صندوق الاستثمار الفلسطيني
Palestine Investment Fund

Investing for Impact

Annual Report 2018

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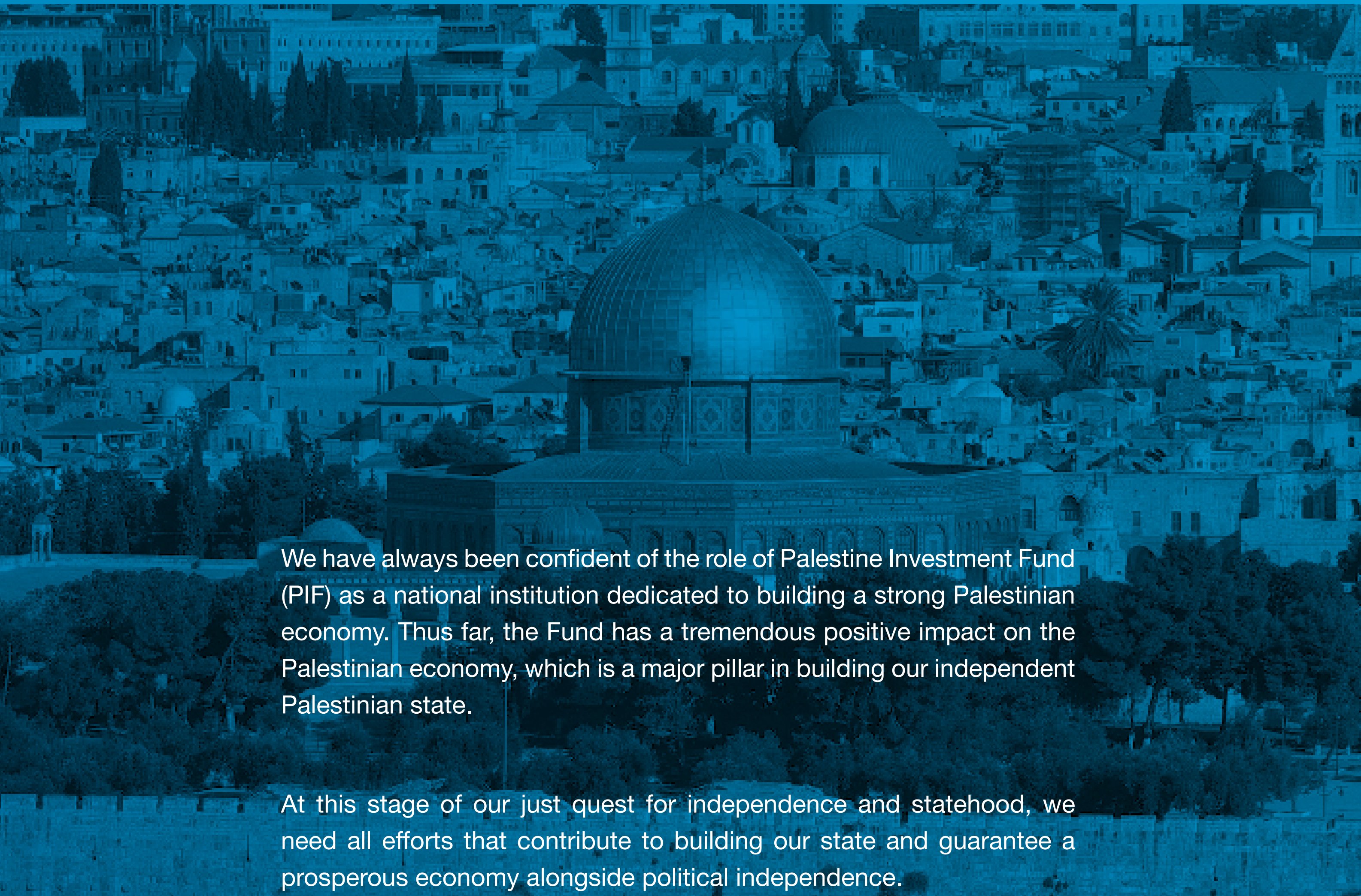
Message from the President of Palestine



We have always been confident of the role of Palestine Investment Fund (PIF) as a national institution dedicated to building a strong Palestinian economy. Thus far, the Fund has a tremendous positive impact on the Palestinian economy, which is a major pillar in building our independent Palestinian state.

At this stage of our just quest for independence and statehood, we need all efforts that contribute to building our state and guarantee a prosperous economy alongside political independence.

PIF's impact is evident through its focus on investing in high value-added strategic sectors such as infrastructure, conventional & renewable energy, technology, industry, agriculture, among other sectors.

In addition, PIF focuses on empowering Palestinian people everywhere in all areas through small business investment programs, such as the Lebanon Refugee Economic Empowerment Program, and programs aimed at investing in Jerusalem; the capital of Palestine.

I would like to express my sincere appreciation to PIF, represented by its Chairman, members of the Board of Directors and the General Assembly, as well as the executive management and staff, who are working hard to maintain continued success and achievement.

Yours,
Mahmoud Abbas
President of the State of Palestine

Message from the Chairman of the Board of Directors

On behalf of the Board of Directors, I am pleased to present to you PIF's Annual Report for the year 2018, which highlights its outstanding performance during the year and shows the accomplishments it has achieved despite of the economic and political challenges that beset our homeland, Palestine.

Fifteen Years of Impact Investment

As PIF is celebrating its fifteenth anniversary, I will begin by reviewing its objectives, business strategy and the results achieved during this period. The true performance of investment funds is usually represented through the extent to which the objectives and strategies are achieved over the lifetime of these funds rather than annually. PIF is proud to have achieved these objectives and translated them into reality.

While PIF continues to invest with the goal of achieving sustainable financial returns, PIF's Board of Directors has recently adopted an impact investment strategy, reflecting PIF's double bottom line mandate of investing to achieve positive social and economic impact alongside achieving sustainable returns.

Within this context, PIF has achieved strong results on both fronts, as evident in PIF's audited financial statements, and a comprehensive impact review prepared with the assistance of a specialized international consulting firm, which can be summarized as follows:

1- PIF has successfully implemented an investment program of $1.6 billion across a number of strategic economic sectors, in partnership with local, regional and global partners between the year (2006-2018).

2- PIF has created over 75,000 jobs during the period (2006-2018) through its executed investments.

3- PIF has supported the development and financing over of 4,400 micro, small and medium enterprises through a host of financing programs between 2006 up until the end of 2018.

4- The Fund achieved a cumulative net profit of $1.036 billion since its inception, including a $21.3 million for the year 2018, which is in line with similar impact investment funds.

5- The total distributed profits by the end of the year 2018 were approximately $840 million, which is equivalent to 134% of the capital, while the assets managed by PIF amounted to approximately $1 billion at the end of 2018, thus the net assets value (NAV) reached $1.8 billion.

6- It is worth mentioning that the net profit of the investment portfolio amounted to $37 million after tax in the year 2018. Yet, other portfolios are still under development especially infrastructure and Jerusalem projects, which shall contribute to the profits in the future.

Despite all the challenges and difficulties facing our investment companies and the investments environment, these indicators and figures highlight a significant achievement; whether by pure financial standards or developmental standards.

Even with all the circumstances surrounding us, The Board of Directors has directed the investment companies' executive management to intensify their efforts in improving the performance, while the Board of Directors will always be supportive to the companies to achieve their objectives.

Dr. Mohammad Mustafa, Chairman

Ladies and Gentlemen,

There is a significant shift in national priorities in light of the increasing political challenges, the significant decline in donor support, and the continued near complete reliance on Israel economically. In this context, the Palestinian leadership has taken several vital decisions towards economic disengagement and national development in Palestine. transitioning into a knowledge driven economy, providing alternatives to imported goods and services, while creating economic opportunities for Palestine's youth.

Against this backdrop, PIF's Board of Directors has adopted a strategic vision for the next ten years focusing on economic transformation to build resilience and self-reliance. The vision focuses on investments in vital sectors, including energy and natural resources, agriculture and food industries, livestock and animal feed, human development, health, education, technology, and construction industries, focusing on marginalized areas facing daily occupation challenges, such as Area C.

Although we are proud of what we have achieved on the financial front, we are fully aware that as an economy under occupation, we continue to suffer from structural challenges, including the forced linkage to Israel and the heavy reliance on donor assistance. We also still rely on Israeli imports and services in the areas of electricity, water, agricultural products, food, cement and medical treatment, which together constitute the vast majority of our trade deficit with the Israeli occupation. Therefore, the Board of Directors has set the following objectives for the next 10 years, against which we will also measure our performance:

First: Increase the size of PIF's investment program to about $2.6 billion.

Second: Double the size of PIF's assets from about $1 billion to $2 billion.

Third: Create 100,000 new jobs.

Fourth: Reduce imports of strategic products (energy, agriculture, animal feed, cement, medicine, and medical treatment) by 50% from its current level.

Fifth: revitalize the housing, tourism and small businesses sectors in the city of Jerusalem.

Sixth: Maintain adequate return on investment in a way that enables PIF to be sustainable and impactful.

An investment program focused on productivity and Impact

In order to achieve these ambitious objectives, PIF has developed an investment program focused on productivity and development by restructuring PIF into four major investment portfolios managed by four companies: Amaar Jerusalem, which invests in the real estate sector and tourism in Jerusalem; Sharakat, which targets the agriculture and education sectors; Massader for investment in the energy and infrastructure sector; and Aswaq for investing in mature and scalable Palestinian companies. In addition, Palestine for Development Foundation implements PIF's social investment programs to integrate youth in the labor market.

Our investment program for the next phase includes a portfolio of 62 companies and investment programs that PIF has implemented or is in the process of implementation . Also, PIF plans to exit from some mature investments to provide part of the necessary funding for the implementation of the new investment program, including the strategic projects initiated or developed in partnership with several parties.

Amaar Jerusalem... An economic boom in the holy city

Amaar Jerusalem is PIF's platform for investment in real estate and tourism in Jerusalem. It seeks to improve the standards of living and economic opportunities in Jerusalem by launching an investment program of more than $125 million. The program includes the implementation of a residential project called "Beit Hanina Heights" with 2 towers which will include 52 apartments, the Jerusalem Commercial Center which will consist of 13 floors and an investment volume of $47.3 million, and the Golden Gate Hotel which will include 208 rooms in the Sheikh Jarrah neighborhood. Also, the company has recently completed the development and opening of the New Capitol Hotel in Salah El-Din Street, which consists of 70 hotel rooms with an investment volume of $12 million and the creation of more than 200 jobs.

Massader… Laying the foundation for the future

Massader is leading a $2.4 billion investment program with local and international partners to implement projects in the conventional and renewable energy sectors and industrial infrastructure. Noor Palestine solar program is underway with the aim of generating, 200 MW of electricity by 2026 through solar power plants in Jericho, Jenin, and Tubas. In partnership with several companies and investors, Massader continues to work on Jenin power plant project with a planned capacity of 480 MW and an expected investment size of about $620 million. Moreover, it continues to monitor the Gaza natural gas project and the West Bank oil field (Rantis), and exploring the option of importing petroleum products through Jordan, as well as converting solid waste to energy.

Massader is preparing for the development of the Tarqumia Industrial Park and Bonded Area in Hebron. Massader has obtained a concession agreement and developed the project's structure and strategic plan. The project will be a gathering of a wide range of Palestinian private sector investors who wish to distribute their products to the local markets, including Gaza, as well as regional and international markets. The project includes a logistics storage area and a base for export operations with an area of about 1,600 dunums and will create about 50,000 direct and indirect job opportunities.

Sharakat... Strategic partnerships in promising sectors

Sharakat invests to support SMEs through several specialized funds, and through an agricultural investment company to be launched soon, Sharakat invests in the agricultural and food security sectors. It also invests in education to prepare youth for the challenges of the modern age and knowledge.

Sharakat is invested in Ibtikar Fund; a portfolio of SMEs, to boost technology startups and Souktel, which invests in emerging technology companies at all stages of its growth. Sharakat is also a shareholder in several finance and leasing companies, such as Asala Company for Credit and Development and Ijarah Company for Islamic leasing.

Sharakat is leading the establishment of the National Agricultural Investment Company, which will manage an $80 million agricultural portfolio including cultivation, food processing, and agricultural infrastructure. The company will build on Sharakat's existing agriculture portfolio, which includes several projects such as Al Dalyeh; early seedless grape farm and a plant for the production of animal feed in the southern West Bank, with a capacity of 230,000 tons per year. Additionally, Sharakat is working on establishing the first natural potato chips factory in Palestine.

On the human development front, Sharakat celebrated the inauguration of Al Jinan International School as the first school of its kind in Palestine to focus on teaching technology, applied skills and software.

Aswaq ...Strengthening the Palestine Stock Exchange and Scaling Palestinian companies

PIF supports Palestine Stock Exchange through Aswaq, which holds strategic and influential shares in many vital companies and works to scale up local companies in high growth areas, including health care, industrial production, telecommunications, and banking. Aswaq also manages specialized funds to invest in local and regional capital markets. Those funds include the Rasmala Fund in partnership with Rasmala which aims to attract investors to Palestine, and Khazanah which invests in regional and global markets. Aswaq also provides PIF with necessary financing to fund its developmental program.

Palestine for Development Foundation...Leadership and innovation

Through Palestine for Development Foundation, PIF seeks to enhance youth skills and qualify them to enter the labor market. It also aims to support innovation as a means to achieve sustainable impact and promote a knowledge-based economy in Palestine through supporting creative youth, improving infrastructure, and facilitating access to finance for entrepreneurial projects.

Palestine for Development Foundation continues to implement a range of programs, such as the Jerusalem Microfinance Project, in, partnership with the European Union, which provides financing for SMEs operating in Jerusalem.

The foundation also launched Ibda' program, in which the "Know the Business World" curriculum was adopted as a course in 36 technical colleges in Palestine reaching more than 6,000 students in vocational schools. In addition to a financing component whereby PIF borrowed $30 million from the SME Program managed by the Arab Fund, in which to date has covered
in its early stages 1240 SMEs and contributed to the creation of 2,500 new jobs.

The foundation also implements a program that targets Palestinian refugees in Lebanon. The program aims to provide Palestinian refugees in Lebanon with microcredit for projects in refugee camps and residential communities. It has contributed to improving their living conditions and providing job opportunities through 3,100 loans extended to start new projects or develop existing ones.

Palestine for Development has almost finished the arrangements for launching the first Development Impact Bond (DIB) called Finance for Jobs "F4J" with a total investment size of $ 4.9 million. F4J aims to prepare 1,500 new graduates for employment by developing their skills and abilities in different economic sectors.

Ladies and Gentlemen,

On behalf of PIF's Board of Directors and staff, I extend my thanks and gratitude to President Mahmoud Abbas for his guidance to enhance the role of PIF as a leading national institution in the field of economic and social development. I also thank our local, regional and international partners in the various projects and programs who have contributed to the success of these initiatives as part of a comprehensive effort to build the foundations of our independent Palestinian state and independent economy. I thank PIF's Board members and staff, as well as the staff of our subsidiaries for all their efforts and dedication.

Finally, I extend my thanks to the PIF General Assembly. We look forward to working together and to your support and contribution to achieve the vision that was presented in this message. We hope to benefit from your experiences and expertise as renowned Palestinian national figures, to contribute to the supreme national goals; where the national development needs joint efforts, integration and accumulation between all parties, individuals and energy of the great people.

Yours,
Dr. Mohammad Mustafa,
Chairman

About PIF

Founded in 2003, PIF is Palestine's development-centric sovereign wealth fund. PIF seeks to achieve a double bottom line by maximizing impact through investing in strategic projects in developing and vital sectors, while achieving sustainable returns.

Vision and Mission

PIF's vision is a resilient, innovative and vibrant economy that enables the Palestinian people to thrive. Our mission is to invest and mobilize partnerships in strategic projects in vital under-served sectors.

Investment Strategy

PIF Board of Directors approved the focus of investments inside Palestine under the directives of the shareholder in order to achieve its objectives in terms of making an economic impact, contributing to the advancement of the national economy, contributing to an independent economy and reducing dependency on others and building the foundation of an independent economy. PIF is proud that its investments in Palestine exceeded 90% of its total portfolio by the end of 2018.

The decision of the Board of Directors to invest in Palestine carries a strategic dimension; meaning that the needed impact does not result only from greater returns from the investments abroad, but also from the economic and social impact (by creating jobs, attracting foreign investments, strengthening and encouraging the Palestinian private sector, contributing to the GDP and other factors seen by PIF within the required outcomes) which will only be achieved by investing inside Palestine.

Additionally, part of these investments is aimed though specialized funds, at attracting Arab and foreign investors to invest within Palestine by providing a diverse platform of listed companies and stocks. PIF's outside Palestine are based on the investment policies approved by the Board of Directors concerned with the diversification of income resources and risk management.

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شراكات
SHARAKAT
a PIF Company

مصادر
massader
a PIF company

عمار
AMAAR GROUP
a PIF company

أسواق الإستثمارية
ASWAQ INVESTMENTS
a PIF company

فلسطين للتنمية
Palestine For Development

Partnership Philosophy

PIF relies on the philosophy of partnership based on the principle of encouraging and stimulating private sector participation, away from competition, in addition to attracting local and international investors. Therefore, PIF is taking the initiative in launching projects and inviting investors to jointly invest in them.

$1 Billion
Assets managed by PIF

$840 Million
Dividends distributed since 2003

90%
PIF's investments in Palestine

$2.6 Billion
(2018-2025) The size of the investment program

Investment Indicators

Based on its commitment to its development centric vision, PIF has achieved a number of tangible economic indicators across several areas:

- Job opportunities
- Investment size in Jerusalem and Area C
- Contribution to GDP
- Reducing the trade deficit
- Support SMEs

Provided more than

Provided more than 75 thousand direct and indirect job opportunities (2006-2018) including employment programs through financing platforms.

75000

Job opportunities

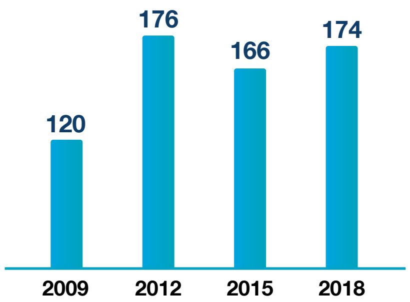
(2006-2018)

About

1.4%

PIF's contribution to GDP

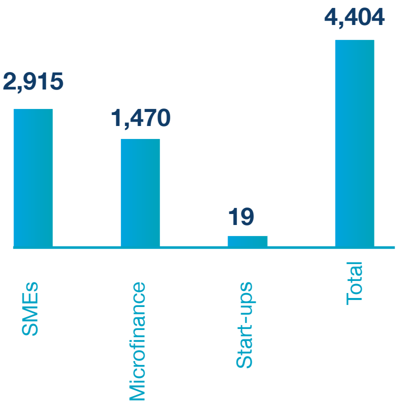
(2009-2018)



Added-value in million dollars at current prices

Support 4,404

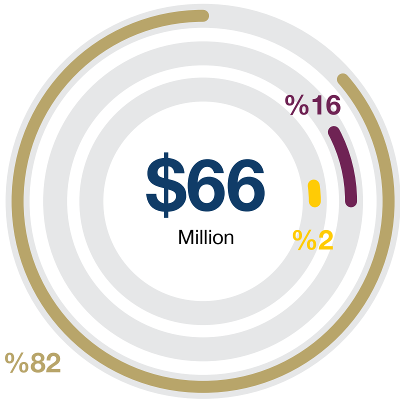
SMEs (2006-2018)



Investment size in Jerusalem and Area C

Until the end of 2018

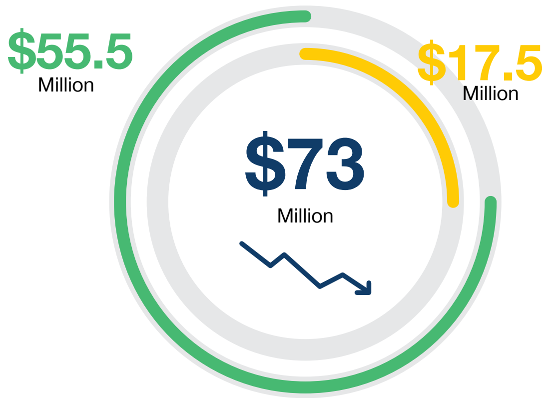
- Palestine for Development Foundation %82
- Amaar %16
- Sharakat %2



Reducing imports

during the past five years

- Massader $55.5 Million
- Sharakat $17.5 Million



PIF adheres to the provisions of its internal bylaws and the Companies Law for matters that are not addressed by its bylaws, PIF adopts several procedures to strengthen governance based on integrity, transparency, and segregation of powers , which were developed and continuously being updated cooperation with major international companies adhering to the highest international standards. PIF developed a set of manuals as a reference for its policies and procedures to guide its work. The manuals include:

- Governance Manual
- Human Resources Manual
- Procurement Manual
- Investment Manual
- Legal Procedures Manual

Governance

Internal Audit

The internal Audit Department conducts the audits of PIF and its various Subsidiaries and report to the Board of Director's Audit committee. The audits are conducted in cooperation with one of the Big Four consulting firms.

External Audit

An independent external auditor performs the audit of PIF's financial statements and epxress and independent opinion on the fair presentation of the financial statements. In accordance with the Governance Manual, an external auditor is appointed from the major international auditing firms, which have an excellent reputation and experience in PIF's line of work. These statements are issued according to international standards and published together with the Independent Auditor's report on PIF's website, and in the Annual Report which is approved by the General Assembly.

Board of Directors of 11 members
General Assembly of 30 members

Internal and external audits conducted by leading international audit firms, including Ernst & Young for External Audit, and Deloitte for Internal Audit.

Full member of the International Forum of Sovereign Wealth Funds

PIF has been awarded this membership due to the compliance of its work system with principles that the forum adopts and follows, which are known as the "Santiago Principles". These standards were set and supported by the International Monetary Fund (IMF). PIF represents the State of Palestine in this important international forum.

Full membership in the Global Impact Investing Network

PIF has joined the Global Impact Investing Network GIIN. GIIN is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. GIIN seeks to accelerate the industry's development through focused leadership and collective action.

Board of Directors

A Board of Directors of eleven members with experience in various fields oversees the work of PIF. The President of the State of Palestine appoints the chairperson and members.

Dr. Mohammad Mustafa. Chairman

Dr. Mustafa is currently the Chairman of Palestine Investment Fund. He served as the Deputy Prime Minister in the 15th Palestinian Government and the Deputy Prime Minister for Economic Affairs, and the Minister of the National Economy in the 16th Palestinian Government.

Prior to his chairmanship of PIF, Dr. Mustafa was the CEO of the fund, where he led PIF to become a leading economic institution in Palestine, that has been able to achieve remarkable financial results. In addition, he led the launch of several leading Palestinian companies in vital and strategic sectors such as telecommunications, real estate, energy, SMEs, construction, hospitality, tourism and infrastructure.

Earlier, Dr. Mustafa worked at the World Bank in Washington, an Economic and Investment Reform Advisor in Kuwait and Saudi Arabia, CEO of Paltel and a instructor at George Washington University.

Mr. Azzam Al Shawa

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

Mr. Maher Al Masri

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

Mr. Mazen Sinokrot

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

Mr. Samer Khoury

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

Dr. Mohammad Nasr

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

Mr. Nabil Al Sarraf

A businessperson who serves on the boards of several companies in Jordan and Palestine and non-governmental and charity organizations. He obtained his Master's degree in Civil Engineering from Aachen University in Germany.

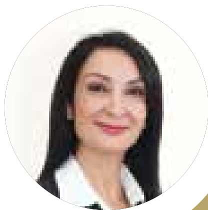
Mr. Tarek Al Aggad

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

Mr. Mohammad Abu Ramadan

Businessperson and Chairman of Ooredoo Palestine, where he represents PIF. Mr. Abu Ramadan is the former Minister of Planning and Administrative Development. He is also a member of the board of directors of several companies and economic institutions. He holds a Bachelor's degree in Business Administration from Syracuse University.

Mrs. Lana Abu Hijleh



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

Mr. Tamer Bazzari

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

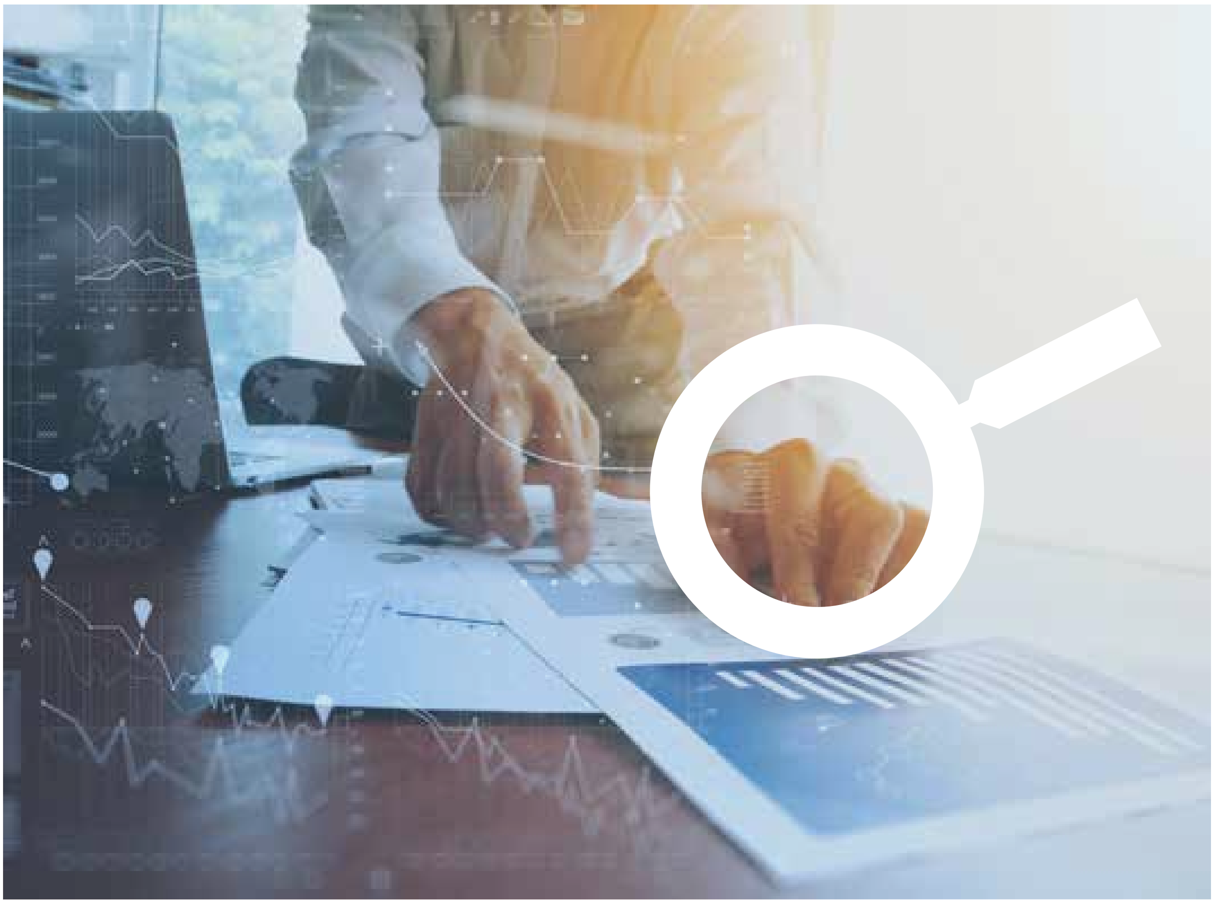
Board Committees

PIF's Board of Directors includes three permanent committees that is comprised of board members in line with the company's bylaws and the governance manual. These committees are:

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

Audit and Governance Committee: Reviews outputs and results of the Internal and external audits of PIF and its subsidiaries to ensure the financial statements and operations transparency. In addition, the committee oversees PIF governance including policies and regulations and ensures compliance with internal governance codes and protects against conflicts of interest.

Human Resources Committee: Reviews PIF's human resources policies including determining the General Manager's salary and bonuses, salary scale and employment policies.



General Manager

- The Board of Directors selects PIF's General Manager and submits the recommendation to the President of the State of Palestine for approval.
- The General Manager manages the holding company and reports to the Board of Directors.
- The General Manager assists the Board of Directors in setting PIF's annual plans, monitoring and evaluating of its subsidiaries' performance.

Mr. Fadi Dweik - General Manager of PIF

Fadi Dweik has been the General Manager of PIF since 2016. He previously served as the Chief Financial and Auditors Officer , and led the internal audit at PIF. Mr. Dweik worked with several international companies in the fields of consulting and assurance, risk management, and corporate governance. He has experience in a wide range of indus- tries including investments, real estate, banking, and financial institutions, industry, hospitality, non-profit organizations, governmental institutions, and health care providers. In addition to his work with PIF, Mr. Dweik serves on the boards and executive committees of several entities and NGOs in Palestine. Mr. Dweik holds a Bachelor's degree in Accounting and a Master's degree in Business Administration, both from Birzeit University.

The General Assembly

PIF's General Assembly is comprised of 30 individuals who represent various segments of the Palestinian society, including the business community, regulatory agencies, and civil society. Members of the General Assembly are appointed to three-year terms by the Palestinian President in accordance with the Internal Bylaws. Members of the General Assembly do not receive any financial remuneration for their work and membership.

The Role of the General Assembly

- Discuss and approve the Board of Director's Annual Report.
- Discuss and approve the Auditor's Report.
- Discuss and approve the Board of Directors' recommendations on dividends distribution.
- Discharge members of the Board of Directors.
- Appoint an external auditor.

The General Assembly meets periodically, where the ordinary annual meeting is held every year in the presence of a companies' controller. A detailed press release of the meeting and its results is published immediately after the meeting, and uploaded on PIF's official website.

Full list of the current General Assembly:

Chairman and Members of PIF's Board of Directors	Mr. Hashim Shawa
Head of Palestinian Private Sector Coordination Council	Mr. Sami Irshaid
A representative of the President of the Court of the Presidency	Dr. Suheil Sultan
A representative of the Board of Directors of the Women's Business Forum	Dr. Ali Abu Zuhari
Mr. Abdulkader Al Husseini	Dr. Nabil Qassis
Dr. Mahmoud Abu Al Rob	Ms. Hind Khoury
Dr. Imad Abu Kishek	Dr. Atef Alawneh
Dr. Mohammad Nafeth Al Hirbawi	Dr. Safa' Nasr Al Dein
Mr. Ahed Bseiso	Dr. Ziyad Al Bandak
Mr. Nassar Nassar	Mr. Hisham Al Omari
Mr. Jawdat Al Khudari	

Financial Highlights

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21$ Million Net profit for 2018

$840 Million Cumulative profit that PIF transferred to the State's Treasury since its establishment

$2.6 Billion Investment program size (2018-2025)

PIF doubled its asset base since inception with a 131% growth in assets prior to dividend distribution.

PIF's total distributions to the State's Treasury reached 134% of invested capital

The Investment Model

أسواق الإستثمارية
ASWAQ INVESTMENTS
a PIF company

$650 Million Through investing in Palestine Stock Exchange with an investment portfolio of $650 million

And providing the necessary financial resources for the implementation of PIF's investment program

$37 Million Net profit for 2018

شراكات
SHARAKAT
a PIF Company

Investment portfolio of **$42 Million**

Agriculture, Technology, Health, Education

مصادر
massader
a PIF company

Investment portfolio of **$2.4 Billion**

Energy, Natural Resources, Infrastructure

Amaar Jerusalem
for Investment and Development
عمار القدس للإستثمار والتطوير

Investment portfolio of **$125 Million**

Real Estate, Tourism in Jerusalem

فلسطين للتنمية
Palestine For Development
a PIF company

$10 Million

Foundation for Social Investment

AMAAR GROUP

a PIF company

From vision to creation

Amaar is leading the investment in real estate projects as it is PIF's investment arm in real estate and tourism. Established in 2009, Amaar is a fully-owned subsidiary of the Palestine Investment Fund. It aims at developing the real estate, residential and tourism sectors in Palestine, especially in Jerusalem. Through its projects, Amaar focuses on the following elements:

Quality, Affordable housing **Sustainable tourism** **Supporting business activities** **Job creation**

Amaar's Top Accomplishments 2018

1. Launched New Capitol Hotel in Jerusalem, after conducting renovation and rehabilitation work. The hotel consists of 70 rooms, which is 4.5% of the total rooms in Jerusalem and has provided more than 200 direct jobs.
2. Sold more than 90% of the Surda Hills project, located north of Ramallah.
3. A group of national and international companies moved their headquarters to Amaar Tower as part of the Ersal Center project
4. Signed several sales agreements to develop new commercial and residential facilities at Al Reehan Neighborhood.
5. Developed about 51,217 square meters in governorates all over the country, such as Al Bustan in Jericho and the Jordan Valley, and Saru project in the north of the West Bank in Jenin.

An investment portfolio of more than **$125** Million

Quality, Affordable housing

Sustainable tourism

Supporting business activities

Job creation

Amaar Jerusalem Investment & Development Co

Amaar Jerusalem
for Investment and Development
عمار القدس للإســتثمار والتطوير

Amaar Jerusalem is PIF's main investment platform in Jerusalem and focuses on investments in the real estate and tourism sectors. Amaar Jerusalem seeks to contribute to the development of economic opportunities in Jerusalem through the implementation of strategic investments in the real estate and tourism sectors in the city. Amaar Jerusa- lem projects complement PIF's existing activities in Jerusalem, which aim at promoting growth in SMEs and providing employment opportunities.

New Capitol Hotel

A 70-room hotel with an investment size of $12 million. The hotel is strategically located on Salah El-Din Street, the commercial artery of Jerusalem, and is close to the religious sites and the old city. The hotel commenced operations in 2018, it consists of five floors and includes several services.

Jerusalem Commercial Center

The first mixed-use commercial center in the heart of East Jerusalem. The project consists of 13 floors, with shops and offices, a 70-room hotel, restaurants, and parking lots. The pro- ject will cost about $47.3 million, giving Jerusa- lemites new options to expand their business- es.

Golden Gate Hotel

This planned 4-star hotel will have 208 rooms in the heart of Jerusalem's Sheikh Jarrah neighborhood, a 15-minute walk from the old city. The hotel will offer a great choice to local and foreign tourism in one of Jerusalem's most vibrant neighborhoods, with an estimated investment of $57.5 million. The project will enhance the city's sustainable tourism efforts by providing and improving the tourism facilities owned by Jerusalemites.

Beit Hanina Heights

The project is located in the center of Jerusalem in Beit Hanina, one of the most important Palestinian residential areas about 5 kilometers from the old city. The project consists of two residential towers and underground parking lots. The total residential area of the housing is approximately 10,500 square meters, with an investment size of about $17 million. The residential area is divided into 52 apartments, ranging from 120 to 170 square meters

Beit Hanina Heights
تلال بيت حنينا

Amaar For Real Estate and Tourism Development Company

Amaar has implemented many strategic real estate projects that forged outstanding success stories in the real estate sector in Palestine; and contributed to the growth and the development of the Palestinian National Economy. Amaar is currently focusing on horizontal land development by providing fully developed land parcels around urban centers, suitable for development for private sector developers or end users, to offset the shortage in land needed for housing, commercial and industrial development in the Palestinian Market.

AMAAR GROUP

a PIF company

Selected ongoing and completed projects:

Ersal Center

Ersal Center has quickly become Palestine's leading business and commercial hub. Located in the heart of the twin cities of Ramallah and Al Bireh. Ersal Center is home to several leading local and international companies.

Once completed, the project will include eleven commercial towers of multiple use equipped with modern infrastructure in an accessible and convenient location. Two towers have already been constructed in Ersal Center: Amaar Tower, a thirteen-floor building which is home to PIF among others; and CCC Building, which serves as the company's corporate office.

Amaar Tower, as part of Ersal center, attracted several companies to take advantage of its strategic location, services, and infrastructure. During 2018 several businesses moved into the tower such as Golden Globe Tours, Mahmoud Abbas Foundation, Palestine Development and Investment Company, Kamal & Associates - Lawyers and Legal advisors, in addition to other companies and consulting firms.

An additional two mixed-use towers are currently being developed in Ersal Center and more is expected to follow in the future.

Al Reehan Neighborhood

Al- Reehan Neighborhood is one of the most well-known and iconic residential neighborhoods in Palestine. It is located north of Ramallah and is only 10 kilometers away from the city center. The neighborhood is within the Ramallah Municipality jurisdiction.

The chic neighborhood was developed with the latest standards, international methods, and architectural planning in terms of design, implementation, infrastructure, and public utilities. It includes various commercial outlets such as Lacasa Mall and Al Reehan Commercial Center, healthcare facilities such as Istishari Arab Hospital, and educational facilities such as Arab American University to accommodate its resident's needs.

The construction of Al Reehan Neighborhood created thousands of badly needed jobs for Palestinians and contributed to the economic development of Palestine. There are more than 400 young families currently live and work in the neighborhood.

Al Jinan Neighborhood

Al Jinan residential neighborhood covers an area of 77 dunums in the center of Jenin, in a strategic location 3 kilometers east of the city center and 5 kilometers northwest of the Arab American University.

Al Jinan has been designed and implemented following the highest standards and has an integrated infrastructure. It is the first of its kind in the northern part of the West Bank. Al Jinan includes 54 back-to-back villas, 3 residential buildings with 28 apartments, a shopping outlet to server residents, and a central green area. This neighborhood has a distinct location in the magnificent landscape off the road between Jenin and the Arab American University.

As one of our PIF's success stories, Al Jinan has managed to provide adequate housing for Palestinians. All the apartments have been sold, and most of the buyers already settled in their homes. The neighborhood is bustled with people, life and activity.

مصادر
massader
a PIF company

Laying the Foundations of the Future

PIF established Massader in 2015 to develop Palestine's natural resources and infrastructure. The company is currently leading PIF's investments in natural resources development and infrastructure projects in Palestine such as Gaza Natural Gas Field (Gaza Marine), West Bank Oil Field, Jenin power Plant, and Noor Palestine solar energy program.

Massader's Top Accomplishments 2018

1. A new agreement on the rights to develop the natural gas field off the coast of Gaza, with a new alliance consisting of PIF and CCC of 27.5% each under the rights available to them in the current license agreements, and an international developer company up to 45% to be approved by the Palestinian Council of Ministers.

2. **Clear progress in the implementation of Noor Palestine program, including:**
   - Signed agreements to start construction and maintenance of solar power plants in Jericho and Tubas.
   - Signed several agreements to link the solar power plants in Jericho, Tubas, and Jenin to electricity distribution companies.
   - Started technical and evaluation studies to install solar energy systems on the rooftops of 500 public schools after signing an agreement with the Ministry of Education and the European Investment Bank.
   - Obtained $20 million, the largest green loan in Palestine, from the Arab Bank to finance the construction of three solar power stations in Jericho, Tubas, and Jenin.

3 Signed the concession agreement for Tarqumia Industrial Park and Bonded Area in Hebron.

4 Received an award as the best project in the Middle East and North Africa for the public schools’ solar rooftops project.

Projects under implementation

Noor Palestine – Massader's Solar Energy Program

Noor Palestine is Massader's program that aims to develop 200 MW of solar capacity in Palestine by 2026, through a mix of solar parks and rooftop panels. Solar parks will be constructed in several locations, starting with Tubas, Jericho, and Jenin. Massader's solar park in Jericho, set to open in 2019, will be Palestine's largest.

Noor Palestine program will also install solar panels on the rooftops of public institutions, schools, commercial and residential buildings. Most recently, Massader signed an agreement with the Palestinian Ministry of Education and Higher Education to install solar panels on the rooftops of 500 public schools to develop 35 MW which covers the needs of about 16 thousand houses "based on average annual consumption in Palestine".

To achieve this goal, Massader is signing agreements with Palestinian electricity distribution companies, such as the Hebron Electric Power Co. and the Jerusalem Electricity Company to ensure connecting those solar panels to the distribution companies.

A $200 million investment, Noor Palestine will generate significant savings in energy costs, giving Palestinians an alternative to the costly imported electricity.

Gaza Marine Offshore Natural Gas Field

The Palestinian Natural Gas field, Gaza Marine, is located in the Palestinian maritime zone and includes an estimated reserve of 1 trillion cubic feet (TCF) of Natural Gas, approximately 32 billion cubic meters (BCM). The gas field was discovered in 1999 by British Gas (BG) following a seismic survey and the drilling of two exploration wells. The development of Gaza Marine is considered a central pillar of Palestine's energy security towards the path to self-sufficiency in power generation, providing a relative degree of energy independence, lessening dependence on imported energy sources and significantly reducing the current trade deficit. The project will be developed to fulfil the domestic market needs for natural gas that enable large scale power generation programs in Palestine.

Gaza Marine will enable the supply of natural gas to two domestic power plants: the existing Gaza power plant with a capacity of 140 MW and is being considered for capacity expansion to 280 MW, and Palestine Power Generation Company (PPGC) Jenin power plant with a capacity of 480 MW. Gaza Marine development costs are estimated at $ 1 billion.

Jenin Power Plant

Massader is the lead investor in the development company for the first large scale power plant in the West Bank, located in Jenin. Jenin Power Plant is gas-fired with a generation capacity of approximately 480 MW, supplied by natural gas.

The plant is being developed through Palestine Power Generation Company (PPGC), which is supported by a leading group of Palestinian investors including PIF through Massader, Palestine Development and Investment Company, Palestine Telecommunications Company, the Arab Bank Group, the Palestine Electric Company, and the Arab Palestinian Investment Company. These investors are joined by other local investors including four large local banks: Bank of Palestine, Al Quds Bank, and Cairo-Amman Bank.

A goodwill letter had been signed with the developers of the Palestinian natural gas field in order to provide natural gas to the plant. As projected, the Jenin Power Plant will fulfill approximately 50% of Palestine's current total electricity consumption with a total project cost of approximately $620 million.

Exploring and Developing the West Bank Oil Field

Massader is leading the exploration and development of the West Bank Oil Field. The field spans over an area of 432 square kilometres northwest of Ramallah. The field is adjacent to the Merged Oil Field, which is being actively Inside the Green Line. Initial reserve estimates indicate the combined fields contain between 293 barrels of oil and between 168 and 498 billions of cubic feet of natural gas.

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

Jericho Agro-Industrial Park

Jericho Agro-Industrial Park is located on the eastern side of the city, 7 kilometres from the Karama border crossing and 30 kilometres from Jerusalem. PIF is one of the main shareholders and founders of the project in partnership with Palestine Real Estate Investment Company - PRICO and Sanabil Investment Company. The project aims at increasing Palestinian exports and enabling free access of Palestinian products to foreign markets. The project will provide, upon completion of all stages, about 5,000 direct jobs and at least 10,000 indirect jobs. It will also stimulate economic activity in Jericho. With an investment size of $9 million, the project is designed to create a safe investment environment, contribute to the enhancement of Palestinian products, and build a solid base of high quality and excellent Palestinian products. The first phase of the project was completed on an area of 140 thousand square meters of integrated infrastructure suitable for all needs as well as industrial and agricultural projects. It features commercial, industrial, storage and distribution facilities. The project in 2018 includes 12 factories, while contracts have been signed with 30 more factories to serve as the first industrial city which is equipped with different adequate requirements and eco-friendly, and complies with international standards.

Future Projects

Tarqumia Industrial Park and Bonded Area

Located near Hebron, the Tarqumia Industrial Park and Bonded Area seeks to become Palestine's export gateway to the world. It will facilitate the movement of goods to regional and international markets – serving as a critical link to integrate the Gaza economy with the West Bank. The park will be connected to the ports and the Jericho Agro-Industrial Park, enabling Palestine to access Arab countries and the rest of the world. It will provide investors and companies with warehouses, land, modern technological logistics solutions strengthen Palestinian products, and promote competencies in the Palestinian industrial supply chain,

and other benefits. Massader is the main shareholder in the project which will cost $160 million.

An investment portfolio of **$2.4** Million

The Industrial infrastructure

The digital infrastructure

Energy security + Clean energy

Solid waste for power generation

Massader seeks to extract biogas from Zahrat Al Finjan dump site and use it to produce electricity for local consumption. The project contributes to reducing the polluting emissions resulting from biogas in the landfill as well as providing renewable electricity at competitive prices. This will contribute to future energy independence.

SHARAKAT

a PIF company

Transformation through innovation

Established in 2012, Sharakat is a fully-owned PIF subsidiary and its platform to invest in agriculture, technology, healthcare, and education. Sharakat currently manages a $42 million investment portfolio distributed throughout 15 projects with a total value of $207 million.

Sharakat's Top Accomplishments 2018

1. Developed and cultivated approximately 540 dunums of agricultural land classified as Area C.
2. Contributed to the establishment and development of more than 902 micro and small projects.
3. Provided 10,407 new jobs, of which 9,450 were for females.
4. Invested in Al Jinan International Schools in Jenin, the first school of its kind in Palestine focused on teaching technology, applied skills and software, in partnership with a group of investors, businesspersons, academics and professionals.

5. Invested in Play 3arabi, which specializes in smart games in Arabic in partnership with Ibtikar Fund.

6. Invested in establishing the Rabia Animal Feed Plant in the south of the West Bank. The plant aims to replace the imported feed with a local product that is competitive in terms of price and quality.

7. Signed a partnership agreement to establish the first natural potato chip factory in Palestine with a group of partners.

Sharakat investment portfolio

Agriculture

Al Dalyeh – Early Seedless Grape Farm

The Al Dalyeh Early Seedless Grape Farm was established on 128 dunums in Ein Al Beida, Tubas, in Area C, in partnership with Sawafta Brothers Corporation. Currently, the farm is being expanded to reach 540 dunums. This project aims to develop agriculture in Palestine and enhance the resilience of the Palestinian population, especially in Area C.

Pal-Farm for Milk Production

The Pal-Farm company is a spin-off of the Al Jebrini Dairy company. It was established in 2013 with the primary mission of supplying the market with a constant and reliable source of fresh milk.

Pal-Farm is one of Palestine's most modern farming facilities, capable of producing more than six million liters of fresh milk per year.

Animal Feed Plant

Sharakat is leading the investment in a modern animal feed plant in Hebron, in partnership with Palestine Industrial Investment Company (PADICO Industrial). The feed production process will be based solely on plant inputs for ruminants and poultry. The plant will contribute to bridging the gap in the feed market in the southern West Bank, where most of the existing feeds are imported from neighboring countries. The plant will have a maximum production capacity of 230,000 tons of feed annually, plus a three months grain reserve, which will enhance Palestine's animal feed security.

Natural Potato Chips Factory

In collaboration with other partners, Sharakat is establishing the first factory to produce natural potato chips in Palestine. The factory will follow international standards and offer high-quality products for competitive prices.

Plastopal Company

A company specializing in the plastic industry and the production of plastic containers used in the food and dairy products. The company has a competitive advantage with advanced in-mould labelling (IML) technology, which allows the production of high-quality, safe food containers for local and regional markets.

Technology

Ibtikar Fund

Sharakat is a shareholder in the Ibtikar Fund, a $10.4 million fund that invests in innovative Palestinian start-ups at early stages. Through its stake in Ibtikar, Sharakat seeks to strengthen start-ups involved in the IT sector in Palestine.

Souktel

Souktel provides digital solutions for the monitoring and evaluation of relief and development projects around the world through data collection and analysis. In addition, the company offers consulting services for the design and/or building of digital applications for enterprise customers abroad.

Play 3arabi

Sharakat is a shareholder in Play 3arabi, a mobile game publisher focused on Arabic mobile games. The company collaborates with game developers to offer games in Arabic which is relevant to the Arab culture and market it in the region to enrich the Arabic digital content.

Education

Al Jinan International School

Al Jinan International School is the first of its kind to focus on technology and coding classes for all stages, in addition to Science and English. The school is based on a structured approach and other countries' experiences of recognizing the importance of teaching the children the 21st-century skills and tools. Al Jinan Real Estate Investment Company initiated the establishment of the school, through efforts led by a group of investors and businesspersons, along with several academics and professionals in Jenin. The current number of students is 470.

Health

Ibn Sena Specialized Hospital

Ibn Sena Specialized Hospital is the first specialized hospital in Jenin. The hospital will include an emergency department, cardiology, intensive care unit, surgery, radiology, maternity ward, ophthalmology, pathology, medical lab, and out-patient clinics. It is expected to commence operations by the end of 2019.

Khaled Al Hassan Cancer Hospital

In partnership with the Khalid Hassan Cancer Society, Sharakat is leading the establishment of the first hospital in the West Bank with a capacity of 95 beds in the first phase of its establishment. The hospital will provide chemotherapy and radiotherapy and will contribute to the replacement of overseas referrals.

Microfinance

Asala Company for Credit and Development

Sharakat is a key shareholder in Asala, which aims to empower Palestinian women with low income and give them access to their economic and social rights. Since inception, Asala has provided loans and non-financial services to more than 1,038 projects within small and micro projects mostly led by women. The company aims to contribute to the economic development of Palestinian women through microfinance.

Palestinian Ijarah Company

Sharakat is a major shareholder in Ijarah, the first specialized Islamic leasing company in Palestine; offering Islamic leasing solutions (Ijarah) to SMEs. Since its inception, Ijarah has serviced 595 SMEs. It specializes in leasing machinery, equipment, vehicles, transportation, and production lines for ownership purposes.

Development Impact Bond (DIB) Program

Through a collaboration between the European Bank for Reconstruction and Development (EBRD), Netherlands Development Finance Company (FMO), Invest Palestine and a funding from the World Bank, this program supports fresh university graduates by providing training programs and job opportunities to qualify them to the job market and thus reduce youth unemployment.

Strengthening the Palestine Stock Exchange and Vital Companies

Aswaq is a shareholder in several vital companies in Palestine and provides PIF with liquidity to enable its investment program. Through these investments, Aswaq also seeks to support the Palestine Stock Exchange.

Aswaq aims to:

- Invest in strategic stocks in Palestine.
- Achieve stable financial returns through diversification of its investment portfolio to overcome market risks wherever they exist.
- Take advantage of promising and inspiring investment opportunities and expand the investment base in financially and operationally stable companies.
- Support the securities trading system through helping to achieve growth in the volume of liquidity and trading in the Palestine Stock Exchange.

Aswaq's Top Accomplishments 2018

1. Executed the largest deal in the history of Palestine Stock Exchange, at the end of the first quarter of 2018. Aswaq sold its stake in Palestine Islamic Bank, which is equivalent to 34% of the bank's capital, to a group of local investors led by The National Bank. The deal raised the volume of trading on Palestine Exchange by about $120 million.

2. Contributed to raising the capital of the Palestinian National Mobile Company (Ooredoo) to reach $293 million. This contributed to the financing of the company's development plans, most importantly launching 3G services, expanding business into Gaza market, and increasing the subscriber's base to 1.3 million.

3. Completed the acquisition of a portion of the shares of Palestine Investment Bank. The bank has joined Aswaq's investment portfolio in this vital sector, which constitutes 15% of the total investment of the company.

4 Aswaq has been working on allocating its investment assets to ensure that it continues to achieve the required returns and to provide the necessary financial resources to complete the investment and development programs within the vision of the parent company, PIF, despite the decline of vital economic indicators in Palestine.

5 Injected additional investments into the medical services sector, which is witnessing a growing demand for quality services and national human capital. These investments will contribute to reducing dependency and reliance on the services of hospitals abroad.

The company's top investments

Telecommunication

Ooredoo Palestine

The services of Ooredoo Palestine were launched in 2009 as a partnership between PIF and Ooredoo International Group. The company commenced operations in the West Bank in the same year. It offered its shares for the initial public offering in 2010, while its shares were listed on Palestine Stock Exchange in 2011. It succeeded in launching its commercial services in the Gaza Strip in 2017 despite the many obstacles, and launched 3G services in 2018 in the West Bank.

Ooredoo continued its year-on-year success, bringing its total subscriber base to 1.3 million at the end of 2018.

Palestine Telecommunications Group (Paltel Group)

The first operator in the telecommunication services in Palestine, wherein PIF is considered a co-founder. Paltel commenced operations in 1997 as a public shareholding company for the purpose of providing wired and wireless telecommunications and internet services in Palestine through building the necessary infrastructure.

Banking

Arab Islamic Bank

Arab Islamic Bank is the first Islamic bank in Palestine established in 1995 as a public shareholding company. It commenced operations in 1996, and it provides banking services in accordance with the provisions of Islamic sharia (Islamic Law). It has a network of 22 branches and offices all over Palestine.

Bank of Palestine

Bank of Palestine was established in 1960 with the vision of promoting banking services in Palestine, financing the development of projects, and meeting the financial and banking needs of the various segments of Palestinians. The Bank has qualified staff who provide services to more than 850,000 clients including individuals, companies, and organizations.

Palestine Investment Bank

Palestine Investment Bank was established as a public shareholding company with the participation of a group of bankers and businesspersons from Palestine and Arab countries. The bank is the first Palestinian bank to obtain the necessary licenses to conduct its business from the Palestinian National Authority (PNA), registered on August 10, 1994, with a paid-in capital of $20 million.

Al Safa Bank

Al Safa Bank was established in 2016 as a public shareholding company by a group of companies, institutions and legal entities. It commenced operations in 2016, as a sharia-compliant banking institution. The bank's capital is $75 million and seeks to meet the Palestinian market needs for Islamic banking services and products.

Business

Arab Palestinian Investment Company (APIC)

Arab Palestinian Investment Company (APIC) was established in 1994 by a group of Arab businesspersons who looked forward to investing in Palestine. The shares of APIC were listed in Palestine Stock Exchange in 2014. The company's authorized capital is $100 million, while its paid in capital is $82 million. APIC invests in the manufacturing, trading, distribution and services sectors in Palestine, Jordan, Saudi Arabia, and the United Arab Emirates through 9 subsidiaries.

Industry

Sanad Construction Resources Company

Sanad Construction Resources Company was established in 2016, as a public shareholding company that aims at consolidating all commercial activities in the construction materials trading and manufacturing sector, especially cement, under one company.

The company aims to achieve sustained growth in its business in the construction sector through its development plans, executing projects in partnership with the private sector and experienced strategic partners, and developing subsidiaries work in construction materials trading and logistics.

Jerusalem District Electricity Company

The company first commenced operations in 1914, during the Ottoman Empire when it gave one of its citizens, called Euripides, a concession for the generation and distribution of electricity in the Jerusalem area. The company is considered a landmark and its name has been associated with the holy city for almost a century. It is one of the most important and most extensive economic facilities in the West Bank. It is considered the economic artery connecting Jerusalem with the rest of the company's branches in West Bank cities.

National Aluminum and Profiles Company (NAPCO)

The National Aluminum and Profiles Company is the first and only aluminum manufacturer in Palestine, located in Nablus on an area of 28 thousand square meters. The company is equipped with the latest production lines and modern technologies, and has a production capacity of more than 7,000 tons per year of high-quality products that follow international specifications. It is also characterized by its infrastructure and large production capacity, which enabled it to meet the needs of the local market and access regional markets.

Siniora Food Industries

Siniora Food Industries was established in 1920 in Jerusalem. The company's mission is to provide food products and high-quality services to consumers by employing a cadre of the most important expertise and qualifications while respecting its heritage. The company started to export its products beyond the Jordanian and Palestinian markets to Syria, Lebanon, Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Oman, Yemen, and Bahrain. Today, the company operates the world's most sophisticated meat industry.

Arab Specialized Medical Complex Company (ASMCC)

Arab Specialized Medical Complex Company is a shareholding company and runs and invests in several leading hospitals in the Palestinian health sector. It also invests in the Istishari Arab Hospital in Al Reehan, which is the largest hospital in Palestine that seeks to provide specialized quality services in accordance with the international standards and utilizing the latest technologies.

Birzeit Pharmaceutical Company (BPC)

Birzeit Pharmaceutical Company is the leading Palestinian company in the field of pharmaceutical/ medicine production. It produces around 300 types of high-quality medicines throughout ten production lines covering the various therapeutically specialized fields. The company targets all types of clients in the local Palestinian market, including the Ministry of Health, local and global health care organizations and programs, and the local consumers (through pharmacies and doctors). This company's market is not restricted to Palestine; it also exports its products to global markets directly to reach East Europe and Algeria, while continuously seeking to open new markets for its products.

Specialized Investments Funds

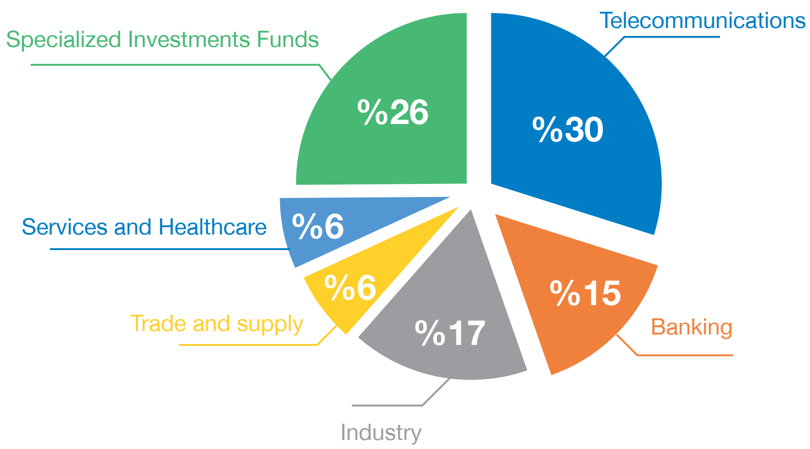
Khazanah

Khazanah serves as PIF's investment arm for global and regional capital markets. Khazanah's objective is to achieve long-term capital appreciation and to ensure PIF's liquidity over the short to medium term through investments in global and regional equities.

Rasmala Palestine Equity Fund

Rasmala Palestine Equity Fund was initiated and led by PIF in 2011 in order to attract local and global investment in Palestinian securities. Rasmala focuses on key economic sectors in Palestine, such as banking, telecommunications, and investment services.

Aswaq's Investment Sectors for 2018

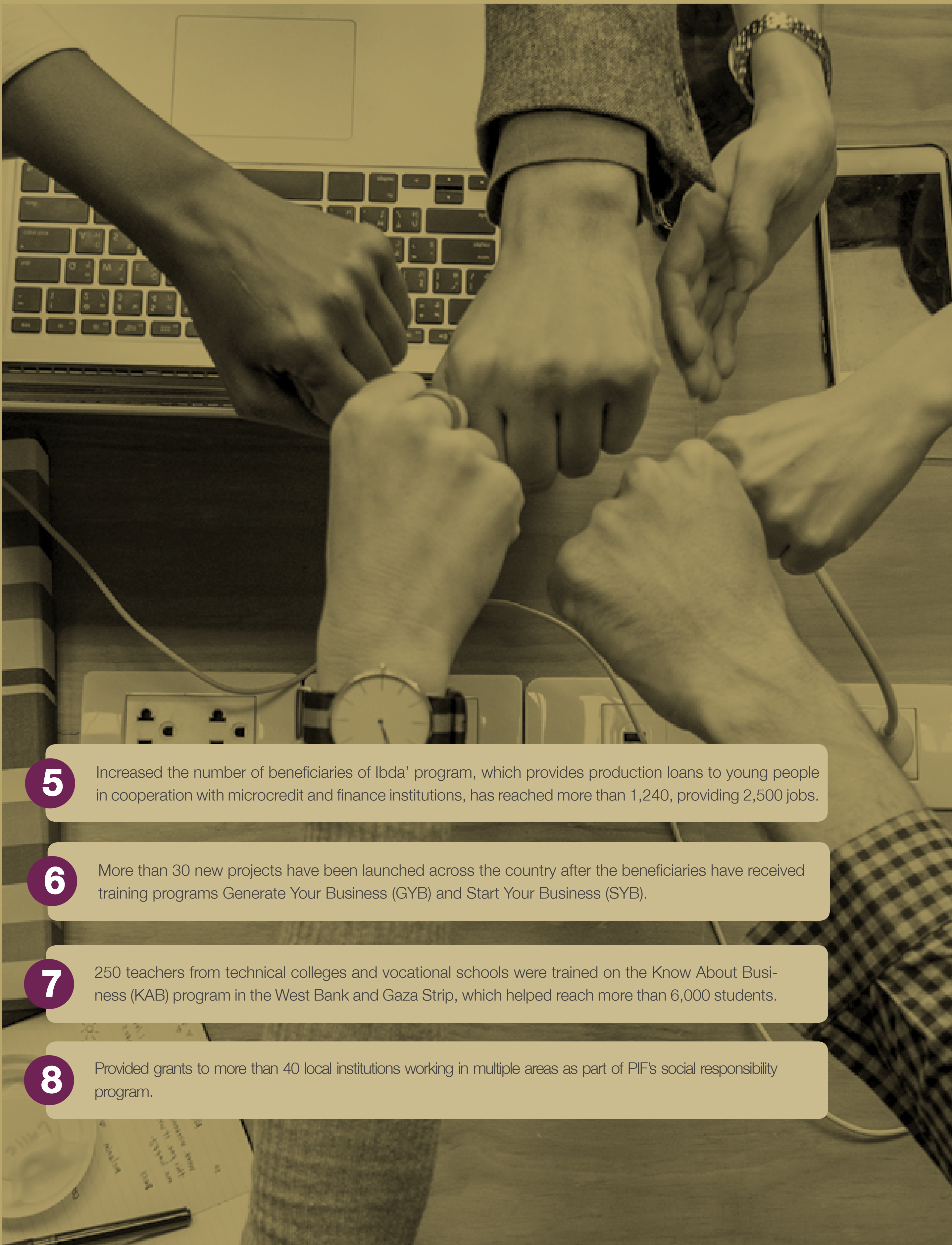


Palestine for Development Foundation

The Foundation leads PIF's social investment program and aims to create a globally competitive Palestinian economy led by self-reliant entrepreneurs. Its mission is to develop and nurture social investment initiatives that stimulate entrepreneurship, competitiveness, and a knowledge-based economy.

Top Accomplishments 2018

1. Launched the second phase of the Jerusalem Finance Program, financed by PIF and the European Union, with more than $2.6 million for three years.
2. Signed a financing agreement to support micro-enterprises operating in Jerusalem in cooperation with Oxfam and the Swedish Agency for Cooperation and Development (SIDA). Nine small enterprises were supported in order to develop their projects and create jobs.
3. Signed a new lending agreement with Palestine Development Fund (PDF) to provide production loans to Jerusalem projects for the purpose of supporting and developing them, with more than $3 million.
4. Renewed the loan agreement signed with Silatech, which helped to recycle and reinject $1 million into the economic empowerment program for Palestinian refugees in Lebanon, bringing the amount of loans distributed to more than $5.5 million.



5. Increased the number of beneficiaries of Ibda’ program, which provides production loans to young people in cooperation with microcredit and finance institutions, has reached more than 1,240, providing 2,500 jobs.

6. More than 30 new projects have been launched across the country after the beneficiaries have received training programs Generate Your Business (GYB) and Start Your Business (SYB).

7. 250 teachers from technical colleges and vocational schools were trained on the Know About Business (KAB) program in the West Bank and Gaza Strip, which helped reach more than 6,000 students.

8. Provided grants to more than 40 local institutions working in multiple areas as part of PIF’s social responsibility program.

Ibda’ Program for Young Entrepreneurs - Training section

Ibda’ aims at promoting the culture of entrepreneurship in Palestine by encouraging entrepreneurship education and awareness among young people, providing them with the non-financial support necessary to start their own sustainable small projects and create decent jobs.

This program adopted the Know About Business (KAB) curriculum as a course in 36 technical colleges in Palestine and accessed teachers in vocational schools in cooperation with the Ministry of Education and the International Labor Organization. This approach contributes to developing young entrepreneurs skills and prepares them scientifically and intellectually so that they can create their own small businesses and work productively in SMEs.

The program continues to implement training workshops called Generate Your Business (GYP) and Start Your Business (SYB) in partnership with local institutions working in this field, providing 304 young people with the necessary training to start their projects or turn their ideas into projects.

Ibda’ Program for Young Entrepreneurs - Funding section

The Arab Fund for Economic and Social Development (AFESD) provided $30 million for this program, which is allocated to finance SMEs through Palestinian lending institutions and financial leasing companies. It has already provided $12 million through 7 lending institutions in Palestine to 1240 projects from across the country, and in various economic sectors, which contributed to the provision of 2500 new jobs.

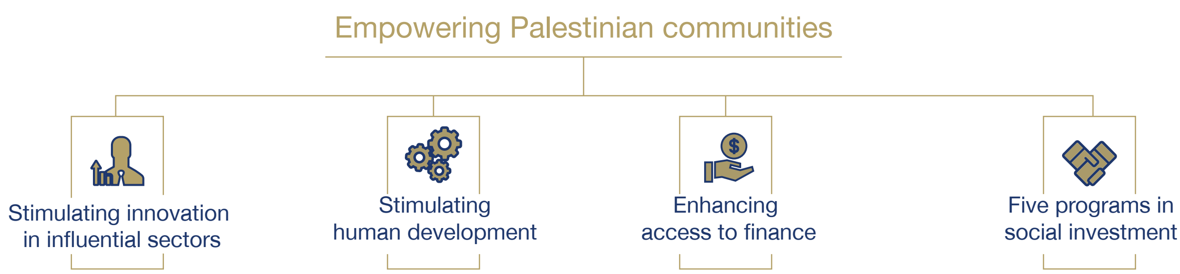
2500
New jobs created

1240
Projects Supported

Lebanon Refugee Economic Empowerment Program

Due to the difficult challenges and living conditions of Palestinian refugees in Lebanon, the program has been launched to provide loans to income-generating projects for Palestinian refugees ranging from $500-$5,000. More than 3,100 loans were provided in Palestinian refugee camps and communities, with a total value of about $5.50 million. The program has been joined by new partners, Silatech and the AFESD.

3100
Loans



Jerusalem Program

1

Jerusalem Financing Facility

Funded by the European Union and PIF

SMEs are the backbone of Jerusalem's economy. Hence, the program, funded by the European Union and implemented by Palestine for Development Foundation, provides matching grants for those projects in Jerusalem. In the first phase, the program provided 20 projects with $2 million that contributed to creating 110 new jobs in various sectors.

The program provides funding (in which the entrepreneur contributes) to companies that demonstrate their ability to implement their expansion plan and develop their business activities. It is expected that 25-30 companies and projects will be funded in 2019.

110 jobs

$2 Million

20 projects

2

SMEs funding program in the old city

Funded by Oxfam, Sida and Palestine for Development Foundation

The program was launched in partnership with Oxfam and with the loans of the Swedish Agency for International Development (SIDA). The program will provide funding to SMEs that are implementing their expansion plan and developing their business activities in the old city of Jerusalem. Funding will be used to purchase equipment and machinery that contribute to the development of the project or assist in the establishment of new projects, especially small businesses. The program has supported 9 projects and aims to support 40 additional projects and provide more than 300 job opportunities.

3

Jerusalem Program for lending SMEs

Funded by the Arab Fund for Economic and Social Development

The program provided funding for SMEs operating in Jerusalem with facilitated guarantees. The Arab Fund provided a $4.5 million loan portfolio. Around 53 loans of $2.6 million were provided to SMEs in Jerusalem, covering various sectors including industry, services, trade, and tourism. The program managed to create 500 new job opportunities

500 Jobs

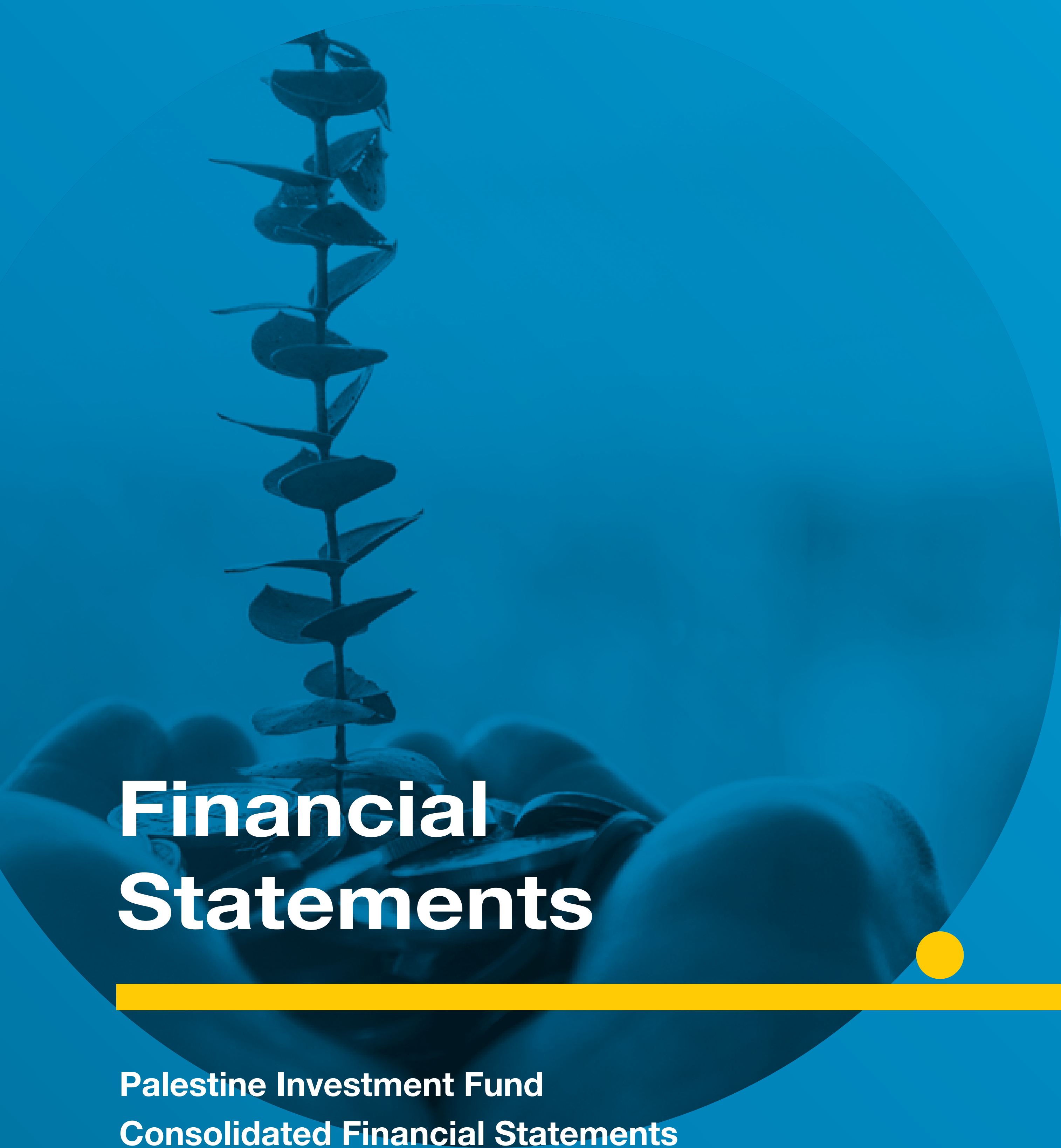
$2.6 million

53 Loans

4

Corporate Social Responsibility

PIF allocates resources to support programs that directly and indirectly contribute to the development of the Palestinian economy and support various segments of society. In 2018, PIF supported around 40 non-profit organizations working in education, economics, culture, health, entrepreneurship, and other sectors.



Financial Statements

Palestine Investment Fund
Consolidated Financial Statements
31 December 2018

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

Opinion
We have audited the consolidated financial statements of Palestine Investment Fund Company P.L.C and its subsidiaries (PIF), which comprise the consolidated statement of financial position as at December 31, 2018, 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, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (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 2018 Annual Report
Other information consists of the information included in PIF's 2018 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. PIF's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material 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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PIF's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within PIF to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of PIF audit. We remain solely responsible for our audit opinion.

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

Ernst & Young - Middle East
License # 206/2012

Abdelkarim M.

Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

Ramallah - Palestine
June 02, 2019

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	Notes	2018 (U.S. $ 000's)	2017 (Adjusted note 40) (U.S. $ 000's)
Assets			
Non-current assets			
Property, plant and equipment	5	164,501	123,124
Goodwill	6	25,244	25,604
Investment properties	7	68,761	77,353
Projects in progress	8	43,153	42,538
Investments in associates	9	140,091	154,301
Investments in joint ventures	10	5,074	3,156
Investments in securities	11	115,911	127,743
Other assets	12	59,509	64,037
		622,244	617,856
Current assets			
Properties ready for sale	13	11,725	13,871
Accounts receivable	14	93,334	84,653
Investments in securities	11	164,394	160,430
Other current assets	15	22,606	29,688
Cash and deposits at banks	16	91,133	79,599
		383,192	368,241
Total assets		1,005,436	986,097
Equity and liabilities			
Equity			
Paid-in share capital	17	625,000	625,000
Shareholder's current account	18	(42,278)	(47,799)
Statutory reserve	19	102,286	100,149
Voluntary reserve	19	37,864	35,727
Foreign currency translation reserve		384	1,039
Fair value reserve	11	4,999	9,045
Retained earnings		8,827	29,611
Total equity attributable to shareholder		737,082	752,772
Non-controlling interests		17,224	18,520
Total equity		754,306	771,292
Non-current liabilities			
Long-term loans	21	108,022	125,280
Deferred tax liabilities	22	2,909	3,083
		110,931	128,363
Current liabilities			
Credit facilities and current portion of long-term loans	23	82,045	37,064
Accounts payable	24	26,204	19,307
Provisions and other liabilities	25	31,731	30,071
Provision for income tax	26	219	-
		140,199	86,442
Total liabilities		251,130	214,805
Total equity and liabilities		1,005,436	986,097

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 2018

		U.S. $ 000's	
	Notes	2018	2017 (Adjusted note 40)
Operating revenues	27	214,209	247,837
Share of associates' results of operations	9	6,499	8,344
Share of joint ventures' results of operations	10	(312)	(593)
Gains from sale of associates	9	21,870	4,315
Gains from investment in financial assets	28	10,836	30,873
Operating expenses and cost of sale	27	(195,934)	(225,889)
		57,168	64,887
Interest income	29	2,940	1,383
Change in fair value of investment properties	7	3,971	1,316
(Loss) gain from sale of investment properties	7	(870)	2,554
Investment expenses	30	(2,228)	(2,461)
General and administrative expenses	31	(16,107)	(15,722)
Depreciation of property, plant and equipment	5	(4,097)	(4,052)
Donations		(1,253)	(1,920)
Finance costs		(9,614)	(4,352)
Other expenses, net	32	(6,585)	(4,214)
Profit before income tax		23,325	37,419
Income tax expense	26	(2,036)	(2,449)
Profit for the year		21,289	34,970
Attributable to:			
The shareholder		21,366	34,501
Non-controlling interests		(77)	469
		21,289	34,970

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2018

	Notes	U.S. $ 000's 2018	2017 (Adjusted note 40)
Profit for the year		21,289	34,970
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	(4,625)	(8,090)
Share of associates' other comprehensive income	11	317	(357)
		(4,308)	(8,447)
Items to be reclassified to the consolidated income statement in subsequent periods:			
Foreign currency translation difference		(718)	861
Change in fair value of cash flow hedge	11	(548)	-
Share of associates' and joint ventures' other comprehensive income items		63	783
		(1,203)	1,644
Total other comprehensive income items for the year		(5,511)	(6,803)
Net comprehensive income for the year		15,778	28,167
Attributable to:			
The shareholder		15,855	27,698
Non-controlling interests		(77)	469
		15,778	28,167

The attached notes 1 to 41 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2018
(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
2018										
At January 01, 2018 - before adjustment	625,000	(47,799)	100,149	35,727	1,039	9,045	29,611	752,772	18,520	771,292
Impact of IFRS (9) adoption on PIF's associates (note 9)	-	-	-	-	-	-	(6,196)	(6,196)	-	(6,196)
At January 1, 2018 - After adjustment	625,000	(47,799)	100,149	35,727	1,039	9,045	23,415	746,576	18,520	765,096
Profit for the year	-	-	-	-	-	-	21,366	21,366	(77)	21,289
Other comprehensive income	-	-	-	-	(655)	(4,046)	(810)	(5,511)	-	(5,511)
Net comprehensive income for the year	-	-	-	-	(655)	(4,046)	20,556	15,855	(77)	15,778
Shareholder's current account	-	(24,479)	-	-	-	-	-	(24,479)	-	(24,479)
Distributed dividends (note 20)	-	30,000	-	-	-	-	(30,000)	-	-	-
Distributed dividends by subsidiaries (note 20)	-	-	-	-	-	-	-	-	(333)	(333)
Change in non-controlling interest	-	-	-	-	-	-	(870)	(870)	(886)	(1,756)
Transfers	-	-	2,137	2,137	-	-	(4,274)	-	-	-
At December 31, 2018	625,000	(42,278)	102,286	37,864	384	4,999	8,827	737,082	17,224	754,306

	Attributable to the shareholder									
	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
2017										
At January 1, 2017	625,000	(87,947)	96,699	32,277	(328)	8,338	30,588	704,627	10,874	715,501
Profit for the year (adjusted note 40)	-	-	-	-	-	-	34,501	34,501	469	34,970
Other comprehensive income	-	-	-	-	1,644	707	(9,154)	(6,803)	-	(6,803)
Net comprehensive income for the year	-	-	-	-	1,644	707	25,347	27,698	469	28,167
Shareholder's current account	-	12,148	-	-	-	-	-	12,148	-	12,148
Distributed dividends (note 20)	-	28,000	-	-	-	-	(28,000)	-	-	-
Distributed dividends by subsidiaries (note 20)	-	-	-	-	-	-	-	-	(720)	(720)
Capital raise of a subsidiary (note 4)	-	-	-	-	-	-	7,059	7,059	6,938	13,997
Change in non-controlling interest	-	-	-	-	-	-	1,517	1,517	959	2,476
Transferred to current year profit	-	-	-	-	(277)	-	-	(277)	-	(277)
Transfers	-	-	3,450	3,450	-	-	(6,900)	-	-	-
At December 31, 2017 (adjusted)	625,000	(47,799)	100,149	35,727	1,039	9,045	29,611	752,772	18,520	771,292

The attached notes 1 to 41 form part of these consolidated financial statements

Palestine Investment Fund Company P.L.C

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	Notes	U.S. $ 000's 2018	2017 (adjusted)
Operating activities			
Profit before income tax		23,325	37,419
Adjustments:			
Finance costs		9,614	4,352
Interest revenues		(2,940)	(1,383)
Share of associates' results of operations		(6,499)	(8,344)
Share of joint ventures' result of operations		312	593
Change in fair value of investment properties		(3,971)	(1,316)
Gains from investment in financial assets		(10,836)	(30,873)
Gains from sale and acquisition of associates		(21,870)	(4,315)
Gains from sale of investment properties		870	(2,554)
ECLs and provision for uncollectible current assets		778	7,360
Gains from sale of property, plant and equipment		(40)	(436)
Depreciation of property, plant and equipment		13,627	8,684
Impairment of assets		711	1,783
Other non-cash items		828	(539)
		3,909	10,431
Working capital adjustments:			
Accounts receivable		(9,068)	(34,703)
Other current assets		6,990	(8,581)
Ready for sale properties		1,374	4,611
Accounts payable		6,855	(10,824)
Provisions and other current liabilities		(183)	1,817
Income tax paid		(1,945)	(2,772)
Change in restricted cash		(1,284)	(2,008)
Net cash flows from (used in) operating activities		6,648	(42,029)
Investing activities			
Investment in securities		1,709	(48,656)
Purchase of property, plant and equipment		(57,106)	(11,625)
Sale of property, plant and equipment		2,407	758
Investment properties		1,301	7,377
Purchase of investment in joint ventures		(2,327)	(338)
Purchase of investment in associates		35,870	(10,552)
Acquisition of a subsidiary		(75)	-
Cash from acquisition of a subsidiary		42	-
Projects in progress		2,132	4,431
Granted loans		3,202	(4,268)
Dividends and interest received		16,686	18,089
Change in term deposits maturing after three months		(7,103)	11,316
Net cash flows used in investing activities		(3,262)	(33,468)
Financing activities			
Shareholder's current account		(17,208)	12,276
Proceeds from term loans		16,217	91,212
Settlement of term loans		(15,555)	(21,048)
Net cash flows from capital raise of a subsidiary		-	13,997
Cash dividends to non-controlling interests		(320)	(400)
Change in non-controlling interests		(1,756)	1,476
Finance costs paid		(8,766)	(4,352)
Net cash flows (used in) from financing activities		(27,388)	93,161
(Decrease) increase in cash and cash equivalents		(24,002)	17,664
Foreign currency translations differences		88	470
Cash and cash equivalents, beginning of the year		60,492	42,358
Cash and cash equivalents, end of the year	16	36,578	60,492

The attached notes 1 to 41 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

1. Corporate information

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

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

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

PIF's consolidated financial statements as at December 31, 2018 were authorized for issuance by the Board of Directors on June 02, 2019.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2018.

PIF's ownership in its subsidiaries' subscribed capital was as follows:

		Ownership %	
	Nature of business	2018	2017
Sanad Constructions Industries (PCSC)	Trade	100	100
Sanad Construction Resources (SANAD)*	Trade	91.1	89.9
Amaar Real Estate Group (AMAAR)	Real estate investment	100	100
Khazaneh Financial Investments Company (Khazane)	Financial investment	100	100
Sharakat for Small and Mid-size investments (Sharakat)	Financial investment	100	100
Aswaq for Investment Portfolios Company (ASWAQ)	Financial investment	100	100
Palestinian Yebous for Tourism Investment (YEBOUS)*	Tourism investment	100	100
Masader for developing natural resources and infrastructure (MASADER)	Energy Investment	100	100
Others	Investment in real estate and securities	100	100

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

* SANAD and YEBOUS have investments in partially owned subsidiaries that have material non-controlling interests. Non-controlling interests' share of these subsidiaries' equity amounted to U.S. $ 10,731,000 as at December 31, 2018 (U.S. $ 10,764,000: 2017).

3. Accounting policies

3.1 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, investment properties and financial derivatives that are measured at fair value as at the consolidated 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).

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as at December 31, 2018.

PIF controls an investee if, and only if, PIF has:

- Power over the investee (i.e. existing rights that gives PIF 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.

3.3 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous year, except that PIF has adopted the following standards and amended standards as of January 1, 2018. Except for the adoption of IFRS (9) which PIF has early adopted starting 2016, PIF has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these amendments did not have any effect on the consolidated financial statements of PIF:

IFRS (15) Revenue from Contracts with Customers

IFRS (15) supersedes IAS (11) Construction Contracts, IAS (18) Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

PIF adopted IFRS (15) using the modified retrospective approach. Except for additional disclosures, the effect of adopting IFRS (15) have no material impact on PIF's consolidated financial statements and the accounting policy for revenue recognition as detailed below:

(a) Rendering of services

Under IFRS (15), PIF concluded that revenue from services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided. The application of IFRS (15) did not have any impact on the timing or value of revenue recognition.

(b) Sale of properties and goods

PIF's real estate sale contracts usually include commitments to implement. PIF believes that real estate sales revenue should be recognized at a certain point in time at which the control over the asset is transferred to the customer, when the property is delivered. The adoption of IFRS (15) did not have any impact on the timing or value of revenue recognition.

(c) Financing component

When PIF receives installments on any of the sold properties and the repayment period of the customer is over one year, PIF determines whether the contract includes a financing component. PIF adjusts the time differences of the fair value at the agreed selling price where PIF believes that there is a financing component in its current contracts.

(d) Advanced payments from customers

In general, PIF collects short-term prepayments from its customers. PIF has shown these payments as deferred revenue in the consolidated statement of financial position before applying IFRS (15).

In applying IFRS (15) regarding short-term prepayments, PIF will not adjust the agreed selling price as a result of the financing of any part of the contract if PIF believes that the period between the customer's payment of the receivables and the delivery of the agreed goods or services to the customer will not exceed a year from the date of the contract. If the period between the payment of the receivable by the customer and the delivery of the goods or services agreed upon for more than one year, PIF adjusts the time differences of the fair value at the agreed selling price.

(e) Variable consideration

Some sales contracts provide customers with a right of return and volume rebates. Prior to the adoption of IFRS (15), PIF recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, PIF deferred revenue recognition until the uncertainty was resolved.

Under IFRS (15), rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

The accounting policies of IFRS (15) are described under "Significant accounting policies".

IFRIC Interpretation (22) Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) or on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on PIF's consolidated financial statements.

Amendments to IAS (40) Transfers of Investment Property

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

These amendments do not have any impact on the PIF's consolidated financial statements.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but a retrospective application is permitted if elected for all three amendments and other criteria are met. In addition, PIF has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

These amendments do not have any impact on PIF's consolidated financial statements.

Amendments to IAS (28) Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity which is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(a) The investment entity associate or joint venture is initially recognized.

(b) The associate or joint venture becomes an investment entity.

(c) The investment entity associate or joint venture first becomes a parent (holding subsidiaries and or associates).

These amendments do not have any impact on PIF's consolidated financial statements.

Issued but not yet effective standards

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

IFRS (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 January 1, 2019.

Transition to IFRS (16)

PIF has the option to adopt IFRS (16) retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. PIF will elect to apply the standard to contracts that were previously identified as leases applying IAS (17) and IFRIC (4).

PIF will adopt IFRS (16) using the modified retrospective approach. The adoption of the standard is expected to result in an increase in assets (use rights) and liabilities (lease liabilities). PIF is currently studying the quantitative impact of IFRS (16).

IFRIC Interpretation (23) - Uncertainty over Income Tax Treatment

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

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

Amendments to IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The 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. The 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.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. PIF will apply these amendments when they become effective.

Amendments to IAS (28): Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS (9) to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS (9) applies to such long-term interests.

The amendments also clarified that, in applying IFRS (9), an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS (28) Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

3.4 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:

- 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. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

Provision for impairement of financial assets at amortized cost (provision for expected credit losses)

When determining the impairment of financial assets, management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

Financial assets are assessed for impairment on the basis described in the "Impairment of financial assets" section.

To assess whether the credit risk on a financial asset has increased significantly since origination, PIF compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination.

If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. Establishment of thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.
3. IFRS 9 (Financial Instruments) includes an assumption that there is a significant increase in the credit risk of financial instruments that have been defaulted and have been matured for more than 30 days. In this regard, PIF adopted a 30-day period.
4. Two degrees decline in the credit rating of financial assets.

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.

Impairment of inventories

PIF's subsidiaries estimate the net realizable value of their inventories at the date of the consolidated financial statements based on their past experience, and adjust the carrying amounts, if needed.

Impairment of ready for sale property

PIF's subsidiaries estimate the net realizable value of their properties available for sale at the date of the consolidated financial statements based on their past experience, and adjust the carrying amounts, if needed.

Provision for income tax

PIF and its subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Fair value of financial instruments

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

Provision for employee's benefits

PIF's management uses certain judgements in determining employees' benefits provision. PIF's management believes that the judgements and assumptions used are reasonable.

Judgements related to revenues from contacts with customers

Contracts signed with developers include the sale of land and related infrastructure services. PIF has concluded that it has two separate obligations by selling land to developers and providing them with infrastructure services related to the land. Therefore, the sale amount is distributed between the land and related infrastructure services.

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.

3.5 Summary of significant accounting policies

Revenue from contracts with customers

In addition to the details in "3,3 Changes in accounting policies", revenues from contracts with customers are recognised as follows:

Sale of goods

Revenue from the sale of goods is recognised at certain point in time at which the control of the goods sold is transferred to the customer.

Rendering of services

Revenue of the services is recognised over time in accordance with inputs used in determining performance obligations satisfied in a manner similar to the previous accounting policy, as the customer receives and uses the features and services provided by the Group at the same time.

Sale of ready for sale properties

A property is regarded as sold at a certain point in time when the major risks and the real estate ownership are transferred to the buyer, that is when the property is delivered for contracts including unconditional exchange terms. For contracts including conditional exchange, sale is recognised when applying all contract terms and conditions.

Rooms services revenues

Room service revenues are recognised over a period of time based on percentage of completion of the services provided at the consolidated financial statements date.

Food and beverage revenues

Revenues of food and beverage are recognized at certain point in time when sold.

Other Revenues

Leases

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.

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 or expenses may be taxable or deductible in the following years.

PIF offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 financial assets at amortized cost 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 2018 and 2017.

Cash flow hedge is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk and credit risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

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.

Hedge accounting

PIF classifies its hedging contracts as cash flow hedges. PIF hedging policy uses significant judgements and assumptions, specifically future forecasts regarding interest rates, economic environment and the availability and the timing of hedging instruments. These factors could have impact on the hedge effectiveness.

Property, plant and equipment

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

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

	Useful lives (years)
Buildings	33 - 67
Transportation means, equipment and spare parts	4 - 10
Office equipment, computers and systems	3 - 5
Furniture and decoration	14 - 15

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

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

Business combinations and goodwill

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

Upon acquisition, PIF evaluates and classifies the financial assets and liabilities of the acquiree in accordance with the contractual terms and economic conditions at the date of acquisition.

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.

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.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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.

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.

Real estate properties classification:

Real estate properties are classified as follows:

- Investment properties including lands and buildings (offices) which are kept for the purpose of recognizing leasing revenues or value appreciation.
- Real estate inventory including real estate held by the company for the purpose of resale through company's ordinary operations which mainly consists housing, and land slots which are developed for the purpose of resale before or after development completion.

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.

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.

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.

Subsequently, all financial assets are recognized at amortised cost or fair value.

B- Classification of financial assets

Financial assets at amortised cost

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

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

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

Accounts receivable are considered as financial assets at amortized cost. Accounts receivable are stated at original invoice amount less any provisions for impaired receivables. When determining the impairment of financial assets, management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

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

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

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 derivatives including forward currency contracts, interest rates swaps, exchange contracts and cross-currency swaps, which fair value is determined by market prices. Where there are no market prices for these financial derivatives, the valuation method is disclosed and all changes in fair value are recognised in the consolidated income statement

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 classified any debt instruement matching amortised cost criteria as financial asset at fair value through profit or loss.

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

Financial assets at FVOCI

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

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

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

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

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

C- Derecognition

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

D- Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments. An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

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

PIF has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit loss has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, PIF classifies its financial instruments, except for accounts receivables, into stage 1, stage 2 and stage 3, as described below:

Stage 1	Financial instruments whose credit risk has not significantly increased since their initial recognition and which has not been impaired since being granted, PIF records a provision for impairment of ECL over a period of 12 months.
Stage 2	Financial instruments whose credit risk has significantly increased since their initial recognition and which has not been impaired since being granted, PIF records a provision for impairment of ECL over the life of the financial instruments.
Stage 3	Financial instruments that considered credit-impaired. PIF records a provision for impairment of ECL over the life of the financial instruments.

The calculation of ECLs

PIF calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as percentage of the EAD.

When estimating the ECLs, PIF considers three scenarios (a base case, an upside and a mild downside). Each of these is associated with different PDs, EADs and LGDs.

The mechanics of the ECL method are summarized below:

Stage 1	The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. PIF calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2	When a financial instrument has shown a significant increase in credit risk since origination, PIF records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For financial instruments considered credit-impaired, PIF recognizes the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.
Commitments and contingencies	When estimating LTECLs for undrawn commitments, PIF estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the commitments is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR.

Forward looking information

In its ECL models, PIF relies on a broad range of forward looking information as economic inputs, such as:

- GDP
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable.

PIF has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

presumption that default has occurred when an exposure is greater than 90 days past due.

Write-offs

Financial assets are written off either partially or in their entirety only when PIF has stopped pursuing the recovery and there is no evidence of possible future recovery. Subsequent recoveries are recognized as other revenues.

Rescheduling:

Financial assets that have been rescheduled and no longer accrued are re-classified as performing financial assets when all principal and interest are settled and when future settelements are reasonably guaranteed. Financial assets that have been rescheduled are subject for period reassessment to determine whether its still impaired or could be classified as accrued. All rescheduled granted loans are classified as stage (2) or stage (3) for a period not less than 12 months from the date of rescheduling.

Financial instruments and derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

For hedge accounting purposes, PIF has designated interest rates exchange contracts as cash flow hedge where PIF hedges against changes in cash flows resulting in changes in interest rates from expected variables.

the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for and further described as follows:

Cash flow hedges:

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the fair value reserve, while any ineffective portion is recognised immediately in the consolidated income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

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 cash and credit facilities.

Accounts payable

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

Loans and borrowings

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

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

Inventory

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

Offsetting of financial instruments

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

Provisions

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

Leases

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

<u>PIF as a lessee</u>

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.

<u>PIF as a lessor</u>

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 PIF's functional currency. PIF's subsidiaries determine their own functional currency. Items included in the financial statements of each entity are measured using subsidiaries' functional currency.

Transactions and balances

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

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

PIF subsidiaries

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

4. Material partially-owned subsidiaries

During 2017, the extra-ordinary General Assembly of Sanad Construction Resources (SANAD) (a subsidiary) decided to raise the Company's capital from U.S. $ 60,000,000 to U.S. $ 66,000,000 by issuing 6,000,000 shares for initial public offering. The additional shares were issued with a nominal par value of U.S. $ 1 per share and a share premium of US $ 1.35 per share. Neither PIF nor its subsidiaries participated in the initial public offering, accordingly the ownership percentage of PIF decreased from 100% to 90.09%. In accordance with International Financial Reporting Standards, this decrease was considered as a deemed disposal resulting in a gain of U.S. $ 7,059,000 recognized directly in equity. This gain represents PIF's share from the premium on subscribed shares.

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

Company name	Country of incorporation	2018 %	2017 (Adjusted) %
Sanad Construction Resources (SANAD)	Palestine	8.88	9.91
		U.S 000's	
Balances of non-controlling interests		6,493	7,756
Profits allocated to non-controlling interests		(43)	438

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

Summarized Statement of Financial Position as at December 31, 2018 and 2017:

	SANAD	
	2018	2017 (Adjusted)
	U.S 000's	
Current assets	98,517	75,513
Non-current assets	79,968	61,648
Current liabilities	(78,759)	(38,457)
Non-current liabilities	(18,784)	(14,779)
Total equity	80,942	83,925
Attributable to non-controlling interests (SANAD subsidiaries)	3,640	2,886

Summarized Statement of Profit or Loss for the year ended December 31, 2018 and 2017:

	SANAD	
	2018	2017 (Adjusted)
	U.S 000's	
Sales revenue	180,639	196,192
Cost of sale	(169,658)	(181,295)
General and administrative expenses	(6,141)	(5,492)
Depreciation of property, plant and equipment	(1,001)	(837)
Provision for expected credit losses	(171)	(5,124)
Finance costs	(2,702)	(463)
SANAD's share of associates' results of operations	1,917	725
(Expenses) other revenues, net	(1,231)	3,511
Profit before tax	1,652	7,217
Income tax expense	(1,335)	(1,674)
Profit for the year	317	5,543
Other comprehensive income items	-	-
Net comprehensive income for the year	317	5,543
Attributable to SANAD's shareholders	(437)	4,719
Attributable to non-controlling interests (SANAD's subsidiaries)	754	824

Summarized Cash flow information for year ended December 31, 2018 and 2017:

	SANAD	
	2018	2017 (Adjusted)
	U.S 000's	
Operating activities	(16,170)	(25,047)
Investing activities	(11,596)	(13,983)
Financing activities	1,315	41,879
(Decrease) increase in cash and cash equivalents	(26,451)	2,849

5. Property, plant and equipment

	U.S. $ 000's					
2018	Land	Buildings	Transportation means, equipment and spare parts*	Office equipment, machinery, computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2018	22,363	82,866	46,512	14,696	6,038	172,475
Additions	328	1,499	51,094	3,741	444	57,106
Acquisition of subsidiary	-	-	-	1	26	27
Transferred from projects in progress (note 8)	-	-	-	-	176	176
Transferred from properties ready for sale (note 13)	113	659	-	-	-	772
Disposals	(204)	(1,194)	(2,081)	(299)	(18)	(3,796)
Foreign currency translation	(278)	(506)	-	-	-	(784)
At December 31, 2018	22,322	83,324	95,525	18,139	6,666	225,976
Accumulated depreciation and impairment						
At January 1, 2018	526	15,826	24,986	5,558	2,455	49,351
Depreciation charge for the year	-	2,139	9,562	1,143	783	13,627
Disposals	-	(207)	(1,077)	(135)	(10)	(1,429)
Foreign currency translation	-	(74)	-	-	-	(74)
At December 31, 2018	526	17,684	33,471	6,566	3,228	61,475
Net carrying amount						
At December 31, 2018	21,796	65,640	62,054	11,573	3,438	164,501

– Property, plant and equipment include an amount of U.S. $ 67,325,000 mortgaged to local and regional banks as collaterals against loans and credit facilities (note 21).

* Property, plant and equipment include leased assets in accordance with finance lease contracts with a book value of U.S. $ 839,000.

2017	Land	Buildings	Transportation means, equipment and spare parts*	Office equipment, machinery, computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2017	18,137	77,860	44,618	10,414	5,461	156,49
Additions	922	3,230	2,383	4,500	590	11,62
Transferred from projects in progress (note 8)	-	229	-	-	-	22
Transferred from investment properties (note 7)	2,813	-	-	-	-	2,81
Transferred from properties ready for sale (note 13)	136	916	-	-	-	1,05
Disposals	-	(13)	(489)	(218)	(13)	(73
Foreign currency translation	355	644	-	-	-	99
At December 31, 2017	22,363	82,866	46,512	14,696	6,038	172,47
Accumulated depreciation and impairment						
At January 1, 2017	526	13,675	20,516	4,116	1,783	40,61
Depreciation charge for the year	-	2,074	4,814	1,111	685	8,68
Disposals	-	(1)	(344)	(53)	(13)	(41
Impairment	-	-	-	384	-	38
Foreign currency translation	-	78	-	-	-	7
At December 31, 2017	526	15,826	24,986	5,558	2,455	49,35
Net carrying amount						
At December 31, 2017	21,837	67,040	21,526	9,138	3,583	123,12

- Property, plant and equipment include an amount of U.S. $ 60,187,000 mortgaged to local and regional banks as collaterals against loans and credit facilities.

* Property, plant and equipment include leased assets in accordance with finance lease contracts with a book value of U.S. $ 870,000.

The following schedule shows the depreciation charge allocated to costs of sales and general and adminstrative expenses during the years of 2018 and 2017 as follows:

	U.S. $ 000's	
	2018	2017
Expense charged to cost of sales	9,530	4,632
Expense charged to general and administrative expenses	4,097	4,052
	13,627	8,684

6. Goodwill

For impairment testing, goodwill resulting from acquisition of subsidiary has been allocated to one cash generating unit (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 13.7%, and cash flows beyond the five-year period are extrapolated using a 2,6% growth rate. During the year an impairment of goodwill in an amount of U.S. 360,000 has been recorded in the consolidated income statement in respect of "Bulk Express Company" specialising in cement transportation.

During 2017, PIF has recognised full imapirement on the tourism's sector goodwill.

Key assumptions used in the calculation of the value in use

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

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

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

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

7. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	77,353	82,892
Additions	6,213	125
Returned to Ministry of Finance	(9,356)	(128)
Sale of investment properties	(6,299)	(4,948)
Transferred to projects in progress	(3,121)	-
Transferred from properties ready for sale	-	909
Net transfer to property, plant and equipment	-	(2,813)
Change in fair value of investment properties	3,971	1,316
Balance, end of year	68,761	77,353

Investment properties include the following:

	U.S. $ 000's	
	2018	2017
Land lots (A)	64,884	73,390
Buildings (B)	3,877	3,963
	68,761	77,353

(A) This item represents PIF and some of its subsidiaries investments in lands kept for value appreciation, accordingly, these lands were classified as investment properties.

(B) This item represents some of "Amaar Tower" rented floors to external parties other than the Group subsidiaries. Rent revenues amounted to U.S. $ 470,000 and U.S. $ 445,000 for the years 2018 and 2017, respectively.

An amount of U.S. $ 3,877,000 of investment properties was mortgaged to regional bank as collateral for loans granted to PIF (note 21).

During the years of 2018 and 2017, PIF has sold part of its investment properties resulting in a loss of U.S. $ 870,000 and a gain of U.S. $ 2,554,000 respectively, which was recognised in the consolidated income statement.

8. Projects in progress

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	42,538	47,680
Additions	2,207	5,812
Projects sold out	(4,339)	(10,243)
Transferred to property, plant and equipment	(176)	(229)
Transferred from investment properties	3,121	-
Transferred to other current assets	(5)	-
Impairment of projects in progress	(193)	(482)
Balance, end of year	43,153	42,538

Projects in progress includes projects with a book value of U.S. $ 692,000 mortgaged to local and regional banks as collateral for loans granted to PIF (note 21).

Total expected costs to complete these projects amounts to U.S. $ 153,245,000.

Following are details of the projects in progress:

	U.S. $ 000's	
	2018	2017
Ersal Center	16,452	16,455
Commercial center development	9,037	9,102
Birzeit land development	4,542	4,851
Surda land development	3,307	4,367
Solar Pannels Development	3,072	1,715
Al-Mazara'a land project	2,310	-
Amaar tower - theatre	2,215	1,860
Al-New'emeh land development	1,301	1,833
Al-Reehan and Al Jenan neighborhoods	898	2,065
Other	19	290
	43,153	42,538

9. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2018	2017	2018	2017
	%	%	U.S. $ 000's	
Wataniya Palestine Mobile Telecommunications Company - Ooredoo (Listed)	37.15	36.16	41,047	29,085
Arab Islamic Bank (Listed)	35.06	35.06	36,926	36,085
Specialized Arab Hospital	21.60	21.60	19,893	19,446
Palestine Power Generation Company	40.31	40.31	7,434	7,638
Al Naya Palestinian Co. for Construction Materials	49	49	4,670	4,129
Palestine Tourism Investment Company	28.25	28.25	4,456	4,577
Hospitality Holly Company	40.30	40.30	4,126	4,080
Al-Nokhba for Concrete Products	30	-	4,045	-
Palestine Ijara Company - LTD	33.33	33.33	3,458	3,535
Palestine Islamic Bank (Listed)	-	34.21	-	35,705
Others	20-50	20-49	14,036	10,021
			140,091	154,301

- The market value of PIF's investments listed in Palestine Exchange as of December 31, 2018 amounted to U.S. $130,549,000.
- PIF Investment in Arab Islamic Bank includes 7,560,000 shares with a book value of U.S. $ 10,503,000 mortgaged to local banks as collateral against loans granted to PIF (note 21).
- During 2018, Aswaq (subsidiary) sold its investment in Palestine Islamic Bank (ISBK), which resulted in a gain of U.S $ 22,014,000 recognised in the consolidated income statement. Accordingly, PIF's ownership percentage in ISBK's capital decreased from 34,21% to 0,03%. Thus, PIF's management elected to classify the remaining investment as an investment in financial assets at fair value through profit or loss resulting in a gain from revaluation of the remaining shares at fair value in an amount of U.S $ 16,000 recognised in the consolidated income statement as at the date of losing the significant influence and classified under gain from investment portfolio (note 28).
- During 2018, Sanad (subsidiary) sold its investment in an associate, which resulted in a loss of U.S. $144,000 recognised in the consolidated income statement.
- During 2018, several subsidiaries of PIF recognized impairement losses on some investments in associates in an amount of U.S. $ 146,000 recognised in the consolidated income statement.

- During 2017, Aswaq (subsidiary) sold its investment in Palestine Industrial Investment Company (PIIC), which resulted in a gain of U.S $ 4,116,000 recognised in the consolidated income statement. Accordingly, PIF's ownership percentage in PIIC's capital decreased from 20.90% to 0.11%. Thus, PIF's management elected to classify the remaining investment as an investment in financial assets at fair value through profit or loss resulting in a gain from revaluation of the remaining shares at fair value in an amount of U.S $ 22,000 recognised in the consolidated income statement as at the date of losing the significant influence, and classified under gain from investment portfolio (note 28).
- During 2018, some of PIF subsidiaries increased their percentage of ownership in some associates. Furthermore, several subsidiaries purchased equities in several companies and accordingly, PIF's ownership in these companies reached percentages ranging from 20% to 50%. PIF's management believes that it has significant influence over these companies. Thus, these investments have been classified as investment in associates.
- During 2018, PIF's associates have applied IFRS (9) as at January 01, 2018, which resulted in a decline of these companies' equities. PIF's share of associates' adjustments related to application of IFRS (9) amounted to U.S. $ 6,196,000. PIF has early adopted IFRS (9) as at January 01, 2016. The financial effect of IFRS (9) application in associates has been adjusted in the opening balance of retained earnings as at Januay 01, 2018 due to inavailability of financial information required to determine the financial effect of the standard for 2016 and 2017.

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

U.S. $ 000's

December 31, 2018	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital	Palestine Power Generation Company	Al Naya Palestinian Co. for Construction Materials	Palestine Tourism Investment Company	Hospitality Holly Company	Al-Nokhba for Concrete Products	Palestine Ijara Company	Palestine Islamic Bank
Statements of Financial Position of associates:										
Non-current Assets	202,455	532,156	48,333	11,660	3,917	29,374	7,711	12,857	13,813	-
Current Assets	49,107	530,146	65,059	4,889	6,552	1,666	2,442	12,197	4,344	-
Non-current Liabilities	(99,095)	(41,793)	(10,738)	(186)	(71)	(9,377)	(35)	(67)	-	-
Current Liabilities	(56,327)	(911,115)	(33,076)	(295)	(7,303)	(5,890)	(517)	(9,439)	(7,784)	-
Non-controlling interests	-	-	(13,569)	-	-	-	-	-	-	-
Unpaid capital	-	-	-	107	-	-	-	-	-	-
Equity holders of the associate	96,140	109,394	56,009	16,175	3,095	15,773	9,601	15,548	10,373	-
PIF's ownership	35,718	38,357	12,096	6,519	1,517	4,456	3,869	4,664	3,458	-
Adjustments	5,329	(1,431)	7,797	915	3,153	-	257	(619)	-	-
Carrying amount of investments	41,047	36,926	19,893	7,434	4,670	4,456	4,126	4,045	3,458	-
Revenues and results of operations:										
Revenues	100,420	38,761	43,156	165	16,280	4,584	2,251	16,732	1,287	-
Results of operations	100	7,876	4,534	(507)	1,104	(427)	303	1,088	15	-
PIF's share of results of operations	36	2,761	979	(204)	541	(121)	122	326	5	916
PIF's share of other comprehensive income items	-	327	25	-	-	-	-	-	-	(35)
PIF's share of adjustments from application of IFRS (9)	(174)	(2,247)	(234)	-	-	-	-	-	(81)	(3,267)
Others:										
Dividends from associates	-	-	324	-	-	-	50	-	-	-

- During 2018, PIF share of results of other associates' results of operations amounted to U.S. $ 1,138,000, and PIF share of other associates' other comprehensive income items amounted to U.S. $ 96,000. Additionally, PIF share of other associate's dividends amounted to U.S. $ 380,000.
- PIF share of other associates' IFRS (9) application adjustments amounted to loss of U.S. $ 193,000.

December 31, 2017	Wataniya Mobile Company	Arabi Islamic Bank	Specialized Arab Hospital	Palestine Power Generation Company	Al Naya Palestinian Co. for Construction Materials	Palestine Tourism Investment Company	Hospitality Holly Company	Palestine Ijara Company	Palestine Islamic Bank	Palestine Industrial Investment Company
	U.S. $ 000's									
Statements of Financial Position of associates:										
Non-current Assets	218,832	519,780	47,269	9,106	1,882	29,922	7,872	6,426	405,879	-
Current Assets	60,796	521,323	52,839	7,867	3,478	1,247	2,412	8,864	604,491	-
Non-current Liabilities	(134,780)	(43,067)	(4,997)	(196)	-	(11,553)	(45)	(3,190)	(17,887)	-
Current Liabilities	(75,329)	(891,040)	(29,164)	(201)	(2,497)	(3,416)	(432)	(1,495)	(882,857)	-
Non-controlling interests	-	-	(11,887)	-	-	-	-	-	-	-
Unpaid capital	-	-	-	107	-	-	-	-	-	-
Equity holders of the associate	69,519	106,996	54,060	16,683	2,863	16,200	9,807	10,605	109,626	-
PIF's ownership	25,141	37,516	11,675	6,723	1,403	4,577	3,952	3,535	37,503	-
Adjustments	3,944	(1,431)	7,771	915	2,726	-	128	-	(1,798)	-
Carrying amount of investments	29,085	36,085	19,446	7,638	4,129	4,577	4,080	3,535	35,705	-
Revenues and results of operations:										-
Revenues	85,643	33,906	41,463	169	2,513	4,165	2,040	883	41,530	-
Results of operations	(6,646)	6,786	9,145	(345)	263	(1,197)	260	138	14,531	-
PIF's share of results of operations	(2,402)	2,382	1,974	(139)	129	(338)	105	46	4,968	1,355
PIF's share of other comprehensive income items	-	(88)	-	-	-	-	-	-	212	225
Others:										
Dividends from associates	-	2,099	292	-	-	-	100	-	1,816	-

- During 2017, PIF share of results of other associates' results of operations amounted to U.S. $ 264,000, and PIF share of other associates' other comprehensive income items amounted to U.S. $ 77,000. Additionally, PIF share of other associate's dividends amounted to U.S. $ 332,000.

10. Investments in joint ventures

	U.S. $ 000's	
	2018	2017
Convention Palace Company (A)	2,825	3,055
Capitol Hotel (B)	2,249	-
Others (C)	-	101
	5,074	3,156

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

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

	U.S. $ 000's	
	Convention Palace Company	
	2018	2017
Statement of financial position of joint venture		
Non-current assets	8,598	9,099
Current assets	718	689
Non-current liabilities	(119)	(76)
Current liabilities	(3,546)	(3,602)
Equity attributable to venture's shareholders	5,651	6,110
PIF's ownership	2,825	3,055
Carrying amount of investment	2,825	3,055
Revenues and results of operations		
Revenues	811	545
Results of operations	(460)	(826)
PIF's share of results of operations	(230)	(413)

(B) New Capitol Hotel Company was established as a private limited shareholding company, with a share capital of 10,000 shares of U.S $ 1 par value each, of which 50% is owned by PIF. New Capitol Hotel is jointly managed with Capital for Commercial Investment (a subsidiary of Jerusalem District Electricity Company). The company aims at managing New Capitol Hotel in Jerusalem.

The following schedule summarizes the financial information related to PIF's investments in New Capitol Hotel:

	U.S. $ 000's
	New Capitol Hotel
	2018
Statement of financial position of joint venture	
Non-current assets	895
Current assets	2,099
Current liabilities	(644)
Equity attributable to venture's shareholders	2,350
PIF's ownership	1,175
Adjustments	1,074
Carrying amount of investment	2,249
Revenues and results of operations	
Revenues	-
Results of operations	(90)
PIF's share of results of operations	(45)
PIF's share of other comprehensive income	(33)

(C) During the year, PIF has acquired the joint venture in an amount of U.S. $ 75,000 which resulted in a loss of U.S. $ 12,000 recognised as impairement loss in the consolidated income statement. PIF share of joint venture results' of operations up to acquisition date amounted to U.S. $ 37,000.

11. Investments in financial securities

	U.S. $ 000's	
	2018	2017
Financial assets at FVOCI (A)	104,028	115,292
Financial assets at amortised cost (B)	11,883	12,451
	115,911	127,743
Financial assets at FVTPL - current (C)	164,394	160,430
	280,305	288,173

(A) PIF perceives these investments as strategic investments, accordingly, these investments were classified as financial assets at fair value through other comprehensive income. The financial assets at FVOCI include the following:

	U.S. $ 000's	
	2018	2017
Quoted shares	80,520	95,614
Unquoted shares	23,508	19,678
	104,028	115,292

Financial assets at FVOCI as at December 31, 2018 include shares with a book value of U.S. $ 51,728,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (Note 21).

Movement on the fair value reserve was as follows:

	U.S. $ 000's	
	2018	2017
Balance, beginning of the year	9,045	8,338
Net loss from valuation of financial assets at FVOCI	(4,625)	(8,090)
Change in fair value of cash flow hedge	(548)	-
Share of associates' other comprehensive income	317	(357)
Loss from sale of financial assets at FVOCI recognized in retained earnings	810	9,154
Balance, ending of the year	4,999	9,045

Financial assets at FVOCI sold during the year amounted to U.S. $ 14,004,000. Sale transactions of these financial assets were made to finance other investment activities and to exit of non-strategic investments.

(B) Financial assets at amortised cost include the following:

		U.S. $ 000's	
	Credit Rating	2018	2017
Quoted debt instruments at national and regional financial markets	BBB-AA	4,587	5,154
Unquoted national debt instruments	Un-rated	7,410	7,410
		11,997	12,564
Expected credit losses provision		(114)	(113)
		11,883	12,451

Interest on the financial assets at amortised cost ranges from 3% to 7.6% with a maturity ranging from 1 to 5 years.

The market value of the quoted debt instruments amounted to U.S. $ 4,579,000 and U.S. $ 5,242,000 as at December 31, 2018 and 2017, respectively.

Movement on financial assets at amortised cost was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
As at January 1, 2018	11,045	1,520	-	12,565
Collection during the year	(500)	-	-	(500)
Amortization of discount/ issuance premium	(63)	(5)	-	(68)
Transfers between stages	986	(986)	-	-
As at December 31, 2018	11,468	529	-	11,997

Movement on expected credit loss provision in accordance with IFRS (9), was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
As at January 1, 2018	112.5	0.5	-	113
Transfers between stages	-	-	-	-
Net remeasurement of impairment during the year	1	-	-	1
As at December 31, 2018	113.5	0.5	-	114

(C) Financial assets at FVTPL include the following:

	U.S. $ 000's	
	2018	2017
Quoted shares	75,647	74,075
Unquoted portfolios	88,046	85,513
Unquoted shares	701	842
	164,394	160,430

As at December 31, 2018, financial assets at FVTPL include shares with a book value of U.S. $ 7,980,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (Note 21).

12. Other assets

	U.S. $ 000's	
	2018	2017
Prepayment on investment (A)	45,800	45,800
Granted loans (B)	13,709	18,237
	59,509	64,037

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 - Ooredoo (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 meets the requirements in accordance with the agreement signed with the MTIT.

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

			U.S. $ 000's	
	Interest rate (%)	Settlement	2018	2017
Palestinien microfinance institutions	3.5-5	2018-2021	6,071	9,037
Palestine Development Fund	1	2017-2023	3,154	854
Finance lease companies	3.5	2018-2021	2,662	3,000
Wataniya Palestine Mobile Telecommunications Company - Ooredoo*	5.85 +LIBOR	-	-	2,150
First Trading Centre	1.5 + LIBOR	2015	1,100	1,100
Palestine Tourism Investment Company	7.5	2017	1,072	730
Al Mashtal Tourism Investment Company	5	2017	406	406
Others ***	1-5	2018-2022	2,802	3,209
			17,267	20,486
Accrued interest on loans			648	1,705
			17,915	22,191
Provisions for expected credit losses**			(4,206)	(3,954)
			13,709	18,237

* 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.

The loan and all related accrued interest has been collected during 2018.

Movement on gross granted loans during the year was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
As at January 1, 2018	15,275	2,261	2,950	20,486
Loans granted during the year	2,551	-	747	3,298
Collection during the year	(5,525)	(975)	-	(6,500)
Transfers	(870)	407	463	-
Currency variance	-	-	(17)	(17)
As at December 31, 2018	11,431	1,693	4,143	17,267

** Movement on the expected credit losses provision for loans granted in accordance with IFRS (9) was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
As at January 1, 2018	369	90	3,495	3,954
Transfers between stages	19	(31)	12	-
Remeasurement of ECL provision during the year	(119)	(11)	399	269
Currency variance	-	-	(17)	(17)
As at December 31, 2018	269	48	3,889	4,206

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.

*** PIF has obtained guarantees against part of these granted loans. The total value of guarantees against these loans amounted to U.S. $ 1,577,000 as at December 31, 2018.

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	
	2018	2017
Balance, beginning of the year	13,871	20,443
Additions	171	419
Transferred to property, plant and equipment	(772)	(1,052)
Transferred to investment properities	-	(909)
Residential units sold	(1,545)	(5,030)
Balance, end of the year	11,725	13,871

Properties ready for sale include properties with a carrying amount of U.S. $ 7,776,000 that are fully mortgaged to a regional bank as collateral on loans granted to PIF (note 21).

14. Accounts receivable

	U.S. $ 000's	
	2018	2017 (adjusted)
Checks under collection	62,166	53,236
Trade receivables	41,121	41,339
Cap Holding Company	11,305	11,305
Others	849	494
	115,441	106,374
Provision for expected credit losses	(22,107)	(21,721)
	93,334	84,653

The movement on the provision of expected credit losses during the year was as follows:

	U.S. $ 000's	
	2018	2017 (adjusted)
Balance, beginning of year	21,721	14,845
Additions (Adjusted note 40)	610	6,743
Written-off during the year	(1)	(94)
Foreign currency differences	(223)	227
Balance, end of year	22,107	21,721

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
2018	93,334	65,453	20,435	2,027	5,419
2017	84,653	59,332	17,995	3,158	4,168

PIF's subsidiaries obtain guarantees against some of these receivables. The subsidiaries' management believes that the value of the unimpaired receivables is recoverable. Regarding receivables resulting from properties sale, the sold properties ownership is not transferred to the buyers until full settlement of receivables as a guarantee of this settlement. The total value of these properties amounted to U.S. $ 5,919,000 as at December 31, 2018.

15. Other current assets

	U.S. $ 000's	
	2018	2017 (adjusted)
Due from Value Added Tax department	13,018	11,925
Advances to suppliers	4,864	7,984
Inventory	3,760	3,169
Forward currency contracts	1,180	-
Contribution receivable*	959	3,361
Dividends receivable	501	186
Prepaid expenses	493	425
Accrued interest	375	326
Due from employees	290	406
Due from brokerage firms	123	4,208
Advance payments to Income Tax Department (note 26)	-	427
Others	417	412
	25,980	32,829
Provision for uncollectible current assets	(3,374)	(3,141)
	22,606	29,688

* 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	
	2018	2017 (Adjusted)
Balance, beginning of year	3,141	2,522
Addition (adjusted note 40)	262	617
Foreign currency differences	(29)	2
Balance, end of year	3,374	3,141

16. Cash and deposits at banks

	U.S. $ 000's	
	2018	2017
Cash on hand and current accounts at banks	16,286	20,654
Term deposits at banks	74,847	58,945
	91,133	79,599

The average interest rate during the year was 3.06% (2017: 3.19%) on U.S. Dollar deposits, 4.82% (2017: 4.18%) on JOD deposits, 2.95% on Qatari Riyal deposits for 2017 and 3.5% on Israeli Shekel for 2017.

Cash and deposits at banks include restricted cash of U.S. $ 4,499,000 and U.S. $ 3,215,000 as at December 31, 2018 and 2017, 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 as at December 31, 2018 and 2017:

	U.S. $ 000's	
	2018	2017
Cash on hand and current accounts at banks	16,286	20,654
Term deposits at banks	74,847	58,945
	91,133	79,599
Credit facilities	(42,953)	(15,892)
Deposits maturing after 3 months	(7,103)	-
Restricted cash	(4,499)	(3,215)
	36,578	60,492

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	
	2018	2017
Receivables on returned lands	26,680	36,603
Receivables from operational services	15,598	627
Others	-	10,569
	42,278	47,799

The movement on the Shareholder's current account during 2018 and 2017 was as follows:

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	47,799	87,947
Dividends	(30,000)	(28,000)
Receivables from operational services for the year	15,598	8,302
Properties returned to treasury (transferred from treasury) during the year	8,609	(802)
Payments from treasury	-	(20,000)
Others	272	352
	42,278	47,799

19. Reserves

Statutory Reserve

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

Voluntary Reserve

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

20. Paid and proposed dividends

The Board of Directors will propose to the General Assembly in its annual meeting to be held during 2019 the approval of proposed cash dividend of U.S. $ 15 million.

The General Assembly approved in its meeting held on May 02, 2018 the distribution of U.S. $ 30 million dividends. PIF has deducted these dividends from the shareholder's current account.

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

Dividends distributed from subsidiaries during 2018:

The General Assembly of Sanad approved in its meeting held on April 25, 2018 the declaration of cash dividends of U.S. $ 0.05 per share with a total amount of U.S. $ 3,300,000, non-controlling interest share of these distrubted dividends amounted to U.S. $ 333,000.

The General Assembly of Bulk Express (Sanad's subsidiary) approved in its meeting held on July 10, 2017 the distribtution of cash dividends to its shareholders in an amount of U.S. $ 1.8 million for its 2016 results of operations. The non-controlling interest share of these dividends amounted to U.S. $ 720,000.

21. Long- term loans

	U.S. $ 000's	
	2018	2017
Long-term loans	147,114	146,452
Current portion of long-term loans (note 23)	(39,092)	(21,172)
	108,022	125,280

During 2017, PIF signed a long-term loan agreement with a regional bank in an amount of U.S. $ 50 million to fund PIF's expected projects for the next four years. The loan has an annual interest rate of 6 months LIBOR plus 2.5%. The loan is to be settled through semi-annual payments with a grace period of one year and a half where the last installement to be setteled during 2023. During the year, PIF has early settled an amount of U.S. $ 2.5 million. The outstanding balance of the loan as at December 31, 2018 amounted to U.S. $ 47.5 million.

During the previous years, PIF has signed a long-term loan agreement with the Arab Fund for Economic and Social Development in an amount of U.S. $ 30 million. The interest rate on the loan is 2%. The loan is to be settled through semi-annual payments along with a grace period of 3 years starting at the date of the first withdrawal and where the last installement to be setteled during 2021. Total utilized balance of the loan amounted to U.S. $ 6 million as at December 31, 2016. During 2017, PIF requested the second tranche in an amount of U.S. $ 6 million, accordingly total utilized balance of the loan amounted to U.S. $ 12 million as at December 31, 2017. PIF did not request any additional tranches during 2018.

During 2018, Massader (a subsidiary) has signed a long-term loan agreement with a regional bank in an amount of U.S. $ 20 million to fund its solar parks projects. The loan has an annual interest rate of 1-year LIBOR plus 3%. The loan and all related interest is repayable at the earlier of sale of the solar projects or after 12 months from the date of last tranche. The utilized balance of the loan as at December 31, 2018 amounts to USD 700,000.

During 2017, ASWAQ (a subsidiary) signed a long-term loan agreement with a local bank in an amount of U.S. $ 20 million. The loan has an annual interest rate of 3 months LIBOR plus 2.5%. The loan is to be settled through semi-annual payments with a grace period of one year where the last installement to be setteled during 2023. During 2017, ASWAQ has requested the first tranche of U.S. $ 10.5 million. During the year, ASWAQ has requested the second and last tranche amounting to U.S. $ 9.5 million. The outstanding balance of the loan as at December 31, 2018 amouted to U.S. $ 20 million.

Sanad Construction Resources (a subsidiary) and some of its subsidiaries signed agreements with regional and local banks during 2017 and 2018 for long-term loans to finance the activities of these companies. The interest rate on these loans ranged from 1.75% (in addition to 6 months to 1 year LIBOR) to 5.32%. These loans are to be settled within a period of 1 to 5 years. The utilized balance of these loans as at 31 December 2018 amounted to U.S. $ 20 million.

In addition, during previous years, PIF and some of its subsidiaries signed long-term loan agreements with local and regional banks to finance these companies' operations. Interest rates range from 1.75% (in addition to 3 months to 1 year LIBOR) to 11%. These loans are to be settled within a period of 1 to 7 years. The utilized balances of these loans as at 31 December 2018 was approximately U.S. $ 47 million.

These loans were secured by mortgaging some of PIF and its subsidiaries assets.

The following table demonstrates the mortgaged assets as at December 31, 2018:

Items	Fair Value Measurments	Note
Property, plant and equipment	67,325,000	5
Investment properties	3,877,000	7
Projects in progress	692,000	8
Investments in associates	10,503,000	9
Financial assets at fair value through other comprehensive income	51,728,000	11
Financial assets at fair value through profit or loss	7,980,000	11
Properties ready for sale	7,776,000	13
Investments in subsidiaries	5,959,000	
Total	155,840,000	

The maturities of loans are as follows:

	U.S. $ 000's
Matures in 2019	39,092
2020	32,236
2021	28,457
2022	24,821
Thereafter	22,508
	147,114

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	
	2018	2017
Balance, beginning of year	3,083	4,117
Additions	609	202
Amortization of deferred tax liabilities	(783)	(1,236)
Balance, end of year	2,909	3,083

23. Credit facilities and current portion of long term loans

	U.S. $ 000's	
	2018	2017
Current portion of long term loans (note 21)	39,092	21,172
Overdrafts*	42,953	15,892
	82,045	37,064

* During the year and previous year, Sanad Trading and Marketing Co. (a subsidiary of Sanad Construction Resources) signed several credit facilities agreements with national and regional banks in U.S. $ and in ILS to finance its operational activities. The ILS credit facilities ceilings amounted to ILS 220 million (equivalent to U.S. $ 58.46) where the U.S. $ credit facilities amounted to U.S. $ 12 million. The ILS facilities are subject to a declining interest rates of (1.65% - 3.9 + ILS Prime) with a floor of 3.25% and a ceiling of 16% where the U.S. $ facilities are subject to a declining interest rates of (1.9% + 6-months LIBOR) with a floor of 4.5% and a ceiling of 12%. The facilities are repaid within periods less than a year from the date of the withdrawal and is secured by deposit of checks under collection at an amount not less than 120% of the amount of the facilities, in addition to parent company's guarantee. The utilized balance was U.S. $ 37,749,000 as at December 31, 2018.

Additionally, the same company has signed a Murabaha agreement with an Islamic bank to finance its operational activities. The total financing value amounted to U.S. $ 15,000,000. The Murabaha financing is subject to annual profit of 3%. The Murahaba financing is repaied within 6 months from the date of the withdrawal and is secured by deposit of checks under collection at an amount not less than 120% of the amount of the Murabaha financing in addition to parent company's guarantee. The utilized balance was U.S. $ 4,895,000 as at December 31, 2018.

24. Accounts Payable

	U.S. $ 000's	
	2018	2017
Trade payables	25,431	18,750
Apartments sales advances	341	386
Contractors payables	258	124
Others	174	47
	26,204	19,307

25. Provisions and other current liabilities

	U.S. $ 000's	
	2018	2017
Postponed checks	6,629	4,634
Temporarily restricted contribution *	4,373	4,399
Accrued expenses	3,680	4,933
Provision for employees indemnity **	2,872	2,936
Employees' income tax payable	851	779
Interest rates swaps	577	-
ECL on guarantees	426	-
Employees bonuses provision	358	1,232
Property improvement taxes	240	259
Dividends payable	13	320
Other	11,712	10,579
	31,731	30,071

* 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 2018 and 2017:

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	4,399	4,618
Additions	-	100
Written-off during the year	-	(84)
Released from restriction	-	(302)
Foreign currency differences	(26)	67
Balance, end of year	4,373	4,399

** Following is the movement on provision for employees' indemnity during the years of 2018 and 2017:

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	2,936	2,704
Additions	1,533	985
Payments	(1,564)	(839)
Acquisition of subsidiary	5	-
Foreign currency differences	(38)	86
Balance, end of year	2,872	2,936

Provision for employee's end of service benefits is provided for in accordance with the labor law prevailing in Palestine policies based on one-month salary for each year of employment. The Palestinian Social Security Law was expected to be implemented during 2018, but was suspended in accordance with a presidential decree on January 28, 2019, which states that the dialogue with the relevant parties will continue to arrive at a national consensus on the provisions of the law and the date of enforcement. The current law obliges the employer to settle the end of service benefits for the periods preceding the application of the provisions of this law.

26. Provision for income tax

The taxable income of PIF and its subsidiaries is subject to income tax at the corporate rate of %15. Following is the movement on the provision for income tax/ advance payments during 2018 and 2017:

	U.S. $ 000's	
	2018	2017
Balance, beginning of year	(427)	(808)
Additions during the year	1,679	2,369
Discounts on early payments	-	(108)
Prior years' tax, net	(252)	(14)
Amortization of deferred tax liabilities	783	1,236
Payments during the year	(1,945)	(2,772)
Foreign currency differences	381	(330)
Balance, end of year (note 15)	219	(427)

PIF has not reached final settlements with the Income Tax Department for the results of its operations from 2015 to 2017. Furthermore, most of PIF subsidiaries have not reached final settelement with income tax department for their results of operations for periods prior to 2017, taking into consideration that all tax filing have been completed and the tax consultant is following up on tax reconciliations with tax authorities.

Taxes shown in the consolidated income statement represent the following:

	U.S. $ 000's	
	2018	2017
Additions during the year	1,679	2,369
Discounts on early payments	-	(108)
Previous years' tax, net	(252)	(14)
Deferred tax liabilities	609	202
	2,036	2,449

27. Operating revenues

	U.S. $ 000's			
	2018			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	15,598	-	(12,805)	2,793
Trade and transportation	180,639	(158,809)	(10,872)	10,958
Real estate*	9,690	(6,363)	(616)	2,711
Tourism	8,282	(1,930)	(4,539)	1,813
	214,209	(167,102)	(28,832)	18,275

	U.S. $ 000's			
	2017			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	8,302	-	(7,890)	412
Trade and transportation	209,268	(181,246)	(12,998)	15,024
Real estate*	20,165	(15,375)	(514)	4,276
Tourism	10,102	(2,724)	(5,142)	2,236
	247,837	(199,345)	(26,544)	21,948

* All above revenues are subject to IFRS (15) – "Revenues from contracts with customers" except for rent revenues which are accounted for in accordance with IAS 17 – "Rents". Rents revenues during the year amounted to U.S. $ 1,000,000 (2017: U.S. $ 1,100,000) included in real estate item.

Following are the details of revenues from contracts with customers:

	U.S. $ 000's 2018	U.S. $ 000's 2017
At point in time	193,672	233,892
Over a period of time	19,537	12,845
	213,209	246,737

28. Gain from investment in financial assets

	U.S. $ 000's 2018	U.S. $ 000's 2017
(Loss) gain on sale and revaluation of financial assets at FVTPL	(1,412)	19,035
Dividends income from financial assets at FVOCI	8,073	7,947
Dividends income from financial assets at FVTPL	3,650	3,294
Gain from revaluation of the remaining investment in associates (note 9)	16	22
Interest on bonds	509	575
	10,836	30,873

29. Interest income

	U.S. $ 000's 2018	U.S. $ 000's 2017
Interest on deposits with banks	2,451	884
Interest on granted loans	489	499
	2,940	1,383

30. Investment expenses

	U.S. $ 000's 2018	U.S. $ 000's 2017
Employees' salaries, wages and benefits	1,010	968
Professional fees	913	1,258
Travel and transportation	147	166
Others	158	69
	2,228	2,461

31. General and administrative expenses

	U.S. $ 000's 2018	U.S. $ 000's 2017
Employees' salaries, wages and benefits	10,331	9,849
Professional fees	2,172	2,115
Fees and subscriptions	625	467
Travel and transportation	486	589
Insurance	369	245
Telephones and courier	292	311
Maintenance	290	355
Marketing	273	447
Board of Directors remuneration	167	167
Hospitality	124	119
Printings and stationery	114	93
Rents	104	128
Others	760	837
	16,107	15,722

32. Other expenses

	U.S. $ 000's	
	2018	2017 (Adjusted)
(Loss) gain from currency variances	(5,386)	4,011
ECL - simplified approach and provision for uncollectible current assets (notes 14 and 15)	(872)	(7,360)
Assets impairement losses (notes 6, 8, 9, and 10)	(711)	(1,783)
ECL - general approach (notes 11, 12, and 25)	(696)	(32)
Gain on sale of property, plant and equipment	40	436
Contributions released from restriction (note 25)	-	302
Others	1,040	212
	(6,585)	(4,214)

33. Fair value measurement

PIF did not make any transfers between the levels during the year 2018 and 2017.The following table provides the fair value measurement hierarchy of PIF's assets and liabilities as at December 31, 2018:

	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, 2018	75,647	87,296	1,451
Financial assets at FVOCI	December 31, 2018	80,520	10,326	13,182
Investment properties	December 31, 2018	-	-	68,761
Forward currency contracts	December 31, 2018	-	1,180	-
Financial assets for which fair value is disclosed:				
Quoted financial assets at amortised cost (listed)	December 31, 2018	4,579	-	-
Financial liabilities measured at fair value:				
Financial liabilities at FVTPL	December 31, 2018	-	-	577

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

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Financial assets at FVTPL	December 31, 2017	74,075	84,763	1,592
Financial assets at FVOCI	December 31, 2017	95,614	4,513	15,165
Investment properties	December 31, 2017	-	-	77,353
Financial assets for which fair value is disclosed:				
Quoted financial assets at amortised cost	December 31, 2017	5,242	-	-

The following table represents the movements in the assets measured at the fair value through "Level 3":

	Financial assets at FVTPL	Financial assets at FVOCI	Investment properties	Financial liabilities at FVTPL	Total
			U.S. $ 000's		
Balance, January 1, 2018	1,592	15,165	77,353	-	94,110
Net movement during the year	-	280	(12,563)	-	(12,283)
Change in fair value	(141)	(2,263)	3,971	(577)	990
Balance, December 31, 2018	1,451	13,182	68,761	(577)	82,817

Following are the main assumptions used to determine the fair value of investment properties:

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. Rented buildings have been valuated by discounting future cash flows from rents.

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

2018	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Fair value per meter square	+ 5	616
Fair value per meter square	+ 5	(616)

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

The following table represents the sensitivity of investment properties' (rented floors') fair value:

2018	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Discounted rate	+ 5	(276)
Growth rate	+ 5	32

2017	Increase/ decrease in fair value	Effect on fair value and profit for the year
	%	U.S. $ 000's
Discounted rate	+ 5	(202)
Growth rate	+ 5	2

In respects with financial derivatives, fair value is determined using discounted cash flows method (DCF) and appropriate valuation methods, the following table represents financial derivatives during December 31,2018:

2018	Positive fair value	Negative fair value	Par value	Matures in one year	Matures in more than one year
			U.S. $ 000's		
Forward currency contracts	1,180	-	27,600	27,600	-
Interest rate swap contracts	-	577	50,000	10,000	40,000
	1,180	577	77,600	37,600	40,000

Interest rates swaps are subject to hedging policies representing cash flow hedges.

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, 2018 and 2017:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2018	2017	2018	2017
Financial assets				
Granted loans	13,709	18,237	13,709	18,237
Investment in securities	280,305	288,173	280,411	288,374
Accounts receivable	93,334	84,653	93,334	84,653
Other financial assets	14,654	19,475	14,654	19,475
Cash and deposits at banks	91,133	79,599	91,133	79,599
	493,135	490,137	493,241	490,338
Financial liabilities				
Accounts payable	25,863	18,921	25,863	18,921
Loans and credit facilities	190,067	162,344	190,067	162,344
Other financial liabilities	14,161	13,263	14,161	13,263
	230,091	194,528	230,091	194,528

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

34. Related party transactions

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

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

	U.S. $ 000's	
	2018	2017
Shareholder's current account	42,278	47,799
Loans granted to associates and related accrued interest*	5,048	7,028
Accounts receivable (associates)	8,093	769
Cash and deposits at banks (associates)	14,122	5,916
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	
	2018	2017
Operational services revenues with the shareholder	15,598	8,302
Sales - associates	18,050	6,526
Interest on granted loans to associates	149	241

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

	U.S. $ 000's	
	2018	2017
Board of Directors remuneration	167	167
Key management share of salaries and related benefits	3,076	2,913
Key management share of end of service indemnity	239	226

* As at December 31,2018, ECL provision on loans granted to associates amounted to U.S.$ 1,523,000.

Furthermore, PIF is considered as a guarantor for a loan granted to an associate (note 9), the value of the guarantee amounted to U.S.$ 27,615,000 as at December 31, 2018. Also, the ECL on these guarantees amounted to U.S.$ 426,000 as at December 31,2018.

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.

December 31, 2018	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
	U.S. $ 000's			
Investment in securities	11,883	164,394	104,028	280,305
Granted loans	13,709	-	-	13,709
Accounts receivable	93,334	-	-	93,334
Cash and deposits at banks	91,133	-	-	91,133
Other assets	13,474	1,180	-	14,654
	223,533	165,574	104,028	493,135

December 31, 2017	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
	U.S. $ 000's			
Investment in securities	12,451	160,430	115,292	288,173
Granted loans	18,237	-	-	18,237
Accounts receivable	84,653	-	-	84,653
Cash and deposits at banks	79,599	-	-	79,599
Other assets	19,475	-	-	19,475
	214,415	160,430	115,292	490,137

All financial liabilities have been classified as financial assets at amortised cost as at December 31, 2018 and 2017 except for interest rate swaps which have been classified as financial liabilities at fair value through profit or loss.

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, 2018 and 2017 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, 2018. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

2018	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	+10	(78)
Israeli Shekel	+10	(32)
Jordanian Dinar	+10	(10)

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

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, on 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:

2018	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	10+	4,023	1
Other currencies	10+	(255)	-

2017	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	10+	4,240	1
Other currencies	10+	309	-

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:

2018	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	7,987	4,796
Shares listed in other markets	+10	65	2,769
Shares and portfolios not listed	+10	2,351	8,875

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

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 to credit risk on granted loans, accounts receivable and investments in financial assets at amortised cost is the carrying amounts of them as explained in notes (11), (12) and (14). Details and distribution of these exposures based on staging and guarantees are detailed in the same notes.

With respect to credit risk arising from other financial assets of PIF, including cash and deposits at banks, and other financial assets, PIF's financial and investing decisions are made only for approved parties. These exposures have been classified as stage (1) in accordance with IFRS (9). PIF's exposure to credit risk arises from default of the counterparty, with a maximum exposure equals 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, 2018 and December 31, 2017, 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, 2018					
Long-term loans and credit facilities	25,963	64,824	119,353	672	210,812
Accounts payable	25,863	-	-	-	25,863
Other financial liabilities	11,117	3,044	-	-	14,161
	62,943	67,868	119,353	672	250,836
December 31, 2017					
Long-term loans and credit facilities	15,850	27,939	139,038	672	183,499
Accounts payable	18,921	-	-	-	18,921
Other financial liabilities	10,427	2,836	-	-	13,263
	45,198	30,775	139,038	672	215,683

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 manages its capital structure and make adjustments in light of changes in business conditions. No changes were made in the objectives, policies or processes during 2018 and 2017.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interest with a total of U.S. $ 754,306,000 and U.S. $ 771,292,000 as at December 31, 2018 and December 31, 2017, respectively.

37. Segment information

PIF's reporting format is business segments as PIF's risks and rates of return are affected predominantly by differences in the products and services provided. Business segments are trade and transportation, real estate, tourism, energy in addition to the investment sector.

The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2018:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	15,598	180,639	9,690	8,282	-	-	214,209
Inter-segment (eliminated)	-	-	737	-	-	(737)	-
Total revenues	15,598	180,639	10,427	8,282	-	(737)	214,209
Results of operations							
Profit (loss) before tax	27,201	945	(185)	(2,590)	(2,046)	-	23,325
Other information							
Depreciation of property, plant and equipment	9,248	2,048	229	1,994	108	-	13,627
Capital expenditure	50,857	11,828	643	522	1,676	-	65,526
Finance expenditure	5,172	2,702	537	1,196	7	-	9,614
Investments in associates and joint ventures	106,282	14,697	3,096	13,656	7,434	-	145,165
Share of associates' results of operations	4,944	1,917	(160)	2	(204)	-	6,499
Share of joint venture's results of operations	-	-	-	(312)	-	-	(312)

The following table presents segments' assets and liabilities as of December 31, 2018:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segment assets	983,994	209,174	178,569	71,900	19,897	(458,098)	1,005,436
Segment liabilities	283,410	99,027	23,032	27,900	1,616	(183,855)	251,130

The following table presents revenue and profit information and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2017:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	8,302	209,268	20,165	10,102	-	-	247,837
Inter-segment (eliminated)	-	-	492	-	-	(492)	-
Total revenues	8,302	209,268	20,657	10,102	-	(492)	247,837
Results of operations							
Profit (loss) before tax	35,438	6,722	2,157	(5,553)	(1,345)	-	37,419
Other information							
Depreciation of property, plant and equipment	4,346	1,707	365	2,232	34	-	8,684
Capital expenditure	738	10,341	4,085	510	1,888	-	17,562
Finance Expenditure	1,943	737	641	1,025	8	-	4,354
Investments in associates and joint ventures	127,471	7,755	2,780	11,712	7,739	-	157,457
Share of associates' results of operations	8,448	725	(263)	(427)	(139)	-	8,344
Share of joint venture's results of operations	-	-	-	(413)	(180)	-	(593)

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

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segment assets	877,514	169,385	137,108	74,301	17,482	(289,693)	986,097
Segment liabilities	143,934	50,838	22,005	25,813	17,147	(44,932)	214,805

38. Commitments and contingencies

- PIF may be exposed to liabilities associated with the liquidation of some non-operating companies of which the ownership was transferred from the shareholder to PIF.
- Some of PIF subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to U.S. $ 1,757,000 as of December 31, 2018. 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 U.S. $ 1.45 billion plus interest of 5% p.a. and reimbursement of all costs incurred for the arbitration against the Company and the PA jointly and severally. On August 2, 2016, the arbitral tribunal issued its final award (the Award) in the Arbitration and dismissed CAP's claim against PIF and the Palestinian Authority (PA). Moreover, the arbitral tribunal ordered CAP to reimburse PIF and the PA for legal fees and other costs. Subsequently, CAP filed an appeal against the Award with the Swiss Federal Supreme Court (Appeal). In the Appeal, CAP requested that the Award be vacated and that the dispute be resubmitted to Arbitration.

  During 2017, the Court rejected most of the points raised in CAP's appeal but ordered the Arbitral Tribunal to re-assess one of the appellant's claims against the PA as it has not been clearly defined from a legal perspective. All other parts of the Award were not criticized by the Court. Furthermore, the court approved that all court costs and proceedings cost before the court shall be awarded against appellant.

  During 2018, the arbitral tribunal has issued its final Award which approved the previous result reached in its first award. Subsequently, CAP holding filed an appeal against the final Award before the Federal Supreme Court on same matter. The appeal is still pending before the court, and the result of court award is unlikely to affect any of the Company's rights in accordance with arbitral tribunal Award issued on August 02, 2016.

  During the year 2018, a lawsuit was filed against CAP Holding in the Principality of Liechtenstein, with the object of challenging the decision of the General Assembly to raise the capital of Cap Holding in the form of an in-kind contribution of US $ 10 million (through capitalizing part of the current project assets). A judicial settlement was registered between PIF and CAP Holding, after the latter waived its request to raise its capital in the form of an in-kind contribution and pledged not to use the assets of the tourism project in Jericho to raise its capital.
- As of the consolidated financial statements date, PIF and its subsidiaries have contractual commitments resulting from purchases, services and construction contracts. The contractual commitments represent the difference between total contract cost and the amounts of materials or services received as of the consolidated financial statements date. The value of contractual obligations to be paid in subsequent years amounted to U.S. $ 17,038,000 as at 31 December 2018.

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. Prior period adjustment

During previous years, PIF has early adopted IFRS (9) but the effect of this early adoption was not calculated on some of its subsidiaries. As a result, PIF has adjusted its comparative figures of 2017 in order to unify the accounting policies for all subsidiaries concerning financial instruments impairement in accordance with IFRS (9) and more specifically, accounts receivables.

The effect of this matter on the consolidated statement of financial position is as follows:

	December 31, 2017 (decline)
	U.S. $ 000's
Accounts receivable	(4,321)
Other current assets	(137)
Equity attributable to shareholder	(3,959)
Non-controlling interest	(499)

The effect of this matter on the consolidated income statement is as follows:

	December 31, 2017 (decline)
	U.S. $ 000's
Other expenses - ECL and provision of irrecoverable advances	(4,458)
Attributable to:	
Shareholder	(3,959)
Non-controlling interest	(499)

41. Comparative figures

The corresponding figures for 2017 have been reclassified in order to conform to the presentation for the current year except for the adjustments made in note (40); such reclassifications do not affect prior years profits or equity.

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