 billion.

Ambitious Investment Program

2.6
Billion USD

2016 Projects and Highlights

With PIF's strategy and main goal of boosting energy security for Palestine, Massader achieved a number of strategic milestones in 2016. These include:

Signing the Production Sharing agreement with the Government of Palestine for the development of West Bank Oil Field-Block 1, and launching the first phase of the exploration program within the project boundaries.

Issuing an international tender for international EPC contractor to build PPGC 450 MW gas fired combined cycle power plant near the city of Jenin, laying the corner stone of the power plant and signing a mandate letter with the International Finance Corporation (IFC) to enable the mobilization of the debt financing to the project.

Launching Noor Palestine Solar Program that helps and encourages electricity consumers within the private, public and residential sectors to produce their energy needs through rooftop solar systems and pooled solar parks models thus decreasing country dependency on imported energy sources, promoting utilization of green energy sources and reducing cost of electricity on consumers.

Prequalification of 9 international EPC contractors to construct large-scale PV Solar Parks across the country.

1250
Million for the development of Gaza Marine offshore natural gas field that holds around 1.1 TCF of natural gas.

400
Million for the development of West Bank Oil Field-Block One, with an estimated reserve of 30 million barrels.

600
Million for the development of Jenin Power Plant, with a generation capacity of 450 MW.

200
Million to expand the capacity convert existing Gaza power plant from diesel to a natural gas fired power plant, up to 280 MW.

100
Million USD for the construction of large-scale solar parks with a total production capacity of 70 MW, in different locations in the West Bank.

50
Million for Noor Palestine Solar Programme with total capacity of 35 MW.

Current Investment Program

The Development and Utilization of Gaza Marine Offshore Natural Gas Field

The natural gas field is located in the Palestinian EEZ offshore Gaza. The proven gas reserve is estimated at around 1.1 trillion TCF of natural gas. The field is commercially viable and constitutes an important source to fulfill the power generation needs of domestic market and would allow for the export of excess gas to neighboring Arab countries. PIF owns 17.5% of the development rights of this field that is being developed in partnership with CCC (27.5%) and the Shell (55%). The total development costs of the project are expected to reach up to 1.25 billion US dollars.

The Development and Utilization of West Bank Oil Field

The West Bank Oil Field covers an area of 432 km2 extending from the North-West of Ramallah to the North of Qalqilya. Preliminary assessments indicate the presence of hydrocarbon resources (oil and natural gas). Those assessments will be verified by executing an exploration and appraisal program. PIF has signed a production sharing agreement with the Government of Palestine for the development of this field. It has brought on board specialized international companies to execute the exploration and appraisal program. An oil field operator will be appointed as the commercial feasibility of the project is confirmed. The total required investment for this project is estimated at around USD 400 million.

The Development of PPGC Jenin Power Plant (JPP)

The is the first and largest gas-fired power plant in Palestine, with a generation capacity of 450 MW, that will be built in the governorate of Jenin. This project is being developed by the Palestine Power Generation Company (PPGC); a partnership between leading Palestinian institutional investors that include the PIF with 40.3%, PADICO 20%, Paltel 10%, the Arab Bank Group 10%, the Palestine Electric Company 5%, APIC 4%, in addition to leading group of investors that include the Bank of Palestine, Al-Quds Bank, Cairo Amman Bank, PRICO, National Insurance Company and others. The power plant will provide around 40% of the electricity needs of the Palestinian market. Production is expected to start in June 2020 with total investment of around USD 600 million.

Noor Palestine Solar Program

This program aims at promoting the production of clean energy from renewable sources by encouraging consumers of electricity in the private sector, the public sector, and residential sector to build their own energy systems. The program will construct medium sized Solar Parks that will serve groups of consumers and construct solar PV systems to produce the electricity needs of individual customers. The program is expected to rollover around 35 MW installation of PV systems with a total investment size of around USD 50 million.

Utility Scale PV Solar Program

The program aims to build a portfolio of utility-scale solar parks across the country that will feed electricity directly into the main load centers in several governorates. The total program size is to be around 70 MW with total investment size of around USD 100 million.

PEC Gaza Power Generation Plant

PIF is a key investor in the Palestine Electricity Company, owner and operator of the Gaza Power Plant. Investors are currently working on converting the power plant from diesel to natural gas. In addition, the partners are seeking to expand the capacity of the plant to meet the huge shortage of electricity in the Gaza, provide additional critical electricity supplies for seawater desalination projects and wastewater treatment plant. The power generation capacity of the plant is expected to reach 280 MW with additional investment size of around USD 200 million.

Economic Impact

Massader's investment program is focused on the development and utilization of Palestine natural resources that is expected to have sizable impact on national economy that include but not limited to the following:

- Encourage dependence on local energy sources, reduce dependence on imported energy sources and contribute to national energy security program.
- Sizable expansion of economic activity, increasing the size of GDP and generating significant revenues to the government in terms of taxes and royalties.
- Reducing trade deficit with trading partners and creation of domestic energy market (particularly for natural gas).
- Mobilization of sizable local institutional investment program and encourage the flow of FDI from DFIs and international investors.
- Creation of thousands of direct and indirect jobs opportunities in the national economy.

PIF Board founded Massader to contribute to Palestine's Energy Security, by developing our hydrocarbon resources (oil and Gas), and building adequate infrastructure for power generation from conventional and renewable sources, to form the first building block for an independent national economy.

Basem Abdel Halim
Chief Executive Officer

Future Projects

Massader will continue to develop its investment portfolio in power generation (conventional and renewable) and the development of hydrocarbon resources (oil and gas). In addition, Massader will scale-up its investment program to include power generation from solid waste, investing in seawater desalination plants, wastewater treatment and recycling, and providing needed infrastructure to improve Palestine's connectivity to the world through developing country airports, seaports and border crossings.

Aswaq for Investment Portfolios

PIF founded Aswaq to lead PIF's strategic investments in Palestine. Those investments play a vital role in supporting the Palestinian economy across various sectors.

Aswaq's investments in strategic Palestinian companies enable the growth and these companies and improvement in their performance. This comes in line with PIF's vision towards an independent and sustainable Palestinian economy.

PIF, through Aswaq, invests in companies that have long-term visions and strategies, and which have mature operations and distribute dividends. PIF aims to retain steady returns in the medium and long run from these investments, as well as improving the companies' performance and efficiency through overseeing their performance.

281 million USD

The market value of ASWAQ's investments in listed companies in PEX until the end of 2016

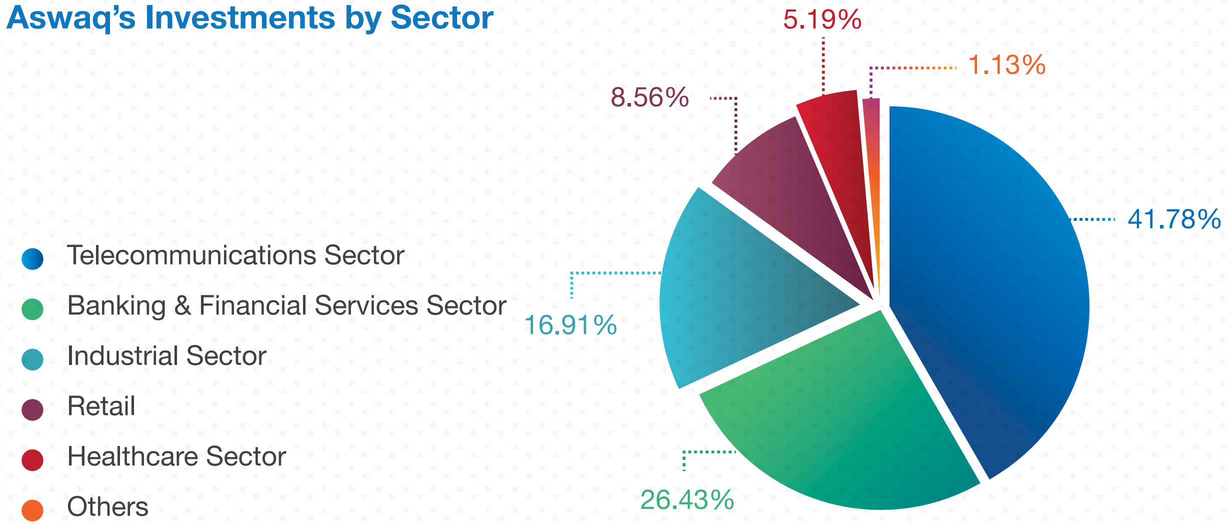
2.61 Billion USD

The market capitalization of the companies that Aswaq had invested in.

Aswaq's investments

Telecommunications Sector
Wataniya Palestine Mobile Telecommunication (WM)
Palestine Telecommunications (PALTEL)
Banking & Financial Services Sector
Palestine Islamic Bank (ISBK)
Arab Islamic Bank (AIB)
Al-Quds Bank (AL-QUDS)
Bank of Palestine (BOP)
Al-Safa Islamic Bank (AL-SAFA)
Industrial Sector
Palestine Industrial Investment Company (PIIC)
The Vegetable Oil Industries Co. Ltd. (VOIC)
Birzeit Pharmaceutical Company (BPC)
National Aluminum and Profile Company (NAPCO)
Palestine Poultry Company (AZIZA)
Retail and Import Sector
Arab Palestinian Investment Company (APIC)
Arab Palestinian Shopping Centers Company (PLAZA)
Healthcare Sector
Arab Specialized Medical Complex Company (ASMCC)

Aswaq's Investments by Sector



2016 Highlights

Aswaq is considered one of the leading investment platforms in Palestine. 2016 witnessed a significant growth in the investments managed by Aswaq, as new investments were added to its portfolio, and as the value of its existing portfolio grew in various economic sectors:

- Industrial Sector: Palestine Industrial Investment Company (PIIC), another Aswaq investment, acquired Al-Pinar General Trading Company early 2016. PIIC's performance indicators were very positive as a result of the acquisition. Additionally, the improved performance of the Palestine Poultry Company AZIZA positively contributed to the overall enhancement in PIIC's performance as it holds 20.90% of the shares.

- Banking and Financial Services Sector: Aswaq increased its share in the Arab Islamic Bank AIB to reach 34.98%, to become the second largest shareholder. It also participated in the secondary offering of the Palestine Islamic Bank ISBK to raise the bank's capital, and maintained its ownership at 34.18% of the bank's shares. In addition, and in light of the increasing demand on Islamic banking services, Aswaq also participated in the IPO of Al-Safa Islamic Bank in mid-2016.

- Telecommunication Sector: WM for the first time reported positive profits for the first three quarters of 2016, compared to net losses reported for the same period of previous years. This comes as a result of the company's sound management and reducing the overall operational and managerial expenses, as well as the significant increase of its client base which had a positive impact on the profitability of Aswaq, as it holds 36.07% of the shares of WM.

- Healthcare Sector: Aswaq increased its investments in this sector through acquiring around 20% of the Arab Specialized Medical Complex Company's (ASMCC) shares. ASMCC owns and manages AL-Istishari Arab Hospital in Al-Reehan neighborhood; which is considered an iconic hospital with advanced healthcare services.

Affiliated Companies in Aswaq's Portfolio

The Arab Islamic Bank (AIB)

Established in 1995, AIB was the first Islamic bank in Palestine. It launched its operations in 1996, and carries out a wide range of banking, financial and investment activities in compliance with the Islamic Law (Sharia). AIB provides high quality modern Islamic financial and banking services and products through its network of 11 branches, and has 300 employees. The paid-in capital of AIB is currently 50 million USD, and the bank is actively working on raising it to 75 million USD in the coming few years in compliance with the instructions of Palestine Monetary Authority. ASWAQ holds a share of 34.98% of AIB -ASWAQ second largest shareholder-. The bank has reported a net profit of 6.2 million USD for the year 2016.

The Palestine Islamic Bank (ISBK)

ISBK offers a variety of contemporary banking and financial services and products in compliance with the Islamic Law (Sharia). It has an authorized capital of 100 million USD, and a paid-in capital of 62.5 million USD which it will be gradually increased to reach 75 million USD over the coming few years in accordance to the instructions of Palestine Monetary Authority. The bank operates a network of 19 branches with around 450 employees. ASWAQ holds a share of 34.18% of ISBK, and the bank reported a net profit of 12.6 million USD for the year 2016.

Wataniya Mobile (WM)

WM, the second mobile services operator in Palestine since 2009. WM is a joint venture between PIF and the National Mobile Telecommunications Company (NMTC), which is owned by Ooredoo Group. WM has a paid-in capital of 258 million USD. Despite the Israeli impediments that include blocking the frequencies of WM and disrupting the entrance of operational equipment into the Gaza Strip; recently the company had succeeded in releasing and setting up significant parts of the telecommunication network equipment into the Gaza Strip. In addition, the first pilot test call between Gaza and the West Bank was conducted. WM is planning to launch its services in Gaza Strip, which represents 40% of the Palestinian market during 2017. Moreover, the company is planning to launch 3G services in Palestine. Aswaq holds a share of 36.07% of WM and the company had managed to reduce its periodic losses significantly during 2016 to (1.5) million USD.

Palestine Telecommunications Group (Paltel Group)

Paltel is the first telecommunications operator in Palestine. PIF is a co-founder and key investor in Paltel since its setup in 1997. Paltel is a public shareholding company that provides wired and wireless telecommunications and Internet services in Palestine, through building, operating and developing the needed infrastructure. Paltel is considered as the company with the highest net worth in PEX, with a net worth of around 1 billion USD. Paltel has a paid-in capital of 131.62 million JD, and it has declared net profit of 80.06 million JD for the year 2016.

Palestine Industrial Investment Company (PIIC)

Established in 1995, PIIC is an industrial holding company specialized in industrial and agricultural investments. PIIC holds major shares in Palestine Poultry Company (AZIZA), Palestine Plastic Industries Company (LADAEN) and the National Carton Industries Company (NCI). PIIC had recently acquired Al-Pinar General Trading Company, which produces dairy food products, aiming to enhancing food security in Palestine. PIIC is also a major shareholder in the Vegetable Oil Industries Company (VOIC) and the Golden Wheat Mills Company (GMC), with a paid-in capital of 18.75 million JD. ASWAQ currently holds 20.90% of PIIC's shares. PIIC had reported a net profit of 4.02 million JD by the end of 2016.

The Arab Palestinian Investment Company (APIC)

APIC is a leading company in the manufacturing, wholesale, and retail sector. It provides local consumers with the ability to choose high quality goods and services that were not available in the market, or that were sold at higher prices. APIC's diversified portfolio includes manufacturing, wholesale, media, trading and retail. In 2016, APIC's stock price increased by 71% by the end of 2016 in comparison to the beginning of the year. APIC had reported a net profit of 12.13 million USD in 2016, by the end of 2016, where ASWAQ holds a share of 17.47% of APIC's shares.

APIC group is the mother company of the following companies that provide the Palestinian market with high quality products and services:

- The Palestinian Automobile Company
- Siniora Food Industries Company
- The Arab Palestinian Shopping Centers Company (PLAZA)
- Medical Supplies & Services Company (MSS)
- UNIPAL General Trading Company
- SKY Advertising, Event Management & PR Company
- Arab Palestinian Storage & Cooling Company
- The National Aluminum & Profiles Company (NAPCO)

The Arab Specialized Medical Complex Company (ASMCC)

Established in Nablus in 1997, ASMCC is a private limited liability company. It invests in and manages several leading hospitals in Palestine, including the Specialized Arab Hospital in Nablus, where it provides advanced medical secondary and tertiary services and treatments through highly qualified specialists. ASMCC also holds 70% of the shares of Istishari Hospital in Al-Reehan. Istishari is the largest hospital in Palestine, aiming to offer high quality healthcare services that employs the most advanced technologies and equipment.

Strategic Partnership with the Jerusalem District Electricity Company (JDECO)

In May 2016, PIF and JDECO signed a strategic partnership and cooperation agreement, under which PIF acquired 10% of JDECO's shares. This agreement aims to create a framework for strategic cooperation and partnership between the two parties in several respects, in addition to shares acquisition. The agreement includes articles dedicated to the exchange of knowledge and technical support in the energy sector, including solar energy and photovoltaic power stations and cooperation in telecom, including developing JDECO's fiber-optic network and cooperation in developing the infrastructure. This partnership will further integrate the different components of the energy sector in Palestine amongst the different actors in producing, distributing and exchanging knowhow in this field. Moreover, this cooperation will decrease the reliance on Israel and thus the bill payable to Israel in return of electricity supplies. In 2017, management of PIF's share in JDECO will be managed through ASWAQ.

> **Aswaq's presence as a strategic investor in the aforesaid companies is considered an added value to those companies. These investments emphasize PIF's view that the private sector is a key player in the process of economic development**

Shadi Khatib
Acting Executive Director

Economic Impact

Aswaq is one of the largest investors in Palestine. The presence of such an investment company boosts the performance of the Palestinian market and PEX. Aswaq is a key contributor to the development of the Palestinian investment infrastructure through supporting national companies in attracting additional investors. Aswaq plays a critical role in financing PIF's developmental programs and investments, and in attracting foreign investments.

Future Projects

Aswaq is planning to grow its portfolio in 2017, through increasing its shares in strategic companies where it currently invests, and through investing in new companies. In the telecommunications sector, WM had finalized its preparations and plans to launch its services in Gaza Strip and to offer 3G services. This will result in a significant positive impact on the company's revenues, client base as well as creating additional job opportunities in Gaza.

In the industrial sector, Aswaq, as a key investor in Sanad Construction Resources Company, will reap the benefits of Sanad's expansion plans which boost the independence of the Palestinian construction supplies sector create more jobs, create investments opportunities in this vital sector, and ultimately contribute to the independence of the Palestinian national economy. Sanad plans to construct a fully operational cement plant, starting with a cement mill which is expected to start the production process in 2018.

As for the banking and financial services sector, Aswaq plans to increase its investments in Islamic banks, which currently represent 18% of the Palestinian banking sector, and a large growth potential. Finally, in the healthcare sector, Aswaq is aiming at increasing its investments in the ASMCC that operates both the Specialized Arab Hospital in Nablus and AL-Istishari Arab Hospital in Ramallah. Aswaq aims to promote a qualitative shift in the medical and healthcare services in Palestine, through offering specialized medical services with highest international quality standards, administered and supervised by Palestinian cadres, equipped with advanced technologies, which will in turn attract expatriate Palestinian medical experts back to Palestine.

AMAAR GROUP

Amaar Group was established in 2009 as the real estate investment arm of the Palestine Investment Fund (PIF) with an authorized capital of 140 Million US dollars. Through its commercial and housing projects, Amaar is playing a major role in boosting the real estate sector in Palestine. The Group has made excellent accomplishments, creating several iconic landmarks in many governorates. One of the most well-known achievements of Amaar Group is Al-Reehan neighborhood. This residential project has set the main expansion features and future housing standards of the city of Ramallah. There are currently over 700 houses in the neighborhood, and it has modern investment in several sectors including medical, academic, and tourism. Upon completion, Al-Reehan will be home to over 1,500 Palestinian families.

In addition to Al-Reehan, Amaar has completed Al-Jinan neighborhood in Jenin and the first phase of the Moon City project in Jericho. Furthermore, the Group is developing commercial centers, such as Ersal Center, shifting the standards of Palestinian commercial centers and bringing a new level of architectural creativity embossed with advanced technology.

Amaar's strategy will adhere to the development of the horizontal real estate sector, through purchasing large tracts of land areas and building the necessary infrastructure to sell to sub developers. These initiatives will stimulate the developers and investors to catalyze the investment cycle in Palestine. It is also important to address and focus on developing the land and providing it with all required facilities, urban and civil planning, screening and registration, in order to compensate the shortage of lands possible for real estate development.

Among Amaar's main priorities is to contribute to the investment in Jerusalem, through the constant search of partnership opportunities that encourage and create Palestinian investments, which could help reinforce the Palestinian identity and cultural heritage there. In addition, Amaar Group strives to maximize real estate projects in Area "C".

Amaar's projects also target the Palestinian Diaspora, an integral component of the Palestinian people. It offers them the opportunity to reinforce their connection to their homeland through investing and contributing to the development of the Palestinian state.

In summary, Amaar's main focuses are to effectively contribute to the development of physical and social infrastructure of the steadily growing Palestinian society, and support the Palestinian economy in accordance to PIF's vision for a solid, independent, and self-reliant economy.

2016 Highlights

- Amaar Tower - Ersal Center
- Al-Reehan Neighborhood
- Birzeit Heights
- Surda Hills
- Moon City

Moon City – Phase II

Continuing the success of Moon City's first phase of land development in Jericho, Amaar Group completed and sold most of the second phase of the project. The project area spreads over 550,000 square meters with lots of various sizes developed for various uses such as commercial, housing, and tourist sites.

The project has already attracted many individuals, companies, and organizations, due to its unique location, modern infrastructure, and its road network. Developers are now ready to start working on housing, commercial, and internal tourism projects.

Birzeit Heights

Springing from Amaar's horizontal real estate development strategy, Birzeit Heights was launched in 2016. Birzeit Heights is approximately two kilometers away from the center of the town of Birzeit, and located on the road connecting to Burham village, to the north of Ramallah. Through this project, Amaar effectively offers adequate infrastructure to build residential neighborhoods outside city centers and largely populated localities. The project is offers 600-800 square meter lots with official ownership title deeds (tabo), allowing its new owners to start utilizing the land lots that are already equipped with modern infrastructure such as road networks, water, and electricity.

Surda Hills

Part of the horizontal development strategy, Surda hills are in Surda, north of Ramallah, and are only two kilometers away from Al- Reehan Neighborhood.

Surda Hills have become one of the most beautiful hills due to its spectacular natural setting that overlooks the Palestinian coast, and surround architectural buildings that have elevated the value of the location.

Surda Hills offer 50 land parcels that cover an area of (500 to 900) square meters. Each parcel is sorted with a land deed, and has all the adequate infrastructure services. The project aims to connect Surda Hills with main roads to play a leading role in the development and provision of future investments.

The Commercial Complex, Al-Reehan neighborhood

Offering the best possible package of incentives and services, especially to the residents of Al-Reehan neighborhood, Amaar Group attracted a prominent supermarket operator, Gardens Supermarket. The operator will open a large supermarket in the neighborhood in the beginning of 2017, to service current residents and encourage newcomers. In addition, Amaar attracted a Palestinian entrepreneur who saw a unique opportunity to open a Turkish restaurant in the neighborhood, serving the residents of Ramallah in general at the center of Al-Reehan commercial Center.

Amaar Tower - Ersal Center

On the commercial front, Amaar signed a contract with IP Palestine who has the right to sell ZARA, a world-renowned clothing brandz. Its first location in Palestine will be at the Ammar Tower Ersal Center during the beginning of 2017. The Tower has a strategic location, as well as facilities and services that make it a promising investment opportunity.

Additionally, Amaar continues to encourage prominent Palestinian companies and organizations to relocate to Amaar Tower – Ersal Center during 2017.

Future projects

Al-Worood Neighborhood – Jenin

In 2016, Amaar started development in Al-Worood neighborhood in Jenin, north of the West Bank, as part of its horizontal development projects. It is working on obtaining all initial approvals and infrastructure works as a first step.

The neighborhood is strategically located near Al-Jinan residential neighborhood in Jenin, nearly three kilometers to the east of the city center and five kilometers away from the Arab-American University in Jenin. Al-Worood Neighborhood will be the destination for those looking for a unique ambience, since it allows owners to build their houses based on their preferences.

Al-Worood Neighborhood covers a total area of (26,704) square meters, as part of Amaar Group's strategy in expanding the real estate horizontal development. The Neighborhood offers 25 land parcels with areas ranging between (750 and 850) square meters per lot. Each land parcel has its own tabo land deed, and all adequate infrastructure services necessary for modern construction. The roads of Al-Worood Neighborhood will be connected with the main roads of Jenin.

Jerusalem Commercial Center (JCC)

Jerusalem Commercial Center (JCC) is the first commercial project located in the heart of East Jerusalem within a short walking distance from the Old City and Jerusalem Holy sites. It is located opposite to St. George School at the intersection of Salah Eddin Street and Nablus Road. The project building is planned to host five underground parking floors, two retail shops floors, three office floors and up to four furnished apartment/suites floors. It has oriental-modern balanced facades, façade cleaning system, service elevator, panoramic lifts, escalators, and modern electromechanical facilities. The project built-up area is expected to be up to 19,000 square meters.

Other strategic investments

Jericho Agro-Industrial Park (JAIP)

JAIP was established to be a pioneer in the industrial zone development in Palestine with environmentally friendly technologies. It lies over a total area of 615,000 square meters and its first phase was constructed over 140,000 square meters of ample infrastructure that meets all requirements for agricultural and industrial projects.

It is the first industrial zone to offer a complete package of eco-friendly requirements in accordance with international standards. It aims to become the gateway for Palestinian products and exports to the world.

With its distinguished location to the east of Jericho city, it lies only seven kilometers away from the King Hussein Bridge, ten kilometers from the Dead Sea, and nearly 30 kilometers away from Jerusalem.

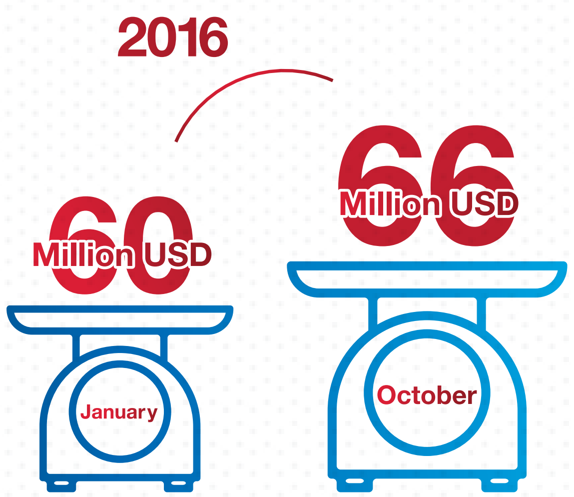
"Amaar has embossed its imprint within the real estate sector in Palestine through its varying projects across the country.It has been leading the development process in this sector and encouraging architectural expansion around Palestinian cities , including Jerusalem."

Mr. Amir Dajani
CEO of Amaar Group

SANAD Construction Resources

Sanad is the investment arm of PIF in the industrial and construction resources sector. In 2016, Sanad became the holding company for all of PIF's construction industries investments.

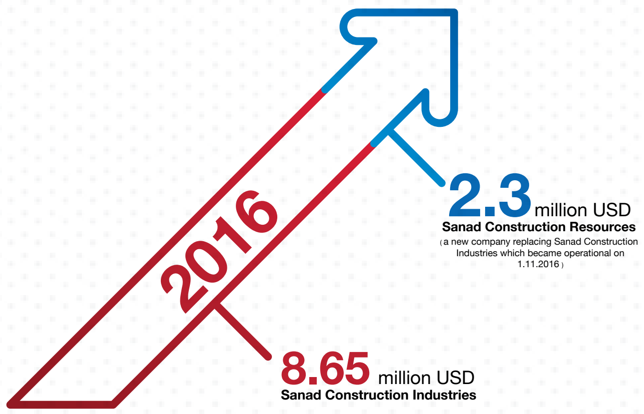
The company invests in three main subsectors: Industry, which remains in its development phase, Trading, which entails the company's marketing and sales operations which are carried out through a newly established subsidiary named Sanad Trading and Marketing Co, and thirdly Logistics, including transportation of bulk cement through Bulk Express as well as transportation of packaged cement through Amial Express.



Through offering (6,000,000 shares) six million shares in an Initial Public Offering (IPO), announced end of year, and listed on the Palestine Exchange (PEX) in the beginning of 2017.

2016 Highlights

Profits

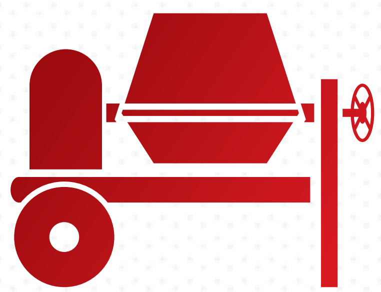


Launching several projects including:

• Establishing a public shareholding company (Sanad Construction Resources), then increasing capital by 10% through an IPO for (6,000,000 shares) and listing the company on The Palestine Exchange (PEX) as of early 2017.

• Laying the foundation for the Palestine Cement Factory in Bethlehem and commencing the development of its first phase, the cement mill.

•Investing in improved storage locations to accommodate bulk cement.



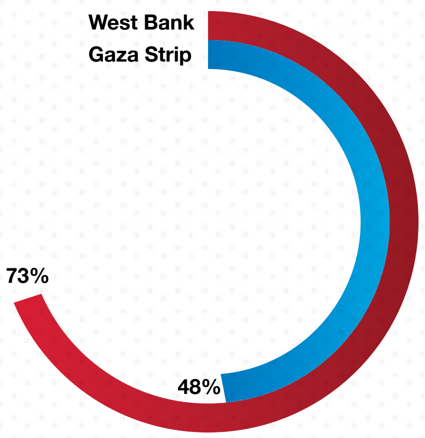
Current projects and investments

Sanad Trading and Marketing (formerly Sanad Construction Industries)

The largest cement distributor in Palestine, meeting 65% of Palestinian market needs. The company's leading position is a result of its capacity to import and supply large quantities of cement with competitive prices from different sources. Sanad's continues to improve and build on its commercial activities, which started in 1994, by offering comprehensive services and investing in strategic storage to guarantee non-interrupted supply.

The company has a wide distribution network and a large client-base in the West Bank and Gaza Strip; reaching a market share of 73% and 48%, respectively.

Sanad has also expanded its product offering by importing nearly 30,000 tons of sand in 2016, which it hopes to increase to 200,000 tons in 2017. Other products in the pipeline include paint, steel, basalt, sand and gypsum boards.



Sanad market share

Sanad South Cement Grinding and Filling (Palestine Cement Plant)

Sanad celebrated the laying the cornerstone of the cement plant in a ceremony attended by President Mahmoud Abbas in Bethlehem in October 2016.

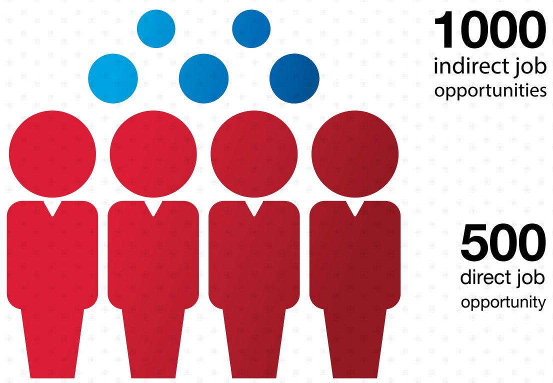
The plant will contribute to Palestinian economic independence through supplying high quality cement to the local market, and creating hundreds of job opportunities for the governorate. It is expected to create 1500 jobs, 500 of which are direct. The factory will be built in two phases; the first phase includes the building and operation of a cement mill, followed by the construction of a plant for the production of raw material.

The plant will be built over an area of 3300 donums, which include quarries that are sufficient supply for over 50 years, with a total investment of around 310 million US dollars. It is expected to attract regional and international investments.

The plant is being designed with the highest environmental standards, including nearly 25 million US dollars in equipment for environmental protection.

The plant will consume around 1500 cubic meters of water daily, which will be provided without altering the current water shares channeled to nearby towns and villages. The plant is also expected to use 25 MW of power that will be generated onsite from renewable energy sources.

Sanad has commenced its phase 1 work on the cement mill, which is the cement mill that due to be completed in 2019 with a production capacity of one million tons of cement annually, and an investment of 58.2 million US dollars.

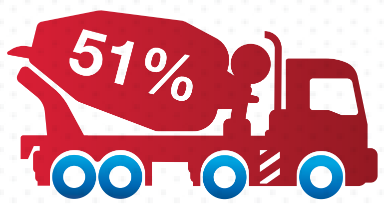


Bulk Express

Bulk Express was established in 1995 with a capital of 1.4 million US dollars, . The company offers transportation solutions for bulk cement in containers throughout the West Bank.

Amial Express

Amial Express was established in 2014 with capital of 250 thaousends US dollars, to be raised to one million US dollars in 2017. The company specializes in transportation of packaged cement in the West Bank. Sanad Construction Resources owns 51% of company.



"Asasat" for stone industries

Sanad Construction Resources is pursuing efforts to open three quarries in the West Bank with annual production capacity of 3 million tons. The quarries will utilize advance technologies in this field. A feasibility study was completed for this project, and a geological study is underway to examine the existence and characteristics of the type of stone required for production.

Bonyan

Bonyan for Investment and Construction Sector Development

Bonyan was launched in 2015, with an investment portfolio of 100 million US dollars. Sanad's expected initial contribution will be 30 million US dollars.

The program's main goals are:

A. Integration and strategic partnership with small and medium enterprises in the construction sector, to develop its productivity and competitive edge, and eventually increasing financial returns, creating job opportunities and penetrating new markets.

B. Transfer of knowledge to small and medium enterprises (SMEs) working in this sector through identifying technical, administrative and operational needs to develop their work and increase effectiveness and profitability.

C. Helping companies access the financing needed for the development of their work.

"Sanad has adopted a transformative strategy from importing to producing, to kick start the development of the construction industries sector in Palestine. This will be achieved through establishing the first cement factory in Palestine, as well as other programs we hope to implement with partners specializing in this sector"

Mr. Louai Kawas,
CEO of Sanad

SHARAKAT

Sharakat Fund

Sharakat is PIF's investment arm in the small and medium enterprise (SMEs) sector. It aims at contributing to the development of an independent and sustainable Palestinian economy by developing SMEs through capital injection and enhancing corporate governance. Sharakat focuses on a group of vital sectors, including light manufacturing, food industry, tourism, microfinance, education, health, IT and agriculture, which behold a strategic economic significance.

The company's investment portfolio managed throughout 2016 reached 14.5 million US dollars, leveraging nearly 120 million US dollars of investments by partners. Employing over 777 professionals, those investments were deployed to establish and develop ten specialized companies, including one investment fund focused on IT startups, and two companies focused on financing SMEs.

Sharakat enhanced its contribution to SMEs in 2016 by launching 'Ibdaa' – a 30 million USD youth lending and capacity building program financed by the Arab Fund and managed by Sharakat in partnership with Palestine Development Foundation (PsDF) which handled the training component. Sharakat implemented the first $6m stage through funding Asala, ACAD and Faten microfinance institutions. This has enabled over 578 youth and women to receive financing for their productive projects, and employing over 1,130 jobs.

Over 2016, Sharakat has been increasingly focusing on the vital and strategic agriculture sector which contributes a mere 3-5% of the Palestinian GDP and employs around 11.5% of the labor force. The sector has great potential to boost the performance of the national economy by increasing and improving local produce, substituting imports and increasing exports into existing and new markets.

Sharakat approved investment program

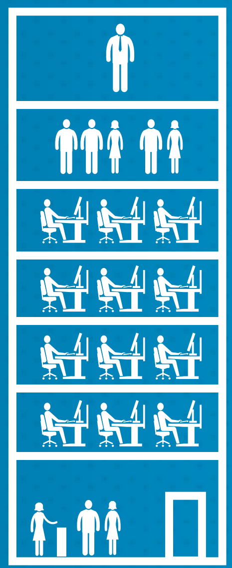
Investment Strategy

Investing in existing SMEs with growth and expansion potential, as well as promising startups, especially in agriculture.

Injecting capital in return for minority share between 15%- 40% of total investment capital.

Investing between 0.2 - 3 million USD with possibility to increase investment in case of promising prospects.

Exiting investments (preferably to original owners) after seven to eight years, once the investment is sustainable and profitable.



Sharakat investments have employed

777

people during 2016

Projects launched in 2016

Khaizaran Palestine Fresh Herbs Company – Agripal

Located within areas classified as area “C” in both Tubas and Al Jiftlik, the model fresh Herbs farm uses protected agriculture (greenhouses) and modern agricultural techniques to produce over 25 different varieties of herbs across 500 dunums in the Northern Aghwar. The investment with Khaizaran employed over 100 workers and employees and seeks to develop the Palestinian agricultural sector through strengthening its export capacity and penetrating new international and regional markets for Palestinian produce.

Plastopal

Established in 2013 In Hebron, Plastopal company is specialized in plastic packaging of foods and dairy using a ‘in-mold labeling’ technique. It offers a variety of products in modern customizable designs to 15 dairy, food and salads factories in the West Bank, Gaza and Jordan.

Sharakat’s investment aims at developing the production lines of Plastopal, with the aim of improving the quality and cost of production. This will contribute to substituting imports and supporting the local food industry by providing high quality, low price and readily available customized products.

“Ibdaa’” program for youth funding

Launched in 2016. “Ibdaa’” is a 30 million USD youth financing program which aims at enabling young entrepreneurs to finance their projects through affordable loans. The program is implemented in partnership with the Palestine Development Foundation, and several micro finance institutions that work in both the West Bank and Gaza. The program deployed 6 million USD to 578 promising projects in 2016 employing over 1,130 jobs.

Standing investments and projects

Pal-Farm

Pal-Farm dairy farm was established in 2008 and is currently managed by Al Jebrini Dairy & Foods Industries Company. The aim of the farm is to provide the Palestinian market and dairy companies with a stable supply of high quality fresh milk to be used in the production of different dairy products. Sharakat's investment has led to the increase of the production capacity of the farm, which is now supplying over 40% of Al Jebrini Dairy Company milk needs. Sharakat's investment has increased the number of milk producing cows and milk production capacity, improved the storage and transportation facilities and improved the overall quality of supplied milk.

The Palestine Ijara

Established in partnership with the Islamic Corporation for the Development of the Private Sector (ICD) and the Palestine Islamic Bank, the Palestine Ijara Company provides a unique Islamic leasing services to SMEs in Palestine. Ijara's unique offer enables SMEs to acquire equipment using Shari'a compliant Ijara lease-to-own financing. It aims at targeting different promising industrial sectors with Islamic lease contracts ranging from 100,000 to 1,000,000 USD.

Souktel

Founded in 2006, Souktel designs and delivers custom mobile solutions that connects job seekers with employers. Souktel also offers AidLink services, which connects with humanitarian aid providers and agencies, and allows them to find information on their staff during crisis. Souktel's services are considered as means to empower local communities that are deprived from Internet connectivity, using simple 2-G mobile phones to exchange data.

Ibis Hotel (formerly Strand and Vienna Hotels)

The IBIS hotel is owned by Al-Quds Hospitality One Company which is 60% owned by Al Quds Holding (AQH) and 40% by Sharakat. The 91-room hotel in Sheikh Jarrah, Jeruslaem, is considered the only hotel in East Jerusalem operating under an international brand name – Ibis Styles; owned by Accor. Sharakat's investment in the hotel enabled the completion of the hotel renovation in 2014 and contributed to its operations and management effectiveness.
A part of PIF's consolidation process of the tourism portfolio, Sharakat's investment in the IBIS hotel will be transferred to Yabous company in 2017.

Asala for Credit and Development

Asala Company is a microfinance institution (MFI) with a mission to empower female entrepreneurs in Palestine, especially those based in the rural areas of the West Bank and Gaza. It aims at supporting women beneficiaries in starting new income generating projects or expanding their existing enterprises, to help those women, achieve economic independence. Asala, the NGO, was founded in 1997, while ASALA Company for Credit and Development - "Asala Company" - was established in partnership with Sharakat in November 2013 with a capital of US$ 5M, and became fully operational on August 1st, 2014.

With an active portfolio of 13.1 million USD and 4,500 borrowers by the end of 2016, Asala has provided over 54.4 million USD in loans to over 35,000 projects in the West Bank and Gaza since its establishment.

Sharakat's investment in Asala has enabled the transitioning of Asala from an NGO into a profit company, and has assisted Asala in improving its corporate governance, effectiveness and efficiency.

Ibn Sina Specialist Hospital

Ibn Sina Specialist Hospital is a private limited liability company established in 2009 with the objective of constructing, managing and developing the first specialized hospital in Jenin Governorate. The hospital is planned to be completed in early 2019 with 120 -150 quality beds and to employ over 500 staff and specialists.
Sharakat's strategic investment in Ibn Sina Hospital aims at strengthening the much-needed secondary and tertiary medical services in the northern governorates. This comes as part of Sharakat and PIF's strategy to improve the quality of local medical services in order to reduce medical referrals to Israeli and regional hospitals.

Ibtikar Fund

Ibtikar (Innovation, in Arabic) Fund is a disruptive fund that invests in innovative Palestinian companies at their earliest stages. In partnership with select accelerators, it aims at turning initial creative and promising ideas into viable businesses, and to scale them up to national, regional and even global levels.
The target size of Ibtikar fund is US$ 10M with a term of ten years during which it will target Palestinian IT start-ups with investment periods lasting four years. Ibtikar has so far invested in 10 startups, and has already received commitments for around 8 million USD from six limited partners, including Sharakat. .
Sharakat's investment in Ibtikar aims at reaching the early stage IT start-ups that require substantial guidance and coaching which the Ibtikar team is equipped to provide. Sharakat seeks to invest later on in successful start-ups during their growth and post-growth stages.

Vision and future projects

Sharakat is planning to further expand its investment portfolio to target more unique and successful SMEs with growth potential. Sharakat's strategy is to enable Palestinian SMEs to improve their competitiveness in order to gain a wider domestic market share and to access regional and international markets. In addition to the financial contribution, Sharakat provides partners with technical support in strategic planning, financial management, marketing and good corporate governance.

The agricultural sector will be one of the focus sectors for Sharakat in 2017 and beyond. Sharakat will invest in select opportunities across the agricultural value chain. This ranges from research and development, agricultural inputs, water supply, cultivation, logistics and marketing. Sharakat will seek to fill specific gaps within the agricultural value chain to improve the quality and competitiveness of Palestinian agricultural products, and to break the grounds for reaching regional and global markets. Area C, as well as the Aghwar region, will be especially targeted given its strategic significance and its competitive advantage in terms of climate and soil. Where possible, Sharakat will work closely with the Palestinian agricultural cooperatives to complement their work and to assist them especially in marketing their products.

Sharakat Fund was established with the main objective of developing the Palestinian small and medium sized business sector, to enable it to effectively play its role as the backbone of the Palestinian national economy. Sharakat's Board of Directors has now expanded its mandate to enable more impact investments within the agriculture sector. This will allow Sharakat to play a significant role in improving the quality and yield of agricultural produce to enable import substitution and more competitive exports. We are open to take more calculated risks in our future investments, and we welcome new investors to join in

Mr. Nassim Nour
Sharakat Executive Director

Khazanah for Investment Portfolios

Khazanah serves as PIF's investment arm in international and regional markets. Khazanah's main objective is to expand the investments and assets under its management over the medium and long-term. It also aims at maximizing annual returns within its preapproved risk and liquidity limits, in order to contribute positively to the overall returns of PIF.

2016 Highlights

In 2016, Khazanah has achieved a gross profit of 8.8 million USD, which resulted in 8 million USD in net profits after deducting taxes. In addition, its invested assets have grown by 6.7 million USD.

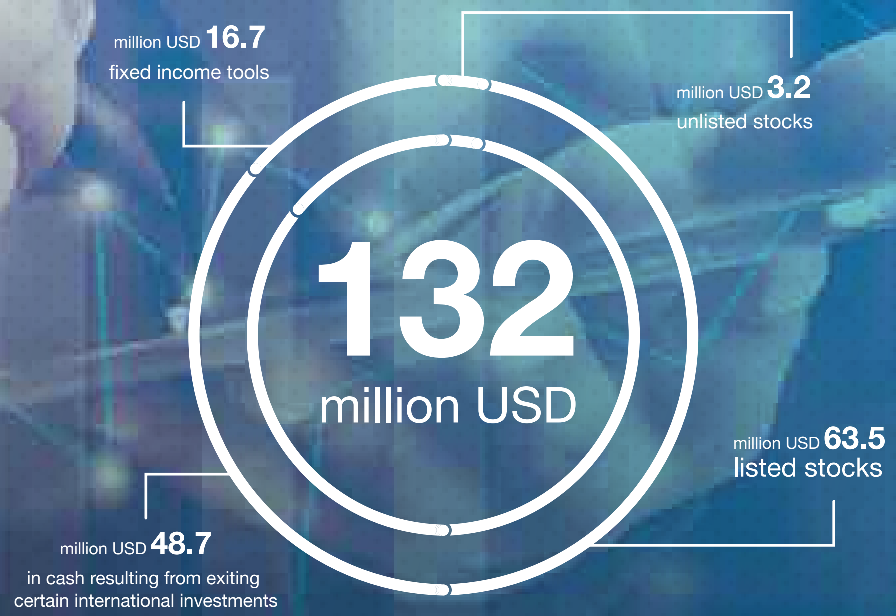
Khazanah has adopted and started implementing the International Financial Reporting Standard (IFRS) 9 to report the financial position of the company for 2016. The new standards present new requirements for classification, measurements, depreciation and hedge accounting to guarantee transparency in evaluating the financial position of the company's investment portfolios.

> **"Khazanah is PIF's investment arm in the global capital markets. Khazanah's main objective is to expand PIF's assets and to achieve annual returns on investment that will be utilized in executing other PIF projects and programs"**

Mr. Munir Nino
Acting Executive Director, Khazanah for Investment Portfolios

Khazanah's overall investments in

2016



Yabous Company for Tourism Investments

Yabous Company for Tourism Investments set new standards and raise the bar in Palestine's hospitality industry. Yabous is a wholly owned subsidiary of PIF which houses PIF's tourism assets and investment portfolios. The company aims at creating synergies across its portfolio through consolidating services, reducing costs, and centralizing the information centers for its different properties. These efforts are to increase the tourism turnout and improve the tourism revenue stream. By creating cohesion between the hotels and developing partnerships and investments with key players and services, Yabous aims to provide quality services to tourists. In addition, Yabous will contribute to the revitalization and growth of the hospitality industry by investing in strategic properties especially in Jerusalem, focusing on quality of service, job creation and promoting economic prosperity.

The structure of the company has been developed to integrate marketing and sales, operations, finance and cost control, property maintenance, and procurement as a consolidated centralized hub. Making such a hub available will decreases costs and turnover and increase occupancy in the different properties.

Yabous will forge strategic alliances with key stakeholders in the hospitality industry to optimize the supply chain. It will also engage with academic institutions to promote student apprenticeships that can benefit both students and industry operators and developers.

Current Investments

Yabous's portfolio is comprised of PIF's investments in the tourism and hospitality sectors in Palestine. The portfolio includes multiple hotels and hospitality facilities all over the Palestinian governorates, including in East Jerusalem providing the finest hospitality and touristic services.

Yabous Portfolio	Investment	City
The Grand Park Hotels Company	Grand Park Hotels	Ramallah and Bethlehem
Palestine Tourism Investment Company	Jacir Palace Hotel	Bethlehem
Arab Hotels Company	Mövenpick Hotel	Ramallah
The Convention Palace Company	The Convention Palace	Bethlehem
Golden Gate Company	A 5 Star Hotel Project	Jerusalem
Grand Bazar Company	Bazar	Old City of Jerusalem
Al Mashtal Company	Al Mashtal Hotel	Gaza

Mövenpick Hotel Ramallah

The Mövenpick Hotel Ramallah is one of the largest investments in the Palestinian hospitality sector. With a capacity of 171 rooms, the hotel is classified as a 5star, and is currently operated by the world famous Mövenpick Hotel and Resorts. In 2016, PIF increased its share in the owning company, Arab Hotels Company (AHC), to approximately 54%, to contribute and revitalize the hospitality and tourism sector, as part of Yabous' strategy.

Grand Park Hotels

The first Palestinian hotel chain operating in Ramallah and Bethlehem, Grand Park Hotels are the preferred hotels for many individuals, organizations, and businesses alike. The Ramallah Grand Park Hotel has 83 rooms, which was renovated in 2012 and the first Palestinian hotel awarded a 5-star classification. The hotel is completely owned (99.7%) by Yabous.

The Grand Park Bethlehem Hotel opened in 2013. It is considered one of the newest hotels in Bethlehem, and has 111 rooms. It is also one of the closest hotels to the Nativity Church. Yabous, through the Grand Park Ramallah, owns around 40% of the Grand Park Bethlehem, while local investors own the remaining shares.

Jacir Palace Hotel – Bethlehem

The historical palace once was owned by a Palestinian family that has been converted into a 5-star hotel with 250 rooms and a Presidential Suite, in the holy city of Bethlehem. Due to its location, the hotel has witnessed many unsettling political incidents. Yet, the partners continued to support, and are still committed, to supporting this historical site. Yabous owns 28.21% of the shares of the Palestine Tourism Investment Company (PTIC), which owns the Jacir Palace Hotel.

Al Mashtal Hotel – Gaza City

A 5-star hotel lays on the sandy beaches of Gaza City and has 250 rooms. Al Mashtal Hotel is an attraction for local and international clients in the heart of Gaza City. PIF owns 10% in this investment, which is owned by PADICO Tourism Company, the owner and operator of the Hotel.

The Convention Palace – Bethlehem

The Bethlehem Convention Palace was built over an area of 22,000 square meters of land adjacent to the ancient Solomon Pools in Bethlehem. It is considered one of the most outstanding modern landmarks in Palestine, equipped with most advanced technologies, making it a perfect platform for political, commercial, and cultural events.

The premises include a modern designed amphitheater, equipped with top-notch sound and light equipment to host almost 1,500 people.

PIF and CCC have committed to support this investment since its establishment, despite the current unstable political situation. The Convention Palace is operated by skilled and professional team.

PIF Social Investment Subsidiary

PIF Social Investment Subsidiary

Palestine for Development Foundation (PsDF) was established by PIF to act as its Social Investment arm in the field of Corporate Social Responsibility (CSR) and community development. The Foundation implements community investments through the financial resources of PIF, in addition to leveraging the goodwill and interest of other equally minded organizations.

PsDF's vision focuses on empowering entrepreneurship and innovation in the Palestinian society. Through enhancing the role of SMEs and self-employment as good sources of providing job opportunities and sources for having a more economic stable life.

PsDF currently runs an integrated program of social responsibility and developmental initiatives, along with all other social responsibility programs that were implemented by PIF in the past. This includes the economic empowerment program for Palestinian refugees in Lebanon, the Jerusalem Grant Facility and "Ibda'" Program for youth empowerment in Palestine.

Programs of the Palestine for Development Foundation

"IBDA" Program

Launched early 2016, "IBDA" in partnership with the Ministry of Education and Higher Education, along with a group of local and international organizations. It aims at working with youth at technical colleges and universities to empower them, build their capacity and open new horizons for them. Moreover, it promotes self – employment as a career option for youth, in addition to building the needed skill-set for starting and operating a successful enterprise.

IBDA aims at encouraging youth and empowering them to engage with the labor market through knowledge, training and practical experience to prepare them to manage income-generating projects. In addition, the program offers youth the opportunity to receive training and interact with specialists and experts who are willing to help them develop their entrepreneurial ideas and translate them into realities. Finally, the program also helps the beneficiaries and directs them to companies and institutions that would be willing to help them finance their independent projects.

The Economic Empowerment Program for Palestinian Refugees in Lebanon

The Economic Empowerment Program for Palestinian refugees in Lebanon was launched in 2012 and offers loans for implementing small and micro start-ups. It targets Palestinian refugees in Lebanon to help them improve their living standards and sustain their income and provide new job opportunities. Initially, the program was launched with a starting capital of 1 million USD provided directly by PIF, then other partners like the Arab Fund for Economic and Social Development and Silatech Organization came onboard, bringing the total financing available to 2.3 million USD in the form of a revolving loan.
The program addresses youth, through building their capacities and developing their skills in the first stages of their professional lives. It hopes to nourish their entrepreneurial spirit, and provide them with the basis for professional independence.
The program addresses all Palestinian refugee camps and communities in Lebanon. It offers small low interest loans (500 – 5000 USD). Those loans promote setting up new income generating project or developing and expanding existing ones. By 2016, around 2,200 projects were financed, with a total value of 3.8 million USD. The total number of program beneficiaries is estimated to be around 12,000 individuals. In addition, during 2016, new agreements with small and micro lending agencies in Lebanon were signed that will provide an additional 1 million USD as low interest loans for Palestinian refugee youth. Of course, this is to be added to the revolving capital that the program keeps on lending to its target groups.

Jerusalem Grant Facility

Through PsDF and with funding from the European Union (EU), PIF launched the Jerusalem Grant Facility in the beginning of 2014 to support Jerusalem-based SMEs. This program targets SMEs in Jerusalem that are mainly working in several economic sectors such as tourism, industry, trade, IT and tourist transportation. The Jerusalem Grant Facility provides funding in the form of grants to enterprises that demonstrate their ability to utilize the grant. The funding allows them to implement an expansion plan and develop their work to achieve sustainable growth and attract more investors. Since the launch of the program and up until the end of 2016, 70 applications have been reviewed, 21 of which have been granted, with a total envelope of 1.7 million euro, creating more than 100 new jobs. It is also worth mentioning that due to the participatory nature of the grant, the beneficiaries have invested at amounts at least equal to the amounts that they were granted. This means that at least 3.4 million euro were injected into Jerusalem's economy over the past two years.

Corporate Social Responsibility

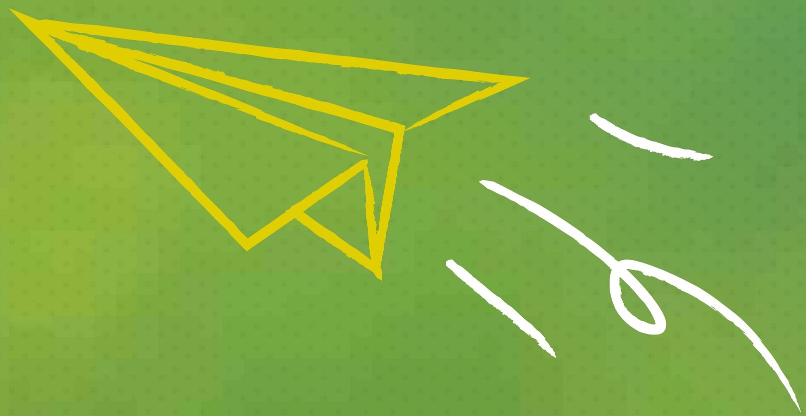
PsDF has continued its social role in supporting social, cultural and economic initiatives through its corporate social responsibility fund which benefits local NGOs and community-based organizations. Throughout 2016, the foundation has supported 57 non-profit organizations and projects in the fields of education, economic development, culture, women empowerment, entrepreneurship and other sectors in both the West Bank and the Gaza Strip.

Vision and Future Projects

PsDF will maintain the same approach that it has utilized since its inception. In addition to "the Economic Empowerment Program for Palestinian Refugees in Lebanon," PsDF is planning to launch a second phase of the "Jerusalem Grant Facility." The new phase will improve its financing portfolio, targets more vulnerable social groups such as youth and women, and seek new partners.
Based on an agreement between PIF and the Arab Fund for Economic and Social Development, PsDF will take over the management of the youth lending program "IBDA." The program training, capacity building and financing components will continue to be administered by PIF.

The program will be implemented on two tracks:
Track one: The program will offer operational loans with competitive terms. This will facilitate the setup of new youth owned projects and create self-employment through new projects, and new job opportunities through expanding existing projects. The program was launched with the key support and funding provided by the Arab Fund for Economic and Social Development in the amount of 30 million USD. This comes as a complementary program of the Arab Fund's important role, in cooperation with PIF, in supporting multiple developmental initiatives in Palestine.

Track two: The program will offer training programs to empower youth and open new horizons for them, in partnership with the ILO and the Palestinian Ministry of Education and Higher Education. The foundation will provide training opportunities for around 200 teachers and instructors in Technical and Vocational Education institutions. In addition, the program will also target 5000 TVET students through its "Know About Business" program. In addition, 18 trainers got a training of trainers (ToT) on "Generate Your Business Idea" and "Start Your Business" programs. 500 entrepreneurs who aspire to start their own projects will be trained in the program.



> **"The Palestine for Development Foundation manages a comprehensive social responsibility and development initiatives program, financed by PIF. In addition, the foundation utilizes funding from other donor agencies. PSDF focuses on fostering entrepreneurship and innovation in the Palestinian society, and empowering SMEs and self-employment"**

Mr. Jamal Haddad
General Manager, Palestine for Development Foundation

Financial Statements

PALESTINE INVESTMENT FUND COMPANY P.L.C
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Palesine Investment Fund Company P.L.C

Opinion

We have audited the consolidated financial statements of Palestine Investment Fund Company P.L.C (PIF), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PIF as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other information included in PIF's 2016 Annual Report

Other information consists of the information included in PIF's 2016 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. PIF's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Ramallah - Palestine
April 30, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Notes	U.S. $ 000's 2016	2015 Restated (Note 40)
Assets			
Non-current assets			
Property, plant and equipment	5	115,874	80,797
Goodwill	6	26,521	26,521
Investment properties	7	82,892	68,330
Projects in progress	8	47,680	35,186
Investments in associates	9	135,862	112,301
Investments in joint ventures	10	3,411	3,694
Investments in securities	11	192,049	251,874
Other financial assets	12	59,186	57,576
		663,475	636,279
Current assets			
Properties ready for sale	13	20,443	26,960
Accounts receivable	14	56,920	49,754
Investments in securities	11	37,045	-
Other current assets	15	22,442	25,369
Cash and deposits at banks	16	55,899	60,244
		192,749	162,327
Total assets		856,224	798,606
Equity and liabilities			
Equity			
Paid-in share capital	17	625,000	625,000
Shareholder's current account	18	(87,947)	(91,393)
Statutory reserve	19	96,699	93,309
Voluntary reserve	19	32,277	28,887
Foreign currency translation reserve		(328)	(515)
Fair value reserve	11	8,338	18,291
Retained earnings		30,588	31,660
Total equity attributable to shareholder		704,627	705,239
Non-controlling interests		10,874	1,596
Total equity		715,501	706,835
Non-current liabilities			
Long-term loans	21	61,437	32,107
Deferred tax liabilities	22	4,117	3,092
		65,554	35,199
Current liabilities			
Credit facilities and current portion of long-term loans	23	15,869	6,902
Accounts payable	24	30,131	24,142
Provisions and other current liabilities	25	29,169	25,528
		75,169	56,572
Total liabilities		140,723	91,771
Total equity and liabilities		856,224	798,606

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

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 2016

	Notes	U.S. $ 000's 2016	2015 Restated (Note 40)
Operating revenues	27	229,081	231,907
Cost of sales	27	(181,752)	(176,194)
Operating expenses	27	(22,056)	(19,474)
		25,273	36,239
Gain from investment in financial assets	28	29,912	15,565
Gain from sale and acquisition of associates	9	1,483	-
Interest income	29	1,256	2,682
Change in fair value of investment properties	7	7,819	1,894
Share of associates' results of operations	9	7,891	4,250
Share of joint venture's results of operations	10	(333)	(530)
Investment expenses	30	(2,530)	(2,101)
		70,771	57,999
General and administrative expenses	31	(15,582)	(16,683)
Finance costs		(2,971)	(1,831)
Donations		(2,835)	(2,484)
Depreciation of property, plant and equipment	5	(3,289)	(2,173)
Currency exchange loss		(4,532)	(507)
Other (Expenses) revenues, net	32	(225)	1,949
Profit before income tax		41,337	36,270
Income tax expense	26	(4,000)	(1,635)
Profit for the year		37,337	34,635
Attributable to:			
The shareholder		37,301	34,015
Non-controlling interests		36	620
		37,337	34,635

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2016

	Notes	U.S. $ 000's 2016	2015 Restated (Note 40)
Profit for the year		37,337	34,635
Other comprehensive income items:			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in fair value of financial assets through other comprehensive income	11	(10,237)	(10,589)
Share of associates' other comprehensive income	11	(647)	226
		(10,884)	(10,363)
Items to be reclassified to the consolidated income statement in subsequent periods:			
Foreign currency translation difference		127	(11)
Share of associates' other comprehensive income		60	5
		187	(6)
Total other comprehensive income items for the year		(10,697)	(10,369)
Net comprehensive income for the year		26,640	24,266
Attributable to:			
The shareholder		26,604	23,646
Non-controlling interests		36	620
		26,640	24,266

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2016

U.S.$ 000's

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

	Attributable to the shareholder: Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained Earnings	Total	Non-controlling interests	Total equity
2015										
At January 1, 2015	625,000	(102,554)	90,553	26,131	(509)	28,654	29,514	696,789	976	697,765
Adjustments (Note 40)	-	-	(646)	(646)	-	-	(5,065)	(6,357)	-	(6,357)
Balance, beginning of the year - after adjustments	625,000	(102,554)	89,907	25,485	(509)	28,654	24,449	690,432	976	691,408
Profit for the year (Adjusted)	-	-	-	-	-	-	34,015	34,015	620	34,635
Other comprehensive income	-	-	-	-	(6)	(10,363)	-	(10,369)	-	(10,369)
Net comprehensive income for the year	-	-	-	-	(6)	(10,363)	34,015	23,646	620	24,266
Shareholder's current account (Note 18)	-	(3,839)	-	-	-	-	-	(3,839)	-	(3,839)
Distributed dividends (Note 20)	-	20,000	-	-	-	-	(20,000)	-	-	-
Interim dividends (Note 18)	-	(5,000)	-	-	-	-	-	(5,000)	-	(5,000)
Transfers	-	-	3,402	3,402	-	-	(6,804)	-	-	-
At December 31, 2015	625,000	(91,393)	93,309	28,887	(515)	18,291	31,660	705,239	1,596	706,835

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	Notes	U.S. $ 000's 2016	U.S. $ 000's 2015 Restated (Note 40)
Operating activities			
Profit before tax		41,337	36,270
Adjustments:			
Net interest		1,715	(851)
Share of associates' results of operations		(7,891)	(4,250)
Share of joint venture's result of operations		333	530
Change in fair value of investment properties		(7,819)	(1,894)
Gain from investment in financial assets		(29,912)	(15,565)
Gain from sale and acquisition of associates		(1,483)	-
Gain from sale of investment properties		(57)	(72)
Provision (recovery) of doubtful receivables and advances		1,123	(938)
(Gain) loss from sale of property, plant and equipment		(17)	324
Depreciation of property, plant and equipment		7,686	6,524
Other non-cash items		(412)	(1,762)
		4,603	18,316
Working capital adjustments:			
Accounts receivable		(7,423)	(15,185)
Other current assets		3,895	(2,088)
Accounts payable		3,681	927
Provisions and other current liabilities		3,168	1,438
Income tax paid		(3,631)	(5,248)
Change in restricted cash		2,171	(1,052)
Net cash flows (used in) from operating activities		6,464	(2,892)
Investing activities			
Investment in securities		38,779	(30,082)
Purchase of property, plant and equipment		(6,000)	(5,299)
Sale of property, plant and equipment		91	111
Investment properties		(4,059)	1,497
Joint venture		(50)	(137)
Purchase of investment in associates		(31,477)	(4,422)
Acquisition of a subsidiary		(6,721)	-
Cash from acquisition of a subsidiary		112	-
Projects in progress and properties ready for sale		(3,326)	2,694
Granted loans		(5,255)	(460)
Dividends and interest received		18,248	18,823
Change in term deposits maturing after three months		(8,918)	18,570
Net cash flows from (used in) investing activities		(8,576)	1,295
Financing activities			
Cash dividends paid		(21,000)	(5,000)
Shareholder's current account		(8,209)	(9,705)
Proceeds from term loans		37,486	691
Settlement of term loans		(14,345)	(9,709)
Finance costs paid		(2,971)	(1,831)
Net cash flows used in financing activities		(9,039)	(25,554)
Decrease in cash and cash equivalents		(11,151)	(27,151)
Foreign currency translations differences		59	6
Cash and cash equivalents, beginning of the year		54,468	81,613
Cash and cash equivalents, end of the year	16	43,376	54,468

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

1. Corporate information

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

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

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

PIF's consolidated financial statements as at December 31, 2016 were authorized for issuance by the Board of Directors on April 30, 2017.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2016. PIF's ownership in its subsidiaries' subscribed capital was as follows:

	Nature of business	Ownership % 2016	Ownership % 2015
Sanad Constructions Industries	Trade	100	100
Sanad Construction Resources*	Trade	100	-
Bulk Express Company	Transportation	60	60
Amaar Real Estate Group	Real estate investment	100	100
Khazaneh Financial Investments Company	Financial investment	100	100
Sharakat for Small and Mid-size investments	Financial investment	100	100
Aswaq for Investment Portfolios Company	Financial investment	100	100
Palestinian Yebous for Tourism Investment*	Tourism investment	100	-
Arab Hotels Company**	Tourism	53.7	-
Masader for developing natural resources and infrastructure*	Energy Investment	100	-
Others	Investment in real estate and securities	100	100

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

* During the year, PIF established several subsidiaries in order to restructure its investment portfolios.

** During the year, a subsidiary of PIF acquired the Arab Hotels Company (Note 4).

3. Accounting policies

Basis of preparation
The consolidated financial statements of PIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss and other comprehensive income and investment properties that are measured at fair value as of the financial statements date. The consolidated financial statements have been presented in U.S Dollars which is the functional currency of PIF. All values except when otherwise indicated, are rounded to the nearest thousand dollars (U.S. $ 000's).

Basis of consolidation
The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as at December 31, 2016. Control is achieved when PIF is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, PIF controls an investee if, and only if, PIF has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When PIF has less than a majority of the voting or similar rights of an investee, PIF considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- PIF's voting rights and potential voting rights

PIF re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when PIF obtains control over the subsidiary and ceases when PIF loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date PIF gains control until the date PIF ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of PIF and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.
All intra-group balances, unrealized profits or losses and cash dividends relating to transactions between subsidiaries are eliminated in full.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If PIF loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Changes in accounting policies
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous year, except that PIF has early adopted IFRS (9) "Financial Instruments" and the following amended standards as of January 1, 2016. Except for the effect of the early adoption of IFRS (9), the adoption of other amendments did not have an effect on the financial position or performance or disclosures of PIF:

IFRS 9 – Financial Instruments
PIF early adopted IFRS (9) with the date of initial application being January 1, 2016. This standard has been applied retrospectively for financial assets held at January 1, 2016. PIF elected not to restate prior periods in accordance with IFRS (9) provisions.
The effect of the early adoption of IFRS (9) on prior periods was adjusted to the equity accounts as at January 1, 2016 as shown in note (40).

IFRS 11 (Amendments) – Joint arrangements: Accounting for acquisition of interest
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

IAS 16 and IAS 38 (Amendments) – Clarifications of acceptable methods of depreciation and amortization
Amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

IAS 27 and IFRS 1 (Amendments) - Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

IAS 1 (Amendments) – Disclosure initiatives
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

IFRS 10 and IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. Amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

The new revenue standard will supersede the following standards and amendments:
IAS (11) – Construction contracts
IAS (18) – Revenue
IFRIC (13) – Customer loyalty program
IFRIC (15) – Agreements for the construction of real estate
IFRIC (18) – Transfer of assets from customers
SIC (31) – Revenue – Barter transactions involving advertising services
Application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 16 – Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

Significant accounting judgments, estimates and assumptions

The preparation of PIF's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.
The below disclosures clarify PIF risk exposures:
- Financial risk management (Note 35)
- Capital management (Note 36)
The key areas involving a higher degree of judgment or complexity are described below:

Impairment of non-financial assets

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

Provision for doubtful debts receivables

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

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

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

Useful lives of tangible and intangible assets

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

Provision for income tax

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

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using appropriate valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of goodwill

The determination whether goodwill is impaired requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Such estimation requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for litigation

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

Investment properties

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

Classification of financial assets

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

Summary of significant accounting policies

Revenue recognition

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

Real estate sale revenue

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

Leases and rendering of service revenue

Operating lease contracts are those that retain all the significant risks and benefits of ownership to the lessor. All costs and expenses paid are added to the leased assets book value and are recognised as rent revenue during the leasing period.
Operating lease payments are recognized as revenue in the income statement on a straight line basis over the lease term. All leases payments and other services paid by lessee related to the period after the date of the consolidated financial statements are recognised as unearned revenue. While unpaid leases as of the consolidated financial statement date are recognised as accrued revenues.

Sale of goods

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

Hotel services revenue

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

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

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

Expenses recognition
Expenses are recognised based on the accrual basis of accounting.

Finance costs
Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other finance costs are charged to the consolidated income statement in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax
PIF provides for income tax in accordance with the Palestinian Income Tax Law (or in accordance with the applicable tax regulations where the entity operates and generates taxable income) and IAS 12, which requires recognising the temporarily differences at the reporting date as deferred taxes.

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

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

Current versus non-current classification
PIF presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycles
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

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

All other assets are classified as non-current.

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

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

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

Fair value measurement
PIF measures financial instruments and non-financial assets, such as investments properties, at fair value at each reporting date. PIF also discloses the fair value of the held to maturity financial assets in the notes to the consolidated financial statements which include:
- Disclosures for valuation methods, significant estimates and assumptions (Note 3 and 6)
- Quantitative disclosures of fair value measurement hierarchy (Note 33)
- Investment properties (Note 7)
- Financial assets (Note 11)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

PIF uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:
- Level 1 — Quoted (unadjusted) market prices in active markets
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There have been no transfers among the levels mentioned above during 2016 and 2015.

External appraisers are involved for valuation of significant assets such as investment properties. PIF decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, PIF has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, PIF measures the non-controlling interest in the acquiree at fair value. Acquisition costs incurred are expensed.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of PIF's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

PIF's investment in its associates is accounted for using the equity method. An associate is an entity in which PIF has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in PIF's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.
The consolidated income statement and the statement of comprehensive income reflect the share of the result of operations of the associates. Profits and losses resulting from transactions between PIF and the associates are eliminated to the extent of the interest in the associates.
The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of PIF.
PIF determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case PIF calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.
When step acquiring an associate, PIF's share is measured at fair value as at the date of acquiring significant influence over the associate. Any resulting differences are recognized in the consolidated income statement.

Investment in a Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
PIF has a joint control in joint ventures which constitute jointly controlled entities. Investment in joint ventures is accounted for using the equity method of accounting. According to the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in PIF's share in the joint ventures net assets. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment. Goodwill in this case is not amortized or tested for impairment separately.
PIF's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between PIF and the joint ventures are excluded to the extent of PIF's share in the joint ventures.
The financial statements for the joint ventures are prepared for the same reporting year as PIF, using consistent accounting policies for transactions of similar nature. At the date of the consolidated financial statements, PIF determines whether there is objective evidence indicating impairment in the value of the joint ventures. If such evidence exists, PIF measures the impairment by deducting the fair value of the investment from the expected recoverable amount; this impairment is recognised in the consolidated income statement.

Projects in progress

Projects in progress constitute the costs incurred on incomplete projects, which include all costs of design, construction, direct wages and portion of the indirect costs and finance cost. Upon completion, all projects' costs are capitalized and transferred to property, plant and equipment or to properties ready for sale or investment properties based on management's intentions.
The carrying values of projects in progress are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any indication exists, projects in progress value are written down to their recoverable amount.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.
Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated income statement in the period of derecognition.
Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, PIF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in financial assets

A- Initial recognition of financial assets:

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that PIF commits to purchase or sell the asset. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

B- Classification of financial assets

After early adoption of IFRS (9) as at January 1,2016:

Financial assets at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL– see below). They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.
Effective interest rate is the interest rate used to discount the future cash flows over the debt instrument life (or a shorter period in certain cases), in order to match its carrying value at the date of initial recognition.
PIF may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria or that meet the criteria but PIF has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. PIF has not designated a debt instrument financial asset as at FVTPL.
Investments in equity instruments are classified as at FVTPL, unless PIF designates an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) at initial recognition.
Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in the consolidated income statement.
Dividends income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when PIF's right to receive the dividends is established.

Financial assets at FVOCI

At initial recognition, PIF makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.
Equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.
Dividends on these investments in equity instruments are recognised in the consolidated income statement when PIF's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.
PIF can classify debt instruments as financial assets at FVOCI if both of the following conditions are met:
- The asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling of financial assets; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Before early adoption of IFRS (9) as at January 1, 2016

Financial assets at FVTPL

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

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, which is in turn reduced by the amount of the impairment.
PIF evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, PIF is unable to trade these financial assets due to inactive markets, PIF may elect to reclassify these financial assets into another category depending on the nature of the financial asset.
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.

Held-to-maturity financial assets

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which PIF has the intention and ability to hold-to-maturity. Held-to-maturity financial investments are initially recognized at fair value plus acquisition costs. Subsequently, such investments are re-measured at amortized cost, less any impairment losses, using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition. Amortization is recognized in the consolidated income statement.

Loans and receivables

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

C- Derecognition

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

D- Impairment of financial assets

After early adoption of IFRS (9) as at January 1, 2016
Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a12-month ECL:
- Debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- Other financial instruments for which the credit risk has not increased significantly since their initial recognition.

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

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

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

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

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

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

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

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

Before the early adoption of IFRS (9) as at January 1, 2016

An assessment is made at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement.
- For assets carried at amortized cost: impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- Equity investments classified as 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.

Properties ready for sale

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

Accounts receivable

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

Contributions receivable

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

Cash and cash equivalents

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

Accounts payable 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
Loans and borrowings are initially recorded at fair value less any transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

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

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

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

PIF as a lessee
Finance leases, which transfer to PIF substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.
Leased assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that PIF obtains ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are those leases in which the lessor retains all risk and rewards of owning the leased asset. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

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

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

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

Transactions and balances
Transactions in foreign currencies are initially recorded by PIF's subsidiaries at their respective functional currency rates prevailing at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement with the exception for available-for-sale investments where any foreign exchange differences are recognised in other comprehensive income.

PIF subsidiaries
The assets and liabilities of PIF's subsidiaries with functional currencies other than U.S. $ are translated into U.S. $ at the rate of exchange prevailing at the reporting date and their income statements at the weighted average exchange rates for the year. The exchange differences arising on the translations are recognised in other comprehensive income.

4. Business combinations
During 2016, Yebous (subsidiary) purchased additional shares in the Arab Hotels Company (AHC), to reach a controlling interest of 53.7%. Accordingly, the financial statements of AHC are consolidated with the consolidated financial statements of PIF. The pre-owned equity in AHC were re-measured at fair value resulting in a gain of U.S. $ 362,000 recognized in the consolidated income statements of 2016. AHC contributed a loss of U.S. $ 774,000 during the period from the acquisition date to December 31, 2016, and the non-controlling interest share of the loss amounted to U.S. $ 358,000. The non-controlling interest in the acquiree was measured at fair value. The purchase price allocation was initially determined and will be finalized within one year from the date of acquisition in accordance with IFRS.

The following table presents the fair value of the assets and the liabilities of AHC at the acquisition date:

	U.S. $ 000's Fair value at the acquisition date
Assets	
Property, plant and equipment	37,332
Accounts receivable	870
Other current assets	477
Cash and cash equivalents	112
	38,791
Liabilities	
Long term loans	14,127
Provision for employees' indemnity	515
Accounts payable	2,308
Bank overdrafts	1,029
Other current liabilities	719
	18,698
Fair value of net assets	20,093
Non-controlling interest share of net assets at fair value	(9,306)
Fair value of investment in AHC	10,787

5. Property, plant and equipment

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

- Part of the depreciation expense in the amount of U.S. $ 4,397,000 was reclassified as operating expenses for 2016.
- Property, plant and equipment include an amount of U.S. $ 61,143,000 of properties mortgaged to local and regional banks against loans (note 21 and 23).

2015	Land	Buildings	Transportation means, equipment and spare parts	Office equipment, Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2015	12,823	39,576	42,933	5,529	4,323	105,184
Additions	925	1,087	1,001	1,531	755	5,299
Transferred from projects in progress (note 8)	815	4,802	-	-	-	5,617
Disposals	-	-	(407)	(15)	(1,193)	(1,615)
Foreign currency translation	(5)	(9)	-	-	-	(14)
At December 31, 2015	14,558	45,456	43,527	7,045	3,885	114,471
Accumulated depreciation and impairment						
At January 1, 2015	526	11,283	12,098	2,731	1,694	28,332
Depreciation charge for the year	-	897	4,561	624	442	6,524
Disposals	-	-	(348)	(14)	(818)	(1,180)
Foreign currency translation	-	(2)	-	-	-	(2)
At December 31, 2015	526	12,178	16,311	3,341	1,318	33,674
Net carrying amount						
At December 31, 2015	14,032	33,278	27,216	3,704	2,567	80,797

- Part of the depreciation expense in the amount of U.S. $ 4,351,000 was reclassified as operating expenses for 2015.
- Property, plant and equipment include an amount of U.S. $ 41,909,000 of properties mortgaged to local and regional banks against loans (note 21).

6. Goodwill

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

	U.S. $ 000's	
	2016	2015
Trade and transportation	25,604	25,604
Tourism	917	917
	26,521	26,521

Trade and transportation

The recoverable amount of the trade and transportation segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 16.8%, and cash flows beyond the five-year period are extrapolated using a 2.75% growth rate.

Tourism

The recoverable amount of the tourism segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.9% for the next five years 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 and growth rates used to extrapolate cash flows beyond the budget period:

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

Growth rate estimates: Growth rates are based on the value of the business segment's operations after the explicit budget period. In determining appropriate growth rates, regard has been given to the competitive forces that are expected to prevail after the explicit budget period. With regard to the assessment of the value in use of all business segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the business segments to materially exceed its "value in use".

7. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	68,330	72,556
Additions	9,862	6,962
Sale of investment properties	(1,091)	(2,521)
Transferred from properties available for sale	2,098	-
Transferred to projects in progress	(4,790)	(10,561)
Net transfer from property, plant and equipment	664	-
Change in fair value of investment properties	7,819	1,894
Balance, end of year	82,892	68,330

Investment properties include the following:

	U.S. $ 000's	
	2016	2015
Land	79,456	68,330
Buildings	3,436	-
	82,892	68,330

An amount of U.S. $ 3,436,000 of investment properties was mortgaged to local and regional banks as collateral for loans granted to PIF (notes 21 and 23).

8. Projects in progress

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	35,186	52,529
Additions	10,611	7,823
Projects sold out	(4,311)	(8,190)
Transferred from / to properties ready for sale	1,445	(21,920)
Transferred to property, plant and equipment	(41)	(5,617)
Transferred from investment properties	4,790	10,561
Balance, end of year	47,680	35,186

Projects in progress includes projects with a book value amount of U.S $ 3,413,000 mortgaged to local and regional banks as collateral for loans granted to PIF (note 21 and 23).

Following are details of the projects in progress:

	U.S. $ 000's	
	2016	2015
Ersal Center project	16,457	14,890
Surda land development project	10,630	10,561
Jerusalem land development project	7,128	-
Birzeit Land development project	5,229	-
Al-New'emeh land development project	2,964	4,545
Amaar Tower project - Theatre	2,127	-
Al Reehan and Al Jenan project	2,073	2,482
Other projects	1,072	2,708
	47,680	35,186

9. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2016	2015	2016	2015
	%	%	U.S. $ 000's	
Palestinian Islamic Bank (Listed)	34.18	34.18	30,607	23,087
Wataniya Palestine Mobile Telecommunications Company (Listed)	36.07	34.03	27,611	23,719
Arab Islamic Bank (Listed)	34.98	21.23	24,878	14,438
Specialized Arab Hospital	20.21	-	16,640	-
Palestine Industrial Investment Company (Listed)	20.90	20.63	10,214	9,163
Palestine Power Generation Company	40.30	39.64	5,764	3,782
Palestine Tourism Investment Company	28.25	28.25	4,915	5,408
Hospitality Holly Company	40.30	40.30	4,079	4,050
Palestine Ijara Company – LTD	33.33	33.33	3,489	2,528
Arab Palestinian Investment Company - APIC (Listed)	-	23.53	-	18,518
Arab Hotels Company (Listed)	-	20.23	-	3,874
Others	20-49	27-43	7,665	3,734
			135,862	112,301

- The market value of PIF's investments listed in Palestine Exchange as of December 31, 2016 amounted to U.S. $ 156,745,000.
- Investment in Wataniya Palestine Mobile Telecommunication Company includes 77,658,000 shares with a total market value of U.S. $ 67,562,000 mortgaged against a syndicated loan granted from banks to Wataniya Palestine Mobile Telecommunications Company (note 34).
- During 2016, Aswaq (subsidiary) sold a part of its investment in Arab Palestinian Investment Company (APIC), which resulted in a gain of U.S $ 1,077,000 recognised in the consolidated income statement. Accordingly, PIF's ownership percentage in APIC's capital decreased from 23.53% to 17.47%. PIF's management believes that they no longer has a significant influence over APIC. Thus, PIF's management elected to classify the remaining investment as an investment in financial assets at fair value, which resulted in a gain from the revaluation of remaining investment at fair value in an amount of U.S $ 5,502,000 recognised in the consolidated income statement as at the date of losing the significant influence, and classified under gain from investment portfolio (note 28).
- As mentioned in (note 4), Yebous (subsidiary) purchased additional shares in the Arab Hotels Company (AHC) during 2016 where the ownership increased to 53.7%, Thus, and in accordance with IFRS, the pre-acquisition shares were recognised at fair value, resulting in a gain of U.S. $ 362,000 in the consolidated income statement of 2016. The financial statements of AHC were consolidated with the consolidated financial statements of PIF.
- During 2016, several subsidiaries purchased equities in several companies and accordingly, PIF's ownership in these companies reached percentages ranges from 20% to 49%. PIF's management believes that it has significant influence over these companies. Thus, these investments have been classified as investment in associates.

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

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

December 31, 2015	Wataniya Mobile Company	Palestinian Islamic Bank	Arab Palestinian Investment Company	Arab Islamic Bank	Palestine Industrial Investment Company	Palestine Tourism Investment Company	Hospitality Holly Company	Palestine Power Generation Company	Palestine Ijar Company	Arab Hotels Company
	U.S. $ 000's									
Statements of Financial Positions of associates:										
Non-current Assets	203,526	484,020	116,711	242,902	49,227	32,058	8,052	6,170	3,497	40,384
Current Assets	43,674	191,183	161,832	407,691	21,385	631	2,558	1,452	4,351	2,131
Non-current Liabilities	(104,392)	(12,593)	(57,706)	(15,501)	(1,732)	(8,605)	(10)	(54)	(49)	(12,923)
Current Liabilities	(73,107)	(589,312)	(109,456)	(566,089)	(14,283)	(4,939)	(485)	(358)	(215)	(5,328)
Non-controlling interests	-	-	(29,785)	-	(11,208)	-	-	-	-	-
Unpaid capital	-	-	-	-	-	-	-	71	-	-
Equity holders of the associate	69,701	73,298	81,596	69,003	43,389	19,145	10,115	7,281	7,584	24,264
PIF's ownership	23,719	25,053	19,200	14,649	8,952	5,408	4,076	2,886	2,528	4,909
Adjustments	-	(1,966)	(682)	(211)	211	-	(26)	896	-	(1,035)
Carrying amount of investments	23,719	23,087	18,518	14,438	9,163	5,408	4,050	3,782	2,528	3,874
Revenues and results of operations:										
Revenues	83,199	29,333	523,592	22,349	50,178	3,623	1,553	291	325	6,229
Results of operations	(5,137)	10,034	7,144	5,387	4,734	(1,422)	132	(231)	(526)	(1,280)
PIF's share of results of operations	(1,748)	3,434	1,476	1,144	967	(402)	53	(92)	(175)	-
PIF's share of other comprehensive income items	-	(6)	249	(23)	11	-	-	-	-	-

10. Investments in joint ventures

	U.S. $ 000's	
	2016	2015
Convention Palace Company	3,380	3,694
Others	31	-
	3,411	3,694

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

PIF's share of results of other investments amounted to a U.S. $ 19,000 loss, as of December 31, 2016.

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

	U.S. $ 000's	
	Convention Palace Company	
	2016	2015
Statement of financial position of joint ventures		
Non-current assets	9,840	10,862
Current assets	383	310
Non-current liabilities	(492)	(1,010)
Current liabilities	(2,971)	(2,774)
Equity attributable to ventures	6,760	7,388
PIF's ownership	3,380	3,694
Carrying amount of investment	3,380	3,694
Revenues and results of operations		
Revenues	631	470
Results of operations	(628)	(1,059)
PIF's share of results of operations	(314)	(530)

11. Investments in financial securities

	U.S. $ 000's	
	2016	2015
Financial assets at FVOCI (A)	175,428	-
Financial assets at amortised cost (B)	16,621	-
Available-for-sale investments	-	237,098
Held-to-maturity financial assets	-	14,776
	192,049	251,874
Financial assets at FVTPL – current (C)	37,045	-
	229,094	251,874

A. The financial assets at FVOCI include the following:

	U.S. $ 000's
	2016
Quoted shares	115,302
Quoted portfolios	37,274
Unquoted shares	19,605
Unquoted portfolios	3,247
	175,428

Financial assets at FVOCI includes share with a market value of U.S. $ 7,164,000 mortgaged for a local bank as a collateral for loans granted to PIF (Note 21).

Movement on the fair value reserve was as follows :

	U.S. $ 000's	
	2016	2015
Balance, Beginning of the year – Before adjustment	18,291	28,654
Adjustments due to the early adoption of IFRS 9	743	-
Balance, beginning of the year - after adjustments	19,034	28,654
Net loss from valuation of financial assets at FVOCI	(10,237)	(8,595)
Share of associates' other comprehensive income	(647)	226
Loss from sale of financial assets at FVOCI recorded in retained earnings	188	-
Gain from sale recognised in the consolidated income statement	-	(5,696)
Impairment of available for sale investments through consolidated income statement	-	3,702
Balance, end of the year	8,338	18,291

During the year, the financial assets at FVOCI sold amounted to U.S. $ 14,634,000. Sale transactions of these financial assets were made to finance other investment activities.

B. Financial assets at amortised cost include the following:

	U.S. $ 000's	
	Credit Rating	2016
Quoted debt instruments at national and regional financial markets	BBB-AA	7,808
Unquoted national debt instruments	B	8,900
		16,708
Impairment allowance		(87)
		16,621

Interest on the financial assets at amortised cost ranges from 2.5% to 7.6% and their maturity ranges from 1 to 7 years.

The market value of the quoted debt instruments amounted to U.S. $ 7,918,000 and U.S. $ 10,952,000 as at December 31, 2016 and 2015, respectively.

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

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
At January 1, 2016	-	-	-	-
Transition adjustment on adoption of IFRS 9	1.5	1.5	-	3
Balance, January 1, 2016	1.5	1.5	-	3
Net re-measurement of loss allowance	84	-	-	84
At December 31, 2016	85.5	1.5	-	87

C. Financial assets at FVTPL include the following:

	U.S. $ 000's
	2016
Quoted shares	31,876
Unquoted portfolios	4,387
Unquoted shares	782
	37,045

12. Other financial assets

	U.S. $ 000's	
	2016	2015
Prepayment on investment (A)	45,800	45,800
Granted loans (B)	13,386	11,776
	59,186	57,576

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

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

	Interest Rate (%)	Settlement	U.S. $ 000's 2016	2015
Palestinien microfinance institutions *	3.5-5	2017-2020	7,703	2,556
Wataniya Palestine Mobile Telecommunications Company**	5.85 +LIBOR	-	2,150	2,150
First Trading Centre	1.5 + LIBOR	2015	1,100	1,100
Palestine Tourism Investment Company	7.5	2017	730	730
Al Mashtal Tourism Investment Company	5	2017	406	406
Others	1-5	2017-2022	3,629	3,521
Accrued interest on loans			1,553	1,313
			17,271	11,776
Provisions for impairment of granted loans***			(3,885)	-
			13,386	11,776

* In addition to the loans granted in previous years, during the year, PIF granted micro-finance institutions loans in the amount of U.S. $ 6 million. The interest rates on these loans ranges between 3.5% and 4.5% with a settlement period ranging from 1 to 4 years along with a grace period between 9 months to 18 months from the date of granting.

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

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

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
At January 1, 2016	-	-	-	-
Transitional adjustment on adoption of IFRS 9	126	3,478	-	3,604
Balance, January 1, 2016	126	3,478	-	3,604
Written-off during the year	-	-	(80)	(80)
Transfers	-	(3,478)	3,478	-
Suspended interest during the year	-	-	95	95
Net re-measurement of loss allowance	191	10	65	266
At December 31, 2016	317	10	3,558	3,885

Stage 1 and stage 2 provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both financial and non-financial information and analysis, based on the PIF's historical experience and taking into consideration both internal and external factors. The gross amount of stage 3 loans along with accrued interest was U.S. $ 3,558,000 as at December 31, 2016. These amounts are fully provided for.

13. Properties ready for sale

This item represents the cost of residential units transferred from projects in progress upon completion and becoming ready for sale. Movement on properties ready for sale is as follows:

	U.S. $ 000's 2016	2015
Balance, beginning of year	26,960	7,367
Transferred to investment properties	(2,098)	-
Transferred (from) to projects in progress	(1,445)	21,920
Capitalized expenses	7	-
Cost of sold properties	(2,981)	(2,327)
Balance, end of year	20,443	26,960

Properties ready for sale include properties with a carrying amount of U.S. $ 11,916,000 that are fully mortgaged for the benefit a regional bank as collateral on loans granted to PIF (note 21 and 23).

14. Accounts receivable

	U.S. $ 000's 2016	2015
Checks under collection	31,320	25,401
Trade receivables	28,111	25,735
Cap Holding Company	11,305	11,305
Others	1,029	1,031
	71,765	63,472
Provision for doubtful accounts	(14,845)	(13,718)
	56,920	49,754

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

	U.S. $ 000's 2016	2015
Balance, beginning of year	13,718	14,634
Additions	1,106	65
Recovered during the year	-	(1,003)
Foreign currency differences	21	22
Balance, end of year	14,845	13,718

Nominal value of doubtful accounts receivable which are fully provided for as of December 31, 2016 and 2015 amounted to U.S. $ 14,845,000 and U.S$ 13,718,000, respectively. Aging analysis of the unimpaired accounts receivable is as. follows:

	U.S. $ 000's				
			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days	91-180 days	> 181 days
2016	56,920	31,320	14,097	10,449	1,054
2015	49,754	25,128	13,561	10,051	1,014

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

15. Other current assets

	U.S. $ 000's	
	2016	2015
Due from Value Added Tax department	8,308	6,532
Advances to suppliers	7,369	3,941
Contribution receivable*	3,530	4,373
Inventory	2,546	731
Advance payments to Income Tax Department (Note 26)	808	126
Due from brokerage firms	518	8,633
Dividends receivable	446	514
Due from employees	440	335
Accrued interest	401	503
Prepaid expenses	235	266
Cash margins	29	1,175
Others	334	824
	24,964	27,953
Provision for uncollectible current assets	(2,522)	(2,584)
	22,442	25,369

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

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

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	2,584	2,589
Addition	17	-
Written-off during the year	(83)	-
Foreign currency differences	4	(5)
Balance, end of year	2,522	2,584

16. Cash and deposits at banks

	U.S. $ 000's	
	2016	2015
Cash on hand and current accounts at banks	14,758	13,295
Term deposits at banks	41,141	46,949
	55,899	60,244

The average interest rate during 2016 was 2.92% (2015: 2.33%) on U.S. Dollar deposits, 3.85% (2015: 3.96%) on Jordanian Dinar deposits, 1.54% (2015: 1.54%) on Qatari Riyal deposits and 3.5% on Israeli Shekel.

Cash and deposits at banks include restricted cash of U.S. $ 1,207,000 and U.S. $ 3,378,000 as at December 31, 2016 and 2015, respectively, as a collateral against certain banks facilities.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2016 and 2015:

	U.S. $ 000's	
	2016	2015
Cash on hand and current accounts at banks	14,758	13,295
Term deposits at banks	41,141	46,949
	55,899	60,244
Deposits maturing after 3 months	(11,316)	(2,398)
Restricted cash	(1,207)	(3,378)
	43,376	54,468

17. Paid-in capital

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

18. Shareholder's current account

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

	U.S. $ 000's	
	2016	2015
Receivables on returned lands	37,404	42,059
Interim dividends (note 20)	4,000	5,000
Aviation receivable	36,325	35,176
Others	10,218	9,158
	87,947	91,393

19. Reserves

Statutory Reserve

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

Voluntary Reserve

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

20. Paid and proposed dividends

The Board of Directors decided during the year to distribute Interim dividends of U.S. $ 4 million out of PIF's 2016 profits, subject to the approval of the General Assembly in its first meeting during 2017.

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

The General Assembly approved in its meeting held on May 14, 2015 the distribution of U.S. $ 8 million interim dividends in 2014 based on Board of Director's decision dated January 20, 2014, in addition to U.S. $ 12 million dividends to the shareholder deducted from the shareholder's current account. Thus, total dividends distributed amounted to U.S. $ 20 million.

21. Long- term loans

	U.S. $ 000's	
	2016	2015
Long-term loans	76,288	39,009
Current portion of long-term loans (note 23)	(14,851)	(6,902)
	61,437	32,107

During 2016, PIF has signed a long-term loan agreement with a local bank in an amount of U.S. $ 30 million. The interest rate on the loan is six month LIBOR plus 1.75%. The loan is to be settled with semi-annual payments with a grace period of one year. The loan was granted against a mortgage of shares with a market value of U.S. $ 7,164,000 as at December 31, 2016.

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

In addition, PIF and some of its subsidiaries signed long-term loan agreements with local and regional banks to finance these companies' operations. Interest rates range from 1.75% in addition to one to six months LIBOR with a ceiling of 9%. The loans are to be settled within a period of 1 to 9 years. The utilized loan balances as of December 31, 2016 and 2015 amounted to U.S. $ 40,288,000 and U.S. $ 39,009,000, respectively.

The loans were secured by the mortgage of some assets of the borrowers (notes 5, 7, 8, 11 and 13).

The maturities of loans are as follows:

	U.S. $ 000's
2017	14,851
2018	21,412
2019	16,296
2020	14,203
2021	7,865
Thereafter	1,661
	76,288

22. Deferred tax liabilities

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

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	3,092	4,283
Additions	1,184	284
Adjustment resulting from tax rate reduction	-	(977)
Amortization	(159)	(498)
Balance, end of year	4,117	3,092

23. Bank overdraft and the current portion of long term loans

	U.S. $ 000's	
	2016	2015
Current portion of long term loans (note 21)	14,851	6,902
Bank overdraft*	1,018	-
	15,869	6,902

* This item represents the bank overdraft balance with a ceiling of U.S. $ 1 million granted to AHC (subsidiary), the interest rate ranges between 5.75% to 6%.

24. Accounts payable

	U.S. $ 000's	
	2016	2015
Trade payables	25,551	17,930
Apartments sales advances	2,559	3,752
Contractors payables	1,970	2,363
Brokerage firms payables	-	48
Others	51	49
	30,131	24,142

25. Provisions and other current liabilities

	U.S. $ 000's	
	2016	2015
Temporarily restricted contribution *	4,618	5,279
Accrued expenses	4,059	2,827
Postponed checks	4,329	2,339
Provision for employees indemnity **	2,704	2,728
Employees bonuses provision	1,485	1,345
Dividends payable	1,000	1,000
Property improvement taxes	824	812
Employees' income tax payable	422	290
Other	9,728	8,908
	29,169	25,528

This account represents total temporarily restricted contributions from different donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. Revenues are recognised when the purpose or time of these contributions is satisfied. Following is the movement on temporarily restricted contributions during 2016 and 2015:

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	5,279	7,055
Additions	100	-
Released from restriction	(723)	(1,499)
Foreign currency differences	(38)	(277)
Balance, end of year	4,618	5,279

** Following is the movement on provision for employees' indemnity during the year:

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	2,728	2,251
Additions	1,006	802
Acquisition of subsidiary	515	-
Payments	(1,541)	(325)
Foreign currency differences	(4)	-
Balance, end of year	2,704	2,728

26. Provision for income tax

The taxable income of PIF and its subsidiaries is subject to income tax at the corporate rate of %15.
Following is the movement on the provision for income tax/ (advance payments) during 2016 and 2015:

	U.S. $ 000's	
	2016	2015
Balance, beginning of year	(126)	2,299
Additions during the year	2,907	4,043
Discounts on early payments	(10)	(305)
Recovered during the year	(81)	(1,410)
Amortization of deferred tax liabilities	159	498
Payments during the year	(3,631)	(5,248)
Foreign currency differences	(26)	(3)
Balance, end of year (note 15)	(808)	(126)

PIF and some of its subsidiaries reached final settlements with the Income Tax Department for the results of their operations up to 2015. These settlements resulted in a recovery of an amount of U.S. $ 81,000.
Taxes shown in the consolidated income statement represent the following:

	U.S. $ 000's	
	2016	2015
Additions during the year	2,907	4,043
Discounts on early payments	(10)	(305)
Recovery during the year	(81)	(1,410)
Deferred tax liabilities	1,184	(693)
	4,000	1,635

27. Operating revenues

	U.S. $ 000's			
	2016			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	7,149	-	(6,610)	539
Trade and transportation	201,925	(170,848)	(10,927)	20,150
Real estate	11,733	(8,860)	(360)	2,513
Tourism	8,274	(2,044)	(4,159)	2,071
	229,081	(181,752)	(22,056)	25,273

	U.S. $ 000's			
	2015			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	7,033	-	(6,234)	799
Trade and transportation	200,102	(161,588)	(11,405)	27,109
Real estate	20,174	(13,128)	(175)	6,871
Tourism	4,598	(1,478)	(1,660)	1,460
	231,907	(176,194)	(19,474)	36,239

28. Gain from investment portfolio

	U.S. $ 000's	
	2016	2015
Gain from sale and revaluation of financial assets at FVTPL	10,091	-
Dividends income from financial assets at FVOCI	12,888	-
Dividends income from financial assets at FVTPL	772	-
Gain from revaluation of the remaining investment in APIC (note 9)	5,502	-
Interest on bonds	659	677
Dividends income from financial assets available for sale	-	12,894
Gain from financial assets available for sale	-	1,994
	29,912	15,565

29. Interest income

	U.S. $ 000's	
	2016	2015
Interest on deposits with banks	888	2,291
Interest on granted loans	368	391
	1,256	2,682

30. Investment expenses

	U.S. $ 000's	
	2016	2015
Employees' salaries, wages and benefits	1,137	1,280
Professional fees	1,073	599
Travel and transportation	118	83
Others	202	139
	2530	2,101

31. General and administrative expenses

	U.S. $ 000's	
	2016	2015
Employees' salaries, wages and benefits	9,396	8,694
Professional fees	2,005	3,854
Rents	856	593
Travel and transportation	548	554
Marketing	477	575
Fees and subscriptions	385	302
Telephones and courier	252	306
Maintenance	238	254
Insurance	190	287
Board of Directors remuneration	167	167
Hospitality	166	126
Printings and stationery	143	113
Others	759	858
	15,582	16,683

32. Other (expenses) revenues

	U.S. $ 000's	
	2016	2015
Contributions released from restriction (note 25)	723	1,499
Provision for expected credit loss (note 11 and 12)	(350)	-
Gain (loss) on sale and disposal of property, plant and equipment	17	(324)
(Provision) recovery for accounts receivable (note 14 and 15)	(1,123)	938
Others	508	(164)
	(225)	1,949

33. Fair values measurement

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

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Financial assets at FVTPL	December 31, 2016	36,263	-	782
Financial assets at FVOCI	December 31, 2016	152,576	4,440	18,412
Investment properties	December 31, 2016	-	-	82,892
Financial assets for which fair value is disclosed:				
Quoted financial assets at amortised cost	December 31, 2015	7,918	-	-

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2015:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservabl e inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Quoted available-for-sale investments	December 31, 2015	230,105	-	-
Investment properties	December 31, 2015	-	-	68,330
Financial assets for which fair value is disclosed:				
Quoted held-to-maturity financial assets	December 31, 2015	10,952	-	-

There have been no transfers among the levels mentioned above during the years 2016 and 2015.

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

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

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

2015	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Fair value per meter square	+ 5	2,412
Fair value per meter square	- 5	(2,412)

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, 2016 and 2015:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial assets				
Granted loans	13,386	11,776	13,386	11,776
Investment in securities	220,194	240,981	220,391	241,057
Accounts receivable	56,920	49,754	56,920	49,754
Other financial assets	14,930	23,094	14,930	23,094
Cash and deposits at banks	55,899	60,244	55,899	60,244
	361,329	385,849	361,526	385,925
Financial liabilities				
Accounts payable	27,572	20,390	27,572	20,390
Loans and bank overdrafts	77,306	39,009	77,306	39,009
Other financial liabilities	13,434	9,833	13,434	9,833
	118,312	69,232	118,312	69,232

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

- The fair values of accounts receivable, other financial assets, cash and deposits at banks, accounts payable, other financial liabilities and the short term loans and bank overdrafts approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of the loans granted and long term loans are estimated by discounting future cash flows using rates currently available for debt on similar credit terms. The carrying amount of the loans granted and long term loans are not materially different from their fair value.
- The fair value of quoted financial assets at FVTPL and quoted financial assets at FVOCI is based on their price quotations at the reporting date.
- The fair value of unquoted financial assets at fair value is determined using appropriate valuation methods.
- The fair values of quoted bonds are based on price quotations at the reporting date.

34. Related party transactions

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

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

	U.S. $ 000's	
	2016	2015
Shareholder's current account	87,947	91,393
Loans granted to associates and related accrued interest	3,807	4,303
Cash and deposits at banks (associate)	2,921	6,504
Accrued Board of Directors remuneration	150	150

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

	U.S. $ 000's	
	2016	2015
Leasing of transportation means to the shareholder	7,149	7,033
Interest income on loans to associates	182	201

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

	U.S. $ 000's	
	2016	2015
Board of Directors remuneration	167	167
Key management share of salaries and related benefits	2,802	2,742
Key management share of end of service indemnity	201	187

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

35. Risk management

PIF's financial liabilities comprise loans and credit facilities, accounts payable and some other financial liabilities. The main purpose of these financial liabilities is to raise finance for PIF's operations. PIF has various financial assets such as accounts receivables, other financial assets, loans granted, cash and deposits at banks, some other financial assets, and investment in securities, which arise directly from PIF's operations. The main risks arising from PIF's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. PIF's Board of Directors reviews and approves policies for managing these risks which are summarized below:

Interest rate risk

PIF and its subsidiaries' exposure to the risk of changes in interest rates relates primarily to interest bearing assets and liabilities, such as short-term deposits, loans granted and obtained long term loans.

The following table demonstrates the sensitivity of PIF's consolidated income statement as at December 31, 2016 and 2015 to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on PIF's profit for one year, based on assets and liabilities with floating interest rates at December 31, 2016. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

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

2015	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	10	(36)

Foreign currency risk

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

2016	Increase in currency rate to U.S. $ %	Effect on profit before tax U.S. $ 000's	Effect on equity U.S. $ 000's
Israeli Shekel	15	2,230	1
Other currencies	10	459	-

2015	Increase in currency rate to U.S. $ %	Effect on profit before tax U.S. $ 000's	Effect on equity U.S. $ 000's
Israeli Shekel	15	2,250	(1)
Other currencies	10	489	-

Equity price risk
The following table demonstrates the sensitivity of the cumulative changes in fair value for financial assets at FVTPL and FVOCI to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown below:

2016	Increase in equity price (%)	Effect on equity U.S. $ 000's	Effect on Income Statement U.S. $ 000's
Shares listed in Palestine Securities Exchange	10	13,629	2,635
Shares and portfolios listed in other markets	10	1,629	552
Shares and portfolios not listed	10	2,285	517

2015	Increase in equity price (%)	Effect on equity U.S. $ 000's	Effect on Income Statement U.S. $ 000's
Shares listed in Palestine Securities Exchange	10	16,161	-
Shares listed in other markets	10	6,850	-
Shares not listed	10	699	-

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

PIF and its subsidiaries believe that they are not significantly exposed to credit risk as they are currently managing their credit risks by setting credit limits for customers and continuously monitoring the accounts receivable in coordination with legal consultants. The maximum exposure of the loans and accounts receivable to the credit risk is the carrying amount of the loans granted and accounts receivable explained in notes (12) and (14).

With respect to credit risk arising from other financial assets of PIF, including cash and deposits at banks, granted loans, and other financial assets, PIF's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

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

The table below summarizes the allocation of undiscounted financial liabilities as at December 31, 2016 and December 31, 2015, based on their remaining maturity:

	U.S. $ 000's				
	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
December 31, 2016					
Long-term loans	-	18,053	66,071	1,093	85,217
Accounts payable	27,572	-	-	-	27,572
Provisions and other financial liabilities	10,561	2,873	-	-	13,434
	38,133	20,926	66,071	1,093	126,223
December 31, 2015					
Long-term loans	2,772	5,642	33,725	1,496	43,635
Accounts payable	20,390	-	-	-	20,390
Provisions and other financial liabilities	7,158	2,675	-	-	9,833
	30,320	8,317	33,725	1,496	73,858

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

PIF and its subsidiaries manage their capital structure and make adjustments in light of changes in business conditions. No changes were made in the objectives, policies or processes during 2016 and 2015.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interest with a total of U.S. $ 715,501,000 and U.S. $ 706,835,000 as at December 31, 2016 and December 31, 2015, respectively.

37 Segment information

PIF's reporting format is business segments as PIF's risks and rates of return are affected predominantly by differences in the products and services provided. Business segments are trade and transportation, real estate investment, energy, tourism, in addition to the investment sector. The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2016:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate investment	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	7,149	201,925	11,733	8,274	-	-	229,081
Inter-segment (eliminated)	-	-	518	-	-	(518)	-
Total revenues	7,149	201,925	12,251	8,274	-	(518)	229,081
Results of operations							
Profit (loss) before tax	29,153	12,748	2,164	(1,874)	(854)	-	41,337
Other information							
Depreciation of property, plant and equipment	4,341	1,288	312	1,744	1	-	7,686
Capital expenditure	657	4,756	10,765	423	10	-	16,611
Investments in associates and joint ventures	117,128	1,265	2,743	12,374	5,763	-	139,273
Share of associates' results of operations	8,399	227	(55)	(578)	(102)	-	7,891
Share of joint venture's results of operations	(19)	-	-	(314)	-	-	(333)

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

Assets and liabilities

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

The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2015:

	U.S. $ 000's					
	Investment sector	Trade and transportation	Real estate investment	Tourism	Eliminations	Total
Revenues						
External revenues	7,033	200,102	20,174	4,598	-	231,907
Inter-segment (eliminated)	-	-	-	-	-	-
Total revenues	7,033	200,102	20,174	4,598	-	231,907
Results of operations						
Profit (loss) before tax	11,432	22,390	2,847	(399)	-	36,270
Other information						
Depreciation of property, plant and equipment	4,379	974	700	471	-	6,524
Capital expenditure	1,085	4,072	7,841	124	-	13,122
Investments in associates and a joint venture	101,935	-	728	13,332	-	115,995
Share of associates' results of operations	4,658	-	(59)	(349)	-	4,250
Share of joint venture's results of operations	(530)	-	-	-	-	(530)

The following table presents segments' assets and liabilities as of December 31, 2015:

Assets and liabilities

	Investment sector	Trade and transportation	Real estate investment	Tourism	Eliminations	Total
Segment assets	704,521	64,004	148,283	23,724	(141,926)	798,606
Segment liabilities	48,852	17,796	33,307	9,759	(17,943)	91,771

38. Commitments

- PIF may be exposed to liabilities associated with the liquidation of some non-operating companies of which the ownership was transferred from the shareholder to PIF.
- 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, 2016, total loans granted by local banks under this agreement amounted to U.S. $ 10.8 million. PIF's share of total guarantee provided against these loans was U.S. $ 2.4 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 –located in the center of Gaza and which was used as a security forces headquarter – and on another plot of land in Gaza Strip on which currently the Zahrat Al Madaen Village Bungalows was built. In return, PIF agreed to build a new building to serve as a security forces headquarter in place of the one in Saraya, and to construct a building that substitutes for the one on the Zahrat Al Madaen land currently being used for presidential purposes. The land has not been recorded in PIF's accounting records, since the terms of the agreements were not yet executed.
- PIF and its subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to U.S. $ 6,133,000 as of December 31, 2016. PIF's management and legal counsels believe that provisions made against these litigations are sufficient.
- During 2014, the Swiss Chambers' Arbitration Institution in Switzerland notified the Palestinian Commercial Services Company (currently Sanad Construction Industries) (the company) of a request for arbitration filed by CAP Holding AG (Claimant) against the company and the Palestinian Authority (the PA). The Claimant claims a total amount of USD 1.45 billion plus interest of 5% p.a. and reimbursement of all costs incurred for the arbitration against the company and the PA jointly and severally. On Augest 2, 2016, the arbitral tribunal issued its final award (the Award) in the Arbitration and dismissed CAP's claim against PIF and the Palestinian Authority (PA). Moreover, the arbitral tribunal ordered CAP to reimburse PIF and the PA for legal fees and other costs. Subsequently, CAP filed an appeal against the Award with the Swiss Federal Supreme Court (Appeal). In the Appeal, CAP requested that the Award be vacated and that the dispute be resubmitted to Arbitration. According to the legal counsel, the Company requested to dismiss the Appeal in their entirety, since they are not based on a legal merit and accordingly, no provision for this legal case is required in the consolidated financial statements. PIF is currently working with its legal counsellors on taking the necessary legal actions.

39. Concentration of risk in geographic area

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

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

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2016:

	IAS 39 carrying amount	Re-classification	Re-measurement	IFRS 9 carrying amount
	U.S. $ 000's			
A. Available for sale investments				
Beginning balance	237,098	-	-	237,098
To FVOCI – Equity	-	(176,608)	-	(176,608)
To FVTPL -Equity	-	(60,490)	-	(60,490)
Ending balance				-
B. Financial assets held to maturity				
Beginning balance	14,776	-	-	14,776
To financial assets at amortized cost	-	(14,776)	-	(14,776)
Ending balance				-
C. Financial assets at amortized cost				
From financial assets held to maturity	14,776	-	-	14,776
Re-measurement	-	-	(3)	(3)
Ending balance				14,773
D. Granted Loans				
Beginning balance	11,776	-	-	11,776
Re-measurement	-	-	(3,604)	(3,604)
Ending balance				8,172
E. Financial assets at FVOCI				
From available for sale investments	-	176,608	-	176,608
Re-measurement	-	-	881	881
Ending balance				177,489
F. Financial assets at FVTPL				
From available for sale investments	-	60,490	-	60,490
Ending balance				60,490

- The following table demonstrates the original measurement under IAS 39 and the current measurement under IFRS 9 as at January 1, 2016:

	Measurement category		Value	
	IAS 39	IFRS 9	IAS 39	IFRS 9
			U.S. $ 000's	
Financial Assets				
Investment in share and portfolios	Available for sale investments	Financials assets at FVOCI	176,608	177,489
Investment in share and portfolios	Available for sale investments	Financials assets at FVTPL	60,490	60,490
Investment in bonds	Held to maturity	Financial assets at amortized cost	14,776	14,773
Granted loans	Granted Loans	Financial assets at amortized cost	11,776	8,172

- The following tables demonstrate the effect of adopting IFRS (9) and other restatements on the retained earnings, fair value reserve and other reserves as at January 1, 2016 and January 1, 2015:
• Effect of adopting IFRS (9) on the retained earnings, fair value reserve and other reserves:

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

The effect on consolidated income statement for the year ended December 31, 2015:

	U.S. $ 000's	
	December 31, 2015	January 1, 2015
Current liabilities	7,688	6,357
Net effect on equity	7,688	6,357

The effect on consolidated income statement for the year ended December 31, 2015:

	U.S. $ 000's
Other expenses	1,331

Some of the consolidated financial statements figures as at December 31, 2015 have been reclassified to conform with the presentation of the current year, except for the restatements here above, the reclassifications do not affect the previous years' profits or equity.

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