صندوق الاستثمار الفلسطيني
Palestine Investment Fund
Investing for Impact

Annual Report
2019

2019

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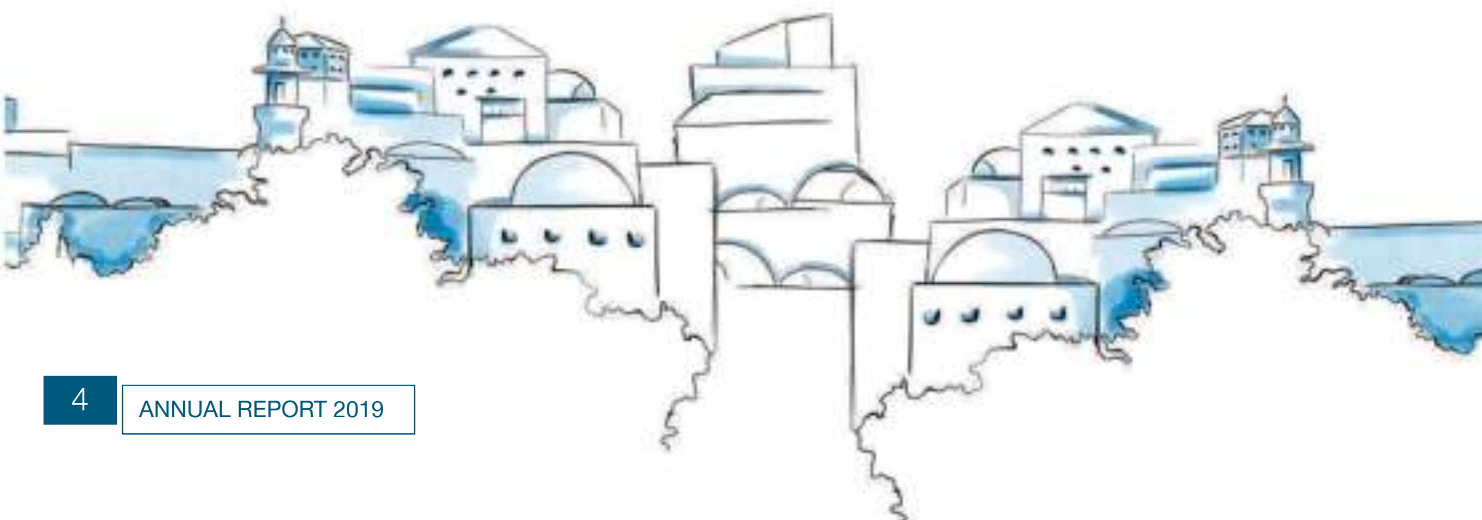
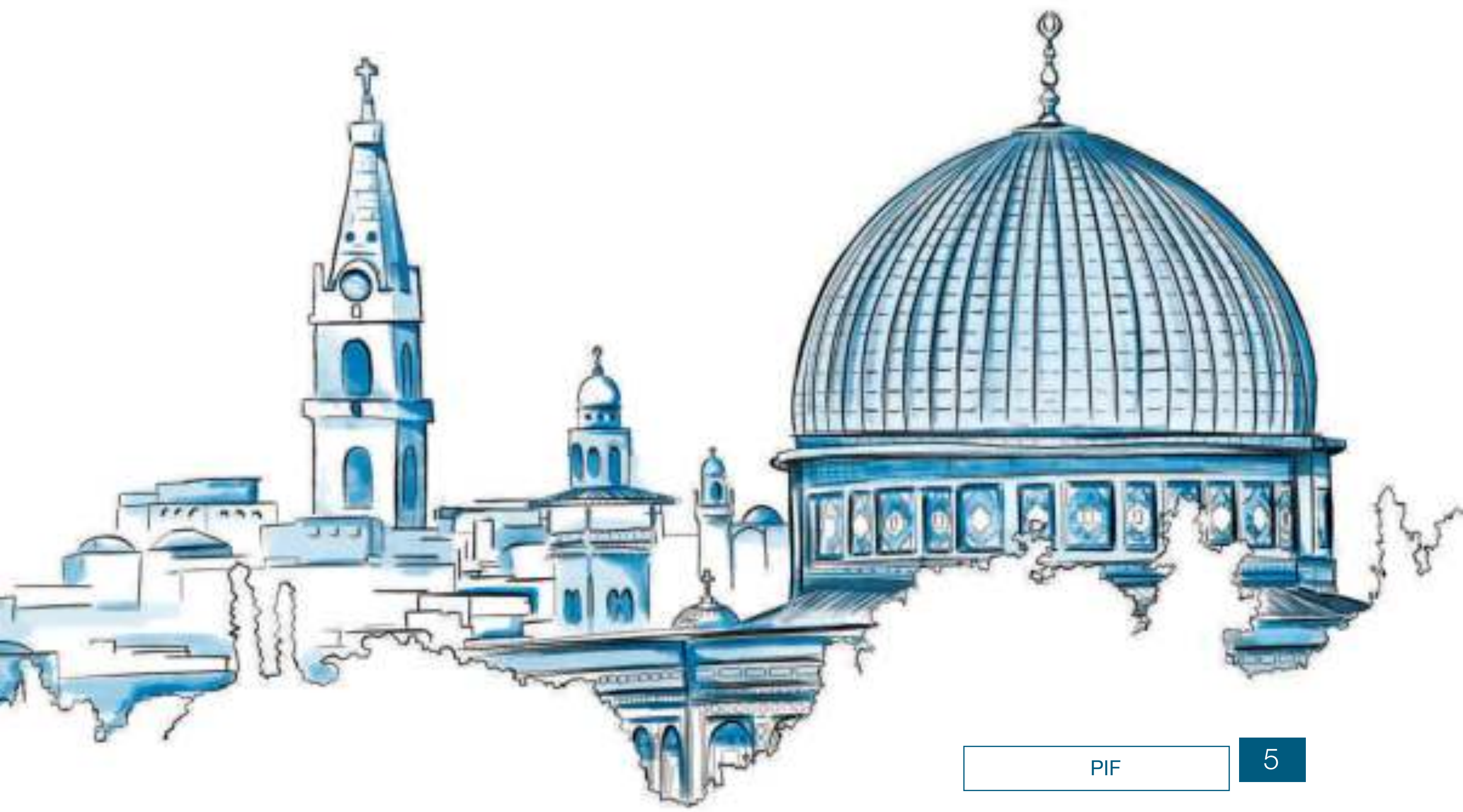


The Palestine Investment Fund (PIF) has effectively contributed towards laying the foundations for a self-sufficient national economy. Despite the prevailing challenges, PIF managed to make several achievements benefitting the country and the Palestinian population in the first place. Among the major accomplishments are the successes in the energy sector, particularly renewable energy, the support of a large number of small enterprises, the creation of many job opportunities, in addition to reasonable financial returns that PIF managed to realize since its establishment.

At the institutional level, we take pride in PIF and its compliance with all good governance standards and practices, its implementation of all governance and transparency measures and procedures which earned PIF the special status of representing the state of Palestine in international forums for sovereign wealth funds. This is a source of pride for us worldwide and within our national vision.

I seize the opportunity to express my highest appreciation to PIF, represented by its chairman of the board and board members, general assembly, the executive management and staff for their dedication towards building an institution with a solid governance base and a pioneering economic vision on the right path towards an independent Palestinian state with Al Quds Al Sharif as its capital.

Mahmoud Abbas
President of the State of Palestine



Message from the Chairman of the Board of Directors

Allow me first to take the opportunity to thank and express my utmost respect to our Palestinian people, who demonstrated a high sense of responsibility despite the difficult conditions, sketching the most beautiful scene of steadfastness and solidarity in the face of a pandemic, embodying the spirit of brotherhood and collaboration among all diverse community members as they may be, coming together in support of their leadership represented by President Mahmoud Abbas to confront these challenging and difficult conditions.

Throughout these difficulties, PIF was not in isolation from its Palestinian context, but rather is part and parcel of this national fabric that is a source of pride for us in terms of its institutions, members, and components. PIF remains, as you have always known it to be, among the first supporters of the various national institutions in curbing this pandemic

Sisters and brothers,

It is my personal pleasure, and on behalf of members of the PIF Board of Directors, to present to you the PIF Annual Report 2019, including the financial and administrative report as well as an overview of the strategic directions of PIF's work and its main investment portfolios.

We take pride in the accomplishments that PIF realized, together with its partners, over the last decade. These included the launching of a distinguished investment portfolio in strategic sectors of the national economy, which succeeded in making a tangible impact on the economy (as demonstrated in the main indicators such as job opportunities, impact on GDP, reduced reliance on imported services and goods, and others). Meanwhile, we continue to build upon these accomplishments by focusing in the coming years on sectors that have the potential to realize the Palestinian national objectives and PIF's mission. That being to contribute towards an independent, self-sufficient, enabled and knowledge-based economy, that is driven by a vibrant private sector and built on the entrepreneurship and the wealth of the human capital of our people, while achieving reasonable returns on investments.

Building upon PIF's achievements, and as part of PIF ongoing evaluation of its performance and continuous search for the most effective means for achieving its objectives, the Board of Directors has passed a multi-faceted strategy for the coming years that will mostly focus on the following objectives:

First: championing sectors that are selected based on clear criteria in terms of their alignment with PIF's mission and objectives, such as reduced reliance on imports and substituting them with national competitive products, creation of job opportunities and positive impact on other GDP economic indicators while achieving reasonable returns on investment.

Second: alignment with the national economic agenda as adopted by the Palestinian government, including anin-depth understanding of the economic drivers and enablers related to the current prevailing reality. This necessitates the need to focus investments on vital economic sectors such as energy, health and healthcare services, agriculture and food industries, including animal fodder and logistical infrastructure (bonded areas), in order to improve self sufficiency in these vital sectors and achieve economic security of Palestine.

Third: strengthen institutional structures within a comprehensive framework of governance and transparency principles that comply with the best Palestinian and international practices and standards.

This involves streamlining of business functions within PIF's different departments, subsidiaries, and investments' portfolio in order to achieve maximum value for money and effectiveness of operations.

Investment portfolios in strategic and development sectors

The year 2019 was marked with the developing and strengthening of multiple local, Arab, and international partnerships through the announcement and implementation of a series of vital projects that contributed towards the translation of PIF's approved strategy into tangible projects on the ground. This was possible through the championing of strategic and vital sectors for investment purposes, primarily in energy, infrastructure and industrial zones, agriculture and food industries, healthcare system, real-estate and tourism sector (including a special real-estate and touristic investment portfolio in Jerusalem), community investment for the MSMEs, in addition to investment in Palestine Stock Market as well as Arab and regional financial markets. Indeed, these investments contributed towards a positive impact on main economic indicators such as the creation of job opportunities, contribution towards the GDP in addition to thousands of Micro, Small and Medium Enterprises that benefitted from PIF programs and investments.

Energy Sector

PIF continues to implement an important investment program in the energy sector, both traditional and renewable, in partnership with our local and international partners. The aim is to achieve a transformational shift from importing to gradual self-sufficiency, and to contribute towards energy security in Palestine.

This year has witnessed several major achievements in the energy sector.We completed work in Jericho Solar PV Plant with a production capacity of 7.5 MW, which was sold to The National Bank, Birzeit Pharmaceutical Company, and the Istishari Arab Hospital. Work is also on-going to develop the Jenin Solar PV Power Plant in Kafrdan in the Jenin governorate with a production capacity of

5MW, expected to be completed during the third quarter of 2020. We also completed the first phase of the solar energy program on the rooftops of 500 public schools throughout the different governorates in partnership with the Ministry of Education and Electricity Distribution Companies. This phase saw the installation of rooftop solar panels for 31 public schools and linking them up with distribution grids and work is currently underway on the second phase that envisages the installation of rooftop solar panels for an additional 111 public schools by the end of 2020. These vital projects are part of the strategic plan of the Noor Palestine Solar Program which aims at transforming the largest energy consumers to producers of this strategic commodity.

PIF is proud of its ability to access loans from international financing institutions, namely from the European Investment Bank (EIB) and the Internatinoal Finance Corporation (IFC) for a total amount of $37 million dollars towards PIF investments for the financing of the Schools Solar Rooftop Program. The Program has won the first place at the level of the Middle East and North Africa in the competition that was organized by the UAE-based Middle East Solar Industry Association, the largest gathering of the solar power sector in the MENA region.

PIF also continues to lead the efforts to build the Jenin Power Plan with a production capacity of 450MW, in partnership with a group of Palestinian private sector partners such as PADICO, PalTel, Arab Bank Group, Palestinian Electricity Company, APIC, in addition to local banks such as Bank of Palestine, Al Quds Bank, and the Cairo-Amman Bank and other local investors.

Agriculture and Food Industries Sector

The agriculture/agribusiness sector is of high priority to PIF, which has been working on strengthening its efforts in the next phase with the aim of achieving gradual self-sufficiency in some of the sector's components. This includes enhancing the production value chain of domestic products and developing/cultivating our lands, focusing on marginalized areas and areas targeted by the Israeli occupation. In this context, PIF has established an initial portfolio with several investments, including Al Dalya Seedless Grape Farm over an area of 540 dunums, with 128 dunums already cultivated in the first phase. It is our pleasure to announce that the first crops will be harvested marketed in the second quarter of 2020.

In partnership with PADICO Industrial Company, PIF has been leading the efforts to establish Al Rabyeh - a modern plant for the production of animal feed in the Hebron governorate. With an annual production capacity of 230,000 tons, in addition to a 3-month reserve of grains, the plant would substitute imports and contribute towards feedd security for livestock in Palestine.

As usual, PIF is focusing all its investments within a long-term, comprehensive, and integrated strategic framework. In order to expand and maximize agriculture sector development efforts, PIF is currently preparing for the establishment of a national company for agricultural investment. This will be a specialized vehicle that will seek to crowd-in investments to develop productive, marketing and infrastructure projects in agricultural, food industries, and livestock. The company is currently being developed in cooperation with the EU and the EIB in partnership with the Palestinian agricultural private sector. This initiative is currently at the investment decision-making phase upon the completion of studies and consultations with the partners.

Healthcare Services Sector

PIF has been investing in this sector for years based on its understanding of the significance and vitality of this sector and the need to achieve self-sufficiency, substitute medical referrals abroad that have a heavy toll on the treasury, and the need to providehigh-quality healthcare services for Palestinian citizens, and to contribute towards the development of Palestinian medical professionals and cadres who are capable of serving the Palestinian people.

In 2019, PIF's efforts along with its partners have resulted in major advancement to complete the establishment of Ibn Sina Specialist Hospital in the city of Jenin; currently expected to be inaugurated by the end of 2020. This hospital, which is the first of its kind in the Jenin governorate, comes as a culmination of a long partnership with the Palestinian private sector, and builds upon PIF's previous excellent partnership experience with the Arab Specialist Medical Complex Company which manages and invests in a number of pioneering hospitals in Palestine, such as Arab Specialist Hospital in Nablus, and Istishari Hospital in Al Reehan neighborhood.

Important portfolio in Jerusalem

PIF is proud of its investment program in the holy city of Jerusalem. Through a diverse range of projects, PIF seeks to develop the economy in the city and , contribute towards empowering its residents and revitalizing vital economic sectors therein by providing job opportunities, and restoring the city's touristic, economic, and national significance.

PIF implements a number of real-estate projects in Jerusalem such as Beit Hanina Heights, a twin-tower housing project with underground floors, in addition to a number of touristic projects such as the Golden Gate and the New Capitol hotels. PIF also supports SMEs in Jerusalem through financing programs to develop this sector and help expand its business activities and create more jobs for our brothers and sisters in Jerusalem.

In this context, the New Capitol hotel was inaugurated in 2019; with a 70-room capacity in partnership with the Jerusalem Electricity District Company (JEDCO). Meanwhile, PIF continues its efforts to develop the Jerusalem Commercial Center - a multi-purpose building in the heart of the city of Jerusalem, with an investment value of approximately US$50 million dollars – and to implementthe Beit Hanina Heights residential projects, and the Golden Gate Hotel.

In 2019, PIF announced the names of projects that will benefit from the second stage of the Jerusalem Grant Facility implemented by Palestine for Development Foundation in partnership with the EU. The Facility aims at co-financing SMEs operating in the city. 25 SMEs will benefit from this stage throughout the end of 2021, thus contributing towards the creation of a total of 200 job opportunities for Palestinians in Jerusalem during the first and second stages. Throughout its lifetime, a total of approximately 60 enterprises would benefit from this facility.

MSMEs and Entrepreneurship Financing Sector

PIF has always attached great importance to this vital sector that constitutes the backbone of the Palestinian national economy. PIF leads nine programs that target financing MSMEs and start-ups sector, including the IT sector and entrepreneurship, in partnership with a large number of local and international partners.

For the purpose of strengthening the micro-financing sector, PIF manages a program to support Micro Finance Institutions (MFIs) operating in Palestine with the aim of expanding the base of beneficiaries, increase the number of loans, and expand the reach and coverage of these institutions to include more economic sectors. This is achieved either through direct lending to these institutions, loan-guarantee programs, and/or investing in their working capital. Among the MFIs which benefited from this program are: Asala Company for Credit and Development and Palestine for Credit and Development (Faten), which both have succeeded by the end of 2019 in financing approximately 2600 enterprises. Additionally, there are Ijara and Pal-Lease leasing companies with services benefitting around 600 companies since the year 2014, thus helping in the creation and retention of hundreds of jobs. PIF is also a main investor in Ibtikar; a venture capital fund that supports IT and Innovative early start-ups. Ibtikar has invested in 22 start-ups since its establishment.

'Finance for job (F4J)' was also launched as the first specialized development impact bonds for the development of skills and employment of Palestinian youth. This unique project has been established with funding from the World Bank, in partnership with PIF and the European Bank for Reconstruction and Development (EBRD), the Dutch Development Bank, and Palestine Investment Foundation through the Chile-Palestine Investment Fund. The project aims at bridging the gap between the qualifications of job seekers and the market demand. The development impact bonds target an approximate number of 1000 beneficiaries, many of whom will be employed in market-demanded sectors such as: healthcare services, nursing, e-marketing, IT, education, engineering, and others.

We are also proud of the accomplishments and the continuity of the program for economic empowerment for Palestinian refugees in Lebanon. The program aims at providing small loans to enterprises in the refugee camps and communities there. By the end of 2019, approximately 4000 loans were deployed to refugee entrepreneurs tostart new enterprises or develop existing ones with a total amount of US$7 million. Since its establishment, the program has contributed to the creation of of more than 6400 job opportunities.

Ladies and gentlemen,

Everyone is aware of the social and economic hardships and difficulties that Palestinians have lived and continue to live under. Despite that, PIF has achieved good financial returns that correspond with the nature of its mission in guaranteeing its sustainability and managing its investment portfolios. PIF profits for the year 2019 amounted to $25.2 million dollars, prior to tax deduction, while the net profits amounted to $24.3 million dollars, part of which was distributed and transferred to the treasury. By the end of 2019, PIF assets under management were estimated at $1 billion dollars.

Finally, I take the opportunity to express the gratitude and appreciation to to the Palestinian leadership, represented by President Mahmoud Abbas for his guidance and ongoing support for PIF. I also would like to thank the government, and all national institutions for their relentless efforts and actions towards providing the appropriate environment for the private sector in general, and for PIF in particular, enabling it to undertake its role according to the national legislation, measures, and standards.

I want to also thank my colleagues, the members of the Board of Director and General Assembly, for their commitment to provide their best towards devising PIF strategies and seeing them through in the best manner possible. I also thank the executive management of PIF and its subsidiaries, and all the staff for their dedicated work to achieve the objectives and mission of PIF towards effective contribution in investment, impact, and establishment of solid foundations for a strong and independent national economy.

Dr. Mohammad Mustafa
Chairman of the Board of Directors

About PIF

The Palestine Investment Fund aims at achieving maximum positive impact through investing in strategic projects in developing and vital sectors.

Founded in 2003, PIF is a public shareholding company registered with the Ministry of National Economy. It focuses on investing in strategic sectors such as the energy, both traditional and renewable, agriculture, health, infrastructure and industrial zones, real-estate, and entrepreneurship in Palestine.

Vision

Contribute towards establishing a sovereign and prosperous Palestinian state on the basis of innovative and integrated economy that is supported by a vibrant private sector.

Mission

Strengthen the comprehensive economic development and growth of the private sector by initiating cost-effective and socially responsible strategic projects and investing in vital sectors in Palestine.

Investment strategy

PIF's investment strategy is premised around concentrating its projects and programs inside Palestine, thus contributing towards the revitalization of the national economy and the development of vital economic sectors that create job opportunities for Palestinian citizens.

PIF managed to implement this strategy with more than 90% of its total investments taking place in Palestine by the end of 2019. This strategy helps support PIF vision and mission and strengthen economic growth in Palestine.

PIF implements its investment programs and projects through several specialized investment portfolio vehicles and investment platforms.

Philosophy of partnership

PIF relies on attracting local, Arab, and international partners for the implementation of its projects. The purpose of that is to achieve several objectives, the most important of which are the promotion of the private sector and complementarity with it away from competition or domination, in addition to attracting foreign capital into the Palestinian market, and encourage other investors to invest in Palestine.

Accordingly, PIF takes the initiative to design and launch projects and invites investors (local, regional or international) who often take the majority shares in these projects. PIF also always seeks to exit such investments once projects mature and once both impact and financial returns are achieved.

Main indicators of impact investment

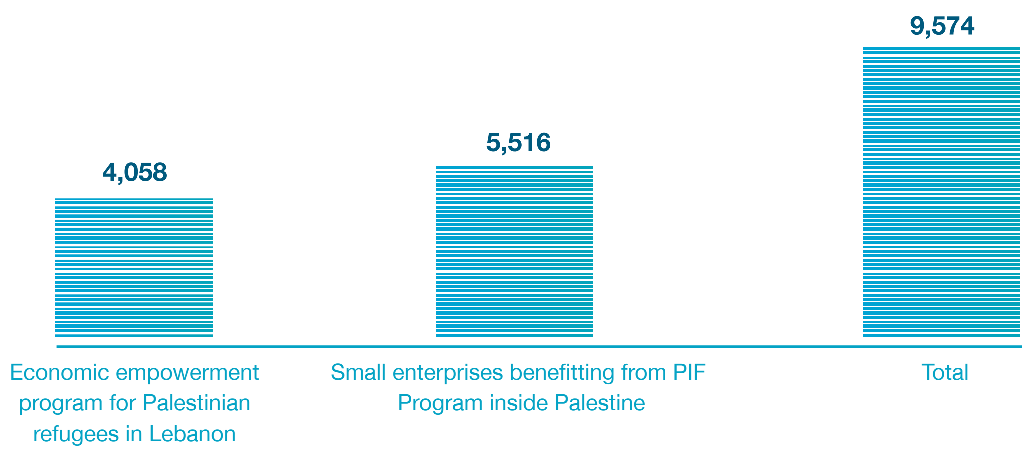
PIF has identified a number of indicators to measure its impact investment performance, and seeks to improve them year after year. Following are some of these indicators:

- Job opportunities created
- Size of investment in Jerusalem and area C
- PIF’s contributions towards the GDP
- Decreasing deficit of trade balance
- Number of projects and small enterprises benefitting from PIF programs and investments

2,581 new job opportunities during the year 2019

Through PIF investments in programs, projects, and companies.

Support of more than 9500 SMEs (2006 - 2019)



Governance

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 duties, which were developed and continuously being updated in cooperation with major international companies and in accordance with the highest international standards. PIF has developed a set of manuals as a reference for its policies and procedures to guide its work.

Full member of the International Forum for Sovereign Wealth Funds

PIF became a member in the International Forum for Sovereign Wealth Funds since 2016. PIF represents Palestine in this international forum due to the ongoing efforts to align its business operations with the effective principles endorsed by the forum that are known as 'Santiago Principles' that were developed under the auspices and support of the IMF.

Full membership in the International Network for Impact Investment

PIF has joined the International Network for Impact Investment that includes investment institutions and funds that contribute to financing the most difficult and challenging solutions in the world through the development of vital infrastructure, strategic projects, as well as education and research sectors that help accelerate the process of developing impact investment.

Internal audit

The internal Audit Unit conducts the audits of PIF and its various subsidiaries and reports to the Board of Director's Audit Committee. The audits are conducted in cooperation with one of the worldwide big audit companies.

External audit

Like other shareholding companies, the financial statements of PIF are subject to audit by an independent external auditor who delivers an independent opinion regarding the soundness of the financial statements and data prepared by the executive management. According to the governance manual, an external auditor is selected from among the big international audit firms that have established reputation and expertise in the field of PIF work. The audited financials are prepared according to international standards and are published together with the independent auditors' report on PIF website and in the annual report which is approved by the General Assembly.

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 chairman and members of the board.

Dr Mohammad Mustafa. Chairman

Dr Mustafa is currently the Chairman of the Board of Palestine Investment Fund (PIF). 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 this, Dr Mustafa was the CEO of PIF, where he led the fund 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 an 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.

*Mr. Tarek Al Aggad held the membership of the PIF's Board of Directors for several cycles. He submitted his resignation from the Board's membership in March 2020

Dr. Mohammad Nasr

Associate Professor of Economy at the Birzeit University. Dr. Nasr is the Chairman of the Board of Trustees of the Palestine Economic Policy Research Institute. He holds a PhD and M.A. in Economy from Ohio state university, and M.A. in Business Administration from Wayne State University.

Eng. Nabil Al Sarraf

Businessman, chairman, and member of several public shareholding companies in Jordan and Palestine. Mr. Al Sarraf is also a member in a number of other companies, institutions, and charitable societies. He holds M.A. degree in Civil Engineering from Achen University in Germany.

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 are 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.

Dr. Mohammad Mustafa – Chairman

Mr. Mazen Sinokrot- Member

Mr. Maher Al Masri Member

Dr. Mohammad Nasr- Member

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.

– Mr. Tamer Bazari Chairman

Mr. Mazen Sinokrot Member

-Mr. Maher Al Masri Member

Mr. Mohammad Abu Ramdan- Member

Human Resources Committee

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

Eng. Nabil Al Sarraf- Chairman

Mrs. Lana Abu Hijleh- Member

Mr. Samer Khoury- Member

PIF General Manager

The Board of Directors selects PIF's General Manager and raise 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.

Fadi Dweik

Mr. Fadi Dweik has been the General Manager of PIF since 2016. He previously served as the Chief Financial 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 industries including investments, real estate, banking, and financial institutions, industrial, 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 by the Palestinian President in accordance with the Bylaws. They 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 the Companies' Controller. A press release of the meeting and its results is published immediately after the meeting on the media, and uploaded on PIF's official website.

Members of the General Assembly

Chairman and Members of PIF's Board of Directors	Mr. Abdulkader Al Husseini
Head of the Palestinian Private Sector Coordination Council	Dr. Mahmoud Abu Al Rob
Representative of the Court of the Presidency	Dr. Imad Abu Kishek
Representative of the Board of Directors of the Women's Business Forum	Mr. Mohammad Nafeth Al Hirbawi
Dr. Ali Abu Zuhri	Mr. Ahed Bseiso
Dr. Nabil Qassis	Mr. Nassar Nassar
Mrs. Hind Khoury	Mr. Jawdat Al Khudari
Dr. Atef Alawneh	Mr. Hashem Al Shawwa
Dr. Safa' Nasr Al Deen	Mr. Sami Irsheid
Dr. Ziad Al Bandak	Dr. Suheil Sultan
Mr. Hisham Al Omari	

Financial Highlights

$850
Million

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

$24.3
Million

Net profit for 2019

Approx
$200
Million

Taxes and fees that PIF transferred to the State's Treasury since its establishment

$1.06
Billion

Cumulative profits since its establishment

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 **136%** of invested capital.

Energy Sector

The energy sector represents a crucial cornerstone for economic development and an engine for industrial development in Palestine. With electricity occupying the largest component in the Palestinian energy sector, 98% of Palestine's electricity is secured through imports. Against this backdrop, the PIF has launched a large-scale energy investment program to support energy security and clean energy through various strategic projects such as "Noor Palestine Solar Program", the Jenin Power Plant (PPGC), Gaza Marine and other projects.

Recent Developments in 2019

1

Noor Palestine - Schools' Solar Rooftops Program

- Finalized the first batch of the program through installing rooftop solar PV systems on 31 public schools.
- Secured additional funding for the program through signing a $18 million loan agreement with the European Investment Bank (EIB).

2

Noor Palestine – Solar Utility-Scale Power Plants

After finalizing its development, the Jericho Solar PV plant was sold to several beneficiaries including the National Bank (TNB), Birzeit Pharmaceutical Company, and Istishari Arab Hospital.

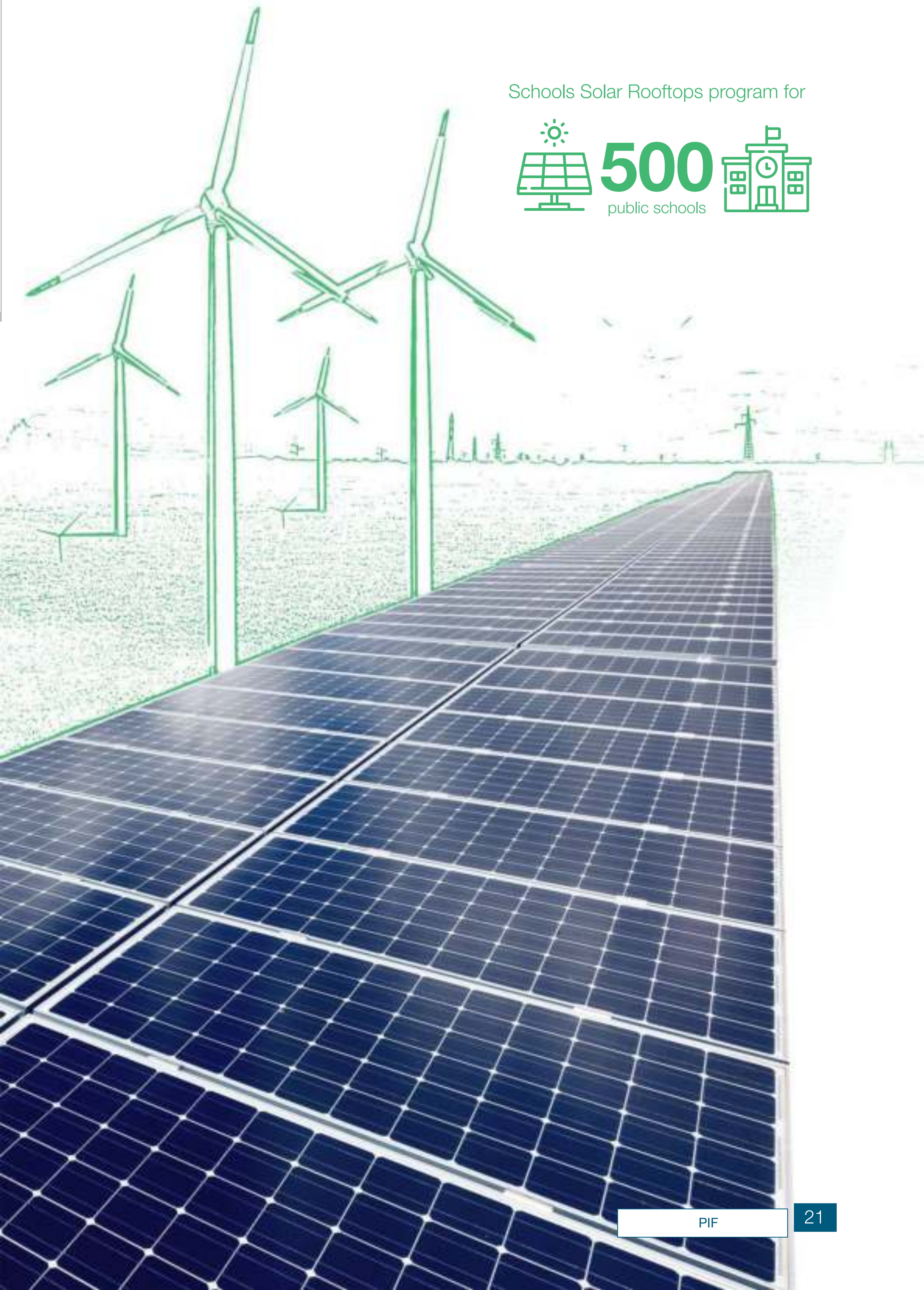
3

Completion of grading and digging works for the Jenin Power Plant in Kufrdan with a total capacity of 5 Megawatt (MW). The finalization of all works and operationalization of the plant is expected to be due in the third quarter of 2020.

Schools Solar Rooftops program for

500

public schools



Noor Palestine Solar Program

The PIF, through its energy investment arm Massader is actively continuing the development of 'Noor Palestine Solar Program' to produce 200MW of solar energy. With an investment size of $200 million, the program includes several projects including the utility-scale solar parks and the schools' solar rooftop project.

Jericho Solar PV Plant (Noor Jericho)

With an investment size of $9 million, the PIF developed a power plant in Jericho covering 85 dunums in Jericho at a capacity of 7.5MW, equivalent to the electricity consumption of 3,600 houses in Palestine.

The Jericho solar PV plant aims to slash electricity imports by NIS 4.5 million Shekels annually and around NIS 112 million Shekels throughout the expected 25-year life span of the plant. The plant is currently in full operation and has been interlinked with Jerusalem District Electricity Company's (JDECO) electricity grid.

In 2019, the PIF sold the plant to several beneficiaries from the private sector including: Birzeit Pharmaceutical Company, Istishari Arab Hospital, and the National Bank (TNB).

Jenin Solar PV Plant "Noor Jenin" in Kufrdan

With an investment size of $6 million, the development of "Noor Jenin" power plant is currently under construction. This plant covers an area of 53 dunums at an operating capacity of 5MW.

After signing an agreement with the North Electricity Distribution Company (NEDCO), this plant will be interconnected with NEDCO's grid. It is planned to sell this solar park to beneficiaries by the end of the year 2020.

Schools solar Rooftops Program for 500 public schools

This program is implemented in partnership with the Ministry of Education and the Jerusalem Electricity District Company (JEDCO), the North Electricity Distribution Company (NEDCO), and the Hebron Electricity Company (HEPCO) to provide 500 public schools with rooftop PV systems over a four-year timeframe.

With an investment size of $35 million, this program aims to generate 35MW of electricity through solar power. With such significant solar capacity, it is expected to reduce electricity bill costs by $1.2 million annually.
The accomplishments of this program have been made possible through the PIF's successful attraction of international financial institutions (IFIs). Hence, the PIF was able to obtain a range of financial assistance including a $2Mn grant from the World Bank, with additional $15Mn and $18Mn loans from the International Finance Corporation (IFC) and the European Investment Bank (EIB) respectively.

In 2019, the first phase of the program was finalized covering the installation of PV systems over 31 schools' rooftops in Palestine.

In essence, this program seeks to raise local awareness among public schools and its surrounding community to realize the immense importance of clean energy in Palestine. At the same time, the rooftop solar program supports the reduction of electricity bills on Palestinian public schools, thus reducing costs on the government.

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 33 billion cubic meters (BCM). Gaza Marine development costs are estimated at $ 1 billion.The project will be developed to fulfil the domestic market needs for natural gas and to ultimately enable the development of large-scale power generation programs in Palestine.

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 as a central pillar for achieving energy security in Palestine, reducing the heavy reliance on electricity imports and thus gaining a relative degree of energy independence, as well as lowering the current trade deficit in Palestine.

Jenin Power Plant

Located in Jenin, the Palestine Power Generation Company (PPGC) is Palestine's first large-scale gas-fired power plant at a generation capacity of approximately 450 MW, powered through natural gas.

The plant is being developed through PPGC and is supported by a range of large Palestinian investors including the PIF, 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 local banks such as Bank of Palestine, Al Quds Bank, and Cairo-Amman Bank.

So far, a goodwill letter with the developers of the Palestinian natural gas field (Gaza Marine) was signed in order to provide natural gas to the plant. As projected, the Jenin Power Plant will secure approximately 50% of Palestine's current total electricity consumption with a total project cost of approximately $650 million dollars.

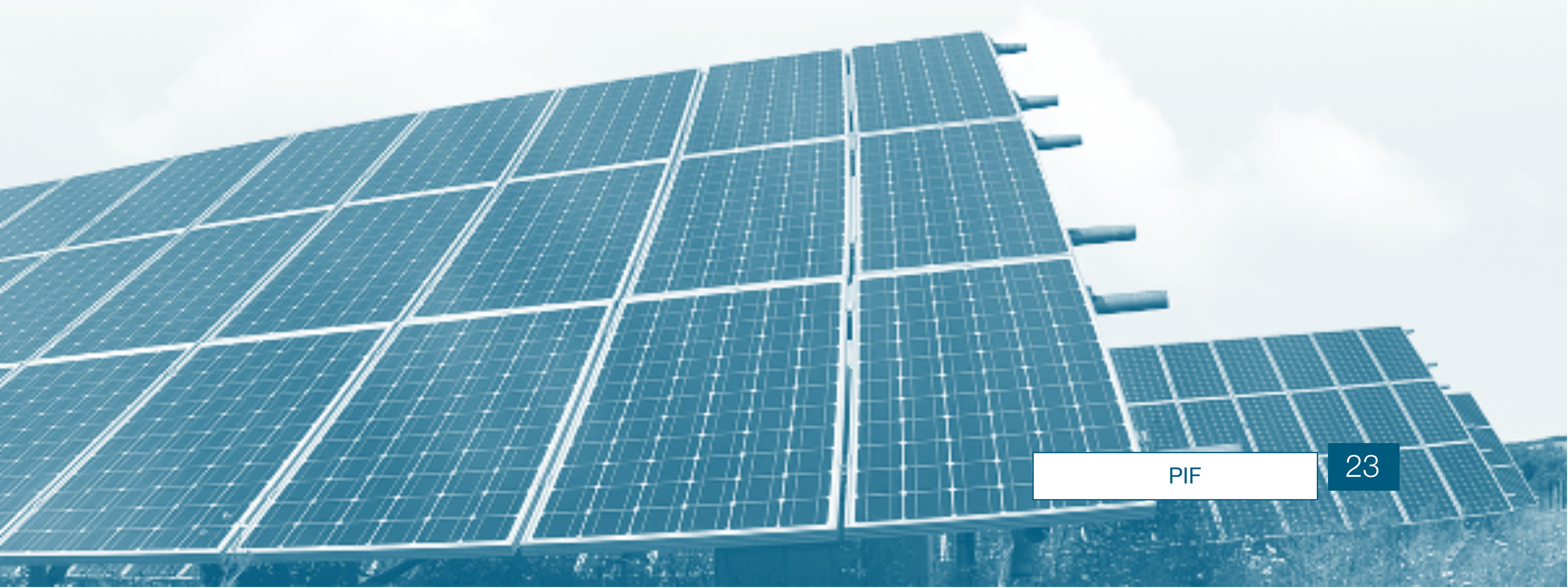
Jerusalem District Electricity Company (JDECO)

As JDECO plays a pioneering role in providing electricity for a range of Palestinian governates including Ramallah, Jerusalem, Jericho, and Bethlehem, the PIF invests in JDECO's shares.

JEDCO is constantly exploring ways to diversify its electric sources as well as to develop a local electric power generation capacity from clean energy sources, particularly through solar energy.

Palestinian Electricity Company (Gaza Power Plant)

PIF is one of the leading investors of the Palestinian Electricity Company that owns the power plant in Gaza Strip alongside many other local financing companies and institutions. Currently, PIF continues its efforts along with the partners to increase the capacity of the plant by shifting it to operate using natural gas.



Infrastructure and industrial parks sector

Infrastructure projects play a crucial role in contributing towards the industrialization and the development of the national economy. The PIF, in partnership with a large number of local and international partners, implements a series of projects under this sector such as the Jericho Agro-Industrial Park, Tarqumia Industrial Park, Ooredoo Palestine, as well as other projects and investments.

Highlights of recent accomplishments in the infra-structure sector in 2019

1

Increase in the subscribers' base of Ooredoo Palestine mobile company amounting to 1.3 million subscribers by the end of 2019, a growth of 3% compared to 2018.

2

A range of studies and plans were conducted to support the development of Tarqumia Industrial Park.

Number of Subscribers in Ooredoo
Increased to reach

1.3
million subscribers

Tarqumia Industrial Park and Bonded Area

Located near Hebron, Tarqumia Industrial Park seeks to operate as an industrial park and a bonded area. The masterplan of this project aims to enable the park to facilitate the movement of goods to regional and international markets – serving as a strategic connection to integrate the economies of Gaza and the West Bank. As the PIF was assigned by the government to develop and operate the park, the costs of this project are estimated at $105 million.

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, large swaths of land, modern technological logistics solutions to strengthen Palestinian products, and promote competencies in the Palestinian industrial supply chain, and other benefits.

Jericho Agro-Industrial Park (JAIP)

Covering an area of 615 dunoms, the 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.

In essence, this project aims to increase Palestinian exports in international markets through facilitating improved trade infrastructure and processes. 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 $40 million, the project is designed to create a conductive investment environment as well as to enhance the standards and quality of Palestinian products to increase its competitiveness in international markets.

The first phase of the project was completed on an area of 140 thousand square meters of integrated infrastructure, featuring commercial, industrial, storage and distribution facilities.

In 2019, 10 factories were operating in the park and additional 30 factories signed contracts to operate in the park.

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.

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 2019.

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.

MADA Al-Arab for Telecommunications and Internet Services

Mada Al-Arab is a Palestinian broadband and internet service provider. In an effort to support digital access in Palestine, the PIF invests equity shares with Mada Al-Arab.

Real Estate Sector

The real estate sector in Palestine witnessed large-scale development and growth throughout all governorates. PIF is focusing on a horizontal real estate development strategy across all districts through land development by developing large lots of land, providing state of the art infrastructure, leveling works, zoning and urban planning. These land lots will then be available for real estate developers and individuals in order to cover the gap in the size of lands suitable for development. PIF will effectively invest and contribute to the development of physical and social infrastructure of the steadily growing Palestinian society to support the Palestinian economy and develop a solid, independent, and self-reliant economy.

Highlights of accomplishments in the real estate sector during 2019

1. During 2019, approximately 42% of Al Bustan neighborhood project in Jericho has been sold to a number of beneficiaries. The company works on developing the land lots with the aim of providing land parcels ready for construction works.

2. Signed two new contracts with Istishari Arab Hospital and Maslamani Home to join Amaar Tower in Ersal Center; where Istishari Arab Hospital will use these offices as their head offices for the executive management, and Maslamani Home, one of the leading home appliances company, will open a showroom/retail store at Amaar Tower.

3. Started the process of planning and zoning of an additional 20,000 SQM in Al Reehan neighbourhood to make available for sub developers and individuals for investment.

4. Approval of detailed engineering designs for Jerusalem Commercial Center project. Endorsement and approval to issue a license for the start construction works is expected to take place during the second quarter of 2020.

5. Approval of detailed engineering plans for Beit Hanina Heights project. Endorsement and approval to issue a license for the start construction works is expected to take place during the second quarter of 2020.

Beit Hanina Heights

تلال بيت حنينا

Beit Hanina Heights (Jerusalem)

This under construction project is located in the center of Jerusalem in Beit Hanina, one of the most important Palestinian residential areas in the city about 5 kilometers from the old city and 14 kilometers from Ramallah. The project consists of two residential towers and underground parking lots. The total residential area of the housing is approximately 10,902 square meters, with 4422 square meters for parking lots. The residential area is divided into 52 apartments, ranging from 120 to 130 square meters.

Jerusalem Commercial Center (Jerusalem)

This under construction center is in the heart of East Jerusalem, with easy access to public transit. It is about a 10 – minute walk from the Old City and holy sites. It consists of 13 floors, with (5) underground floors for parking lots and stores. It also has (2) ground floors for shops, and (3) floors for offices, as well as (3) floors for a hotel. The total area of the center is 19.340 square meters.

Al Reehan Neighborhood

PIF has made excellent accomplishment, creating several iconic landmarks in many governorates. One of the most well-known achievements and success story is the development of Al-Reehan neighborhood. This residential neighborhood has set standards of the real estate development in Palestine. There are currently over 1,600 housing units in the neighborhood with a state of the art modern infrastructure and investments in several sectors including medical, academic, and tourism.

The $250 Million Neighborhood is located north of Ramallah and is only 10 kilometers away from the city center. The neighborhood is within the Ramallah Municipality jurisdiction.

PIF was keen to engage with the Palestinian private sector and the local developers, since the beginning, giving them the opportunity to invest and achieve profits by participating in developing some stages of the neighborhood or through the bids awarded to the Palestinian contracting, engineering and design firms. These efforts led to the creation of an iconic family residential neighborhood and attracted a set of vital services investments such as Istishari Arab Hospital, Lacasa Mall and the higher studies facility of the Arab American University.

Al Reehan Neighborhood sets forth the features of the urban expansion and development of the cities of Ramallah and Al-Bireh.

Al Jinan Neighborhood

PIF constructed and developed the project of Al Jinan residential neighborhood and its now fully constructed and sold and fully occupied with its residents. It covers an area of 77 dunums in the center of the suburbs of Jenin, in a strategic location 3 kilometers east of the city center and 5 kilometers northwest of the Arab American University.

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 serve residents, and central green areas.

Ersal Center

Ersal Center is the signature commercial complex in Ramallah and Al-Bireh, covering an area of 58 donums. PIF has developed and provided the area with all integrated infrastructure services and urban planning making it possible and ready for financial, commercial, and residential projects to be established in this area.

Ersal Center is located in the vibrant heart of Ramallah and Al-Bireh, offering land lots for different purposes and investments. In addition, Amaar Tower, located in Ersal Center, offers spacious office space available for companies and organizations. Other towers such as CCC building is already constructed, and more to come.

Once completed, Ersal Center will lead Ramallah and Al-Bireh towards development and prosperity. The project will include 11 commercial towers for multiple facilities while in an area suitable to include public parks, playgrounds, commercial stores, schools and institutions, in order to encourage and attract more investments. The Center will serve thousands of Palestinians. Ersal center, attracted several companies to take advantage of its strategic location, services, and infrastructure. During 2019 several businesses moved into the center.

Moon City 2

After successful implementation and sale of the project of Moon City (1) on an area of 550 dunums of land, with lots for different commercial, housing and tourism projects that meet the increasing demand by the national companies and organizations on the lots of lands for development purpose, PIF launched the first stages of planning for Moon City (2). It covers according to the plans an area of (2) million square meters of land close to Moon City (1) in Jericho and Al Aghwar (the Jordan Valley) area. The project shall be offered to developers, organizations and individuals. The location of the project is magnificently unique, so that it shall contribute to developing the Palestinian real estate sector and will provide affordable parcels for its beneficiaries.

Surda Hills in Ramallah and Al Bireh

This project spans over the hills of the town of Surda north of Ramallah city, about (2) kilometers from the iconic Al Reehan Neighborhood where public, educational, health, entertainment and commercial facilities are available for the residents of the area.

Surda Hills offers 50 land lots that cover an area of 500-900 square meters. Each lot is sorted with a title deed and has all the adequate infrastructure services. The project aims to connect Surda Hills with main roads to attract all those who search for excellence.

Birzeit Heights in Ramallah and Al Bireh

This project is approximately two kilometers away from the center of the town of Birzeit to the north of Ramallah. Through this project, Amaar effectively offers adequate infrastructure to build residential neighborhoods outside city centers and largely populated localities under its horizontal real estate development strategy.

The project is planned with lots of 600-800 square meters sorted with title deed, allowing its potential buyers to start utilizing the land lots that are already equipped with the necessary infrastructure such as road networks, water and electricity, and is connected with the main roads network between major Palestinian cities.

Al Bustan Neighborhood in Jericho and Jordan Valley

The project is located 3.7 kilometers from the center of Jericho city, off the road to Hisham Palace. The project offers 49 lots of land with 750 square meters each. During the year 2019, 42% of the project was sold.

حيّ البُستان

Tourism Sector

PIF paid special attention to investment in the tourism sector, mainly in Jerusalem, given the significance of this sector to the Palestinian national economy, lack of natural resources or developed industries. Tourism has a significant potential role to play in achieving economic growth at this stage, and it contributes to providing job opportunities to the Palestinian people. It also revitalizes other economic sectors.

Top Tourism Accomplishments in 2019

1

New Capitol Hotel was opened in early 2019 and achieved during the same year an occupancy rate of 70%. It is a success story of investment in this promising sector in Jerusalem.

2

Obtaining development rights necessary approvals to build Golden Gate Hotel in Jerusalem. They were obtained after all technical requirements were presented to the municipality. It shall include 208 rooms.

Golden Gate Hotel (Jerusalem)

This planned hotel will have 208 rooms in the heart of Jerusalem in Shiekh Jarah neighborhood. The hotel is to be constructed on an area of 3,200 square meters with total build up area of 21,000 square meters, with an estimated investment of $ 41 million. The project will enhance the city's sustainable tourism offer by providing and improving the tourism facilities owned by Jerusalemites.

New Capitol Hotel (Jerusalem)

It is 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. It is established in partnership with Al Quds Electricity Company. During the stage of construction, it provided 200 job opportunities. After it was opened, over 40 inbound tourism offices were contracted.

Grand Park Hotel (Jerusalem)

This 91-room hotel is located in the heart of the Old City of Jerusalem. It is owned by PIF and Al Quds Holding Company.

Jacir Palace Hotel (Bethlehem)

Jacir Palace Hotel is an iconic touristic feature in Bethlehem city. It is a five – star hotel of 3 buildings, spanning over 800 square meters. PIF is one of the major shareholders of the hotel along with other shareholders.

Millennium Hotel (Ramallah)

It is one of the International Millennium Hotels series. It is located in Ramallah which is the most vibrant city in Palestine. It is just a few minute- walk from the downtown. This 5-star hotel is the sole international one in Palestine. It spans over 9665 square meters and PIF is the largest shareholder in it along with other shareholders.

Bethlehem Convention Palace

The Convention Palace is an architectural masterpiece and the best venue for meetings, events and activities, folkloric and cultural events in Palestine. It is characterized with its strategic location and services facilities that are designed according to the best international standards. It can host big international events. PIF is one of the shareholders in it along with others.

Grand Park Hotel (Ramallah)

It is a 5-star hotel with 83 rooms and meeting halls. It is built in a strategic and comfortable area (Al Masyoun) in the city of Ramallah according to international standards.

Al Mashtal Hotel (Gaza)

It is a hotel of 250 rooms with meeting halls, restaurants, café shops, and other entertainment facilities in the city of Gaza.

PIF invests in the hotel alongside other leading Palestinian companies.

Agriculture Sector

Within its strategy which aims to concentrate investments in the productive sectors that have high added value, PIF is currently managing and implementing an investment portfolio in agriculture in the different areas of Palestine, particularly in Area C. It is a diversified portfolio that targets agricultural and livestock projects as well as food industries and others.

Top Agriculture Accomplishments in 2019

1. Rehabilitating, developing and cultivating around 540 dunums of arable land in the so called 'Area C'.

2. Contributing to the production of over 900 tons of agricultural crops.

Al Dalyeh – Early Seedless Grape Farm

Al Dalyeh Farm for the production of early seedless grapes 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 high value agricultural crops in Palestine and enhance the resilience of the Palestinian population, especially in Area C.

Al Rabyeh Animal Feed Plant

In partnership with Palestine Industrial Investment Company (PADICO Industrial), a modern animal feed plant is being established in Hebron. The feed production process will be based solely on plant inputs for ruminants and poultry.

The plant will contribute to bridging the supply gap in the feed market in the southern West Bank, and to substitute the currently mostly imported feeds in the market. The plant will have a maximum annual production capacity of 230,000 tons and a three-month grain reserve, which will enhance Palestine's feed security.

The National Agriculture Investment Company

This company is currently in the make and will be specialized in agricultural investment, including investment in agribusiness industries, logistics and marketing, food industries and livestock. It is being developed in cooperation with the European Union and the European Investment Bank, in partnership with the Palestinian private sector.

Health Sector

It is a vibrant sector that directly affects the life of the Palestinian citizens. Drawing on that, PIF believes in the importance of developing and upgrading this sector to provide high quality healthcare services for the citizens.

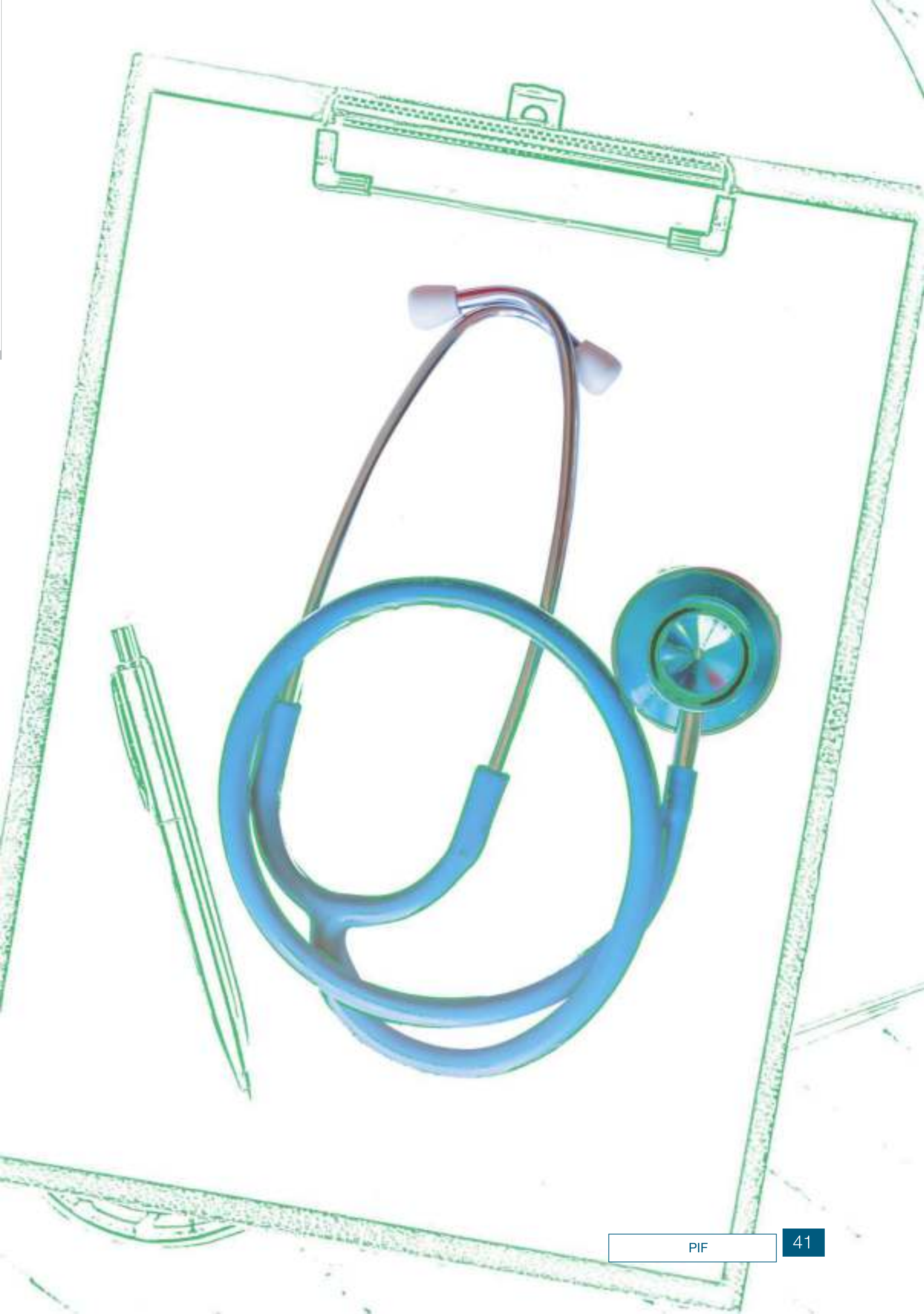
Top Health accomplishments in 2019

1

Opening cancer, blood and bone marrow transplant section, pediatrics section and pediatric intensive care unit at Istishari Arab Hospital

2

Finalizing constructions work on Ibn Sena Specialized Hospital which is expected to open during 2020 in Jenin.



Specialized Arab Medical Complex Company

It is a private shareholding company which was established in Nablus in 1997. This company in which PIF is a shareholder manages and invests in several leading hospitals in the Palestinian health sector such as the Arab Specialized Hospital in Nablus and the Istishari Arab Hospital in Al Reehan Neighborhood.

Istishari Arab Hospital – Al Reehan Neighborhood

Istishari Hospital is one of the most important investments by the Arab Specialized Medical Complex Company in the Palestinian health sector, with an investment size of $60 million. It offers high-quality health services. It contributed to the replacement of outside country referrals, and gave patients access to all the services provided by competent and skilled national staff. It also offers an accommodating environment where the needs of the patients and their companions and visitors are available. It started operating in 2016 with an operational capacity of 100 beds in the primary operational stage. It has today 330 beds, half of which are of high quality.

Today, it has a cancer and blood diseases and bone marrow transplant section within the framework of its national strategy, to offer diverse medical services specially for cancer patients.

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 outpatient clinics. It is expected to commence operations by the end of 2020.

Education Sector

Education is pivotal for economic development and for creating a developed society and a young generation capable of facing the challenges and opportunities of the 21st century. PIF therefore gave this sector priority and worked with specialized partners to contribute to improving and developing the quality of education.

Top Education Accomplishments in 2019

1 Contributing to providing educational opportunities for 740 students through holistic technology and science curriculum.

Al Jinan International School

Established in 2018, Al Jinan International School is the first grade 12 private school in Palestine to offer coding and robotics as an integrated part of its curricula through-out all grades. The school was jointly established by Al Jinan Real Estate Investment Company, PIF and a num-ber of local investors, academics and business-peoples in Jenin. The school currently has 400 students and has capacity to host over 1,100 students within its facilities.

The American International School in Gaza

AISG was established in Gaza city in 2000 as an inde-pendent co-educational school and caters to all levels primary and secondary levels. Most of its graduates were able to join prominent international universities and col-leges.

It offers an American academic curriculum in English, while Arabic and French are provided to students as 2nd and 3rd languages.

Technology Sector

Technology has revolutionized our world and daily lives. It facilitates our economic activities and enables us to fulfill our missions easily and spare time and effort. It impacts al economic sectors, including agriculture, industry, energy, trade, tourism and others.

Top IT Accomplishments in 2019

1

Supporting 22 IT-related startups through Ibtikar Fund

Ibtikar Fund

PIF is a shareholder in the Ibtikar Fund, a $10-million fund that invests in innovative Palestinian start-ups at early stages. Through its stake in Ibtikar, PIF seeks to empower start-ups and to strengthen the IT ecosystem sector in Palestine.

Play 3arabi

PIF is a shareholder in Play 3arabi, a mobile game publisher focused on Arabic mobile games. The company collaborates with international game developers to offer games in Arabic that are relevant to the Arab culture and to enrich the Arabic digital content.

SMEs Sector

SMEs are the backbone of the Palestinian economy. They make up 98% of the operating establishments in Palestine and are the largest employer of the Palestinian workforce.

Top SMEs Accomplishments in 2019

1. Announcing the second phase of Jerusalem Matching Grants Facility that provided 25 grants to beneficiaries.

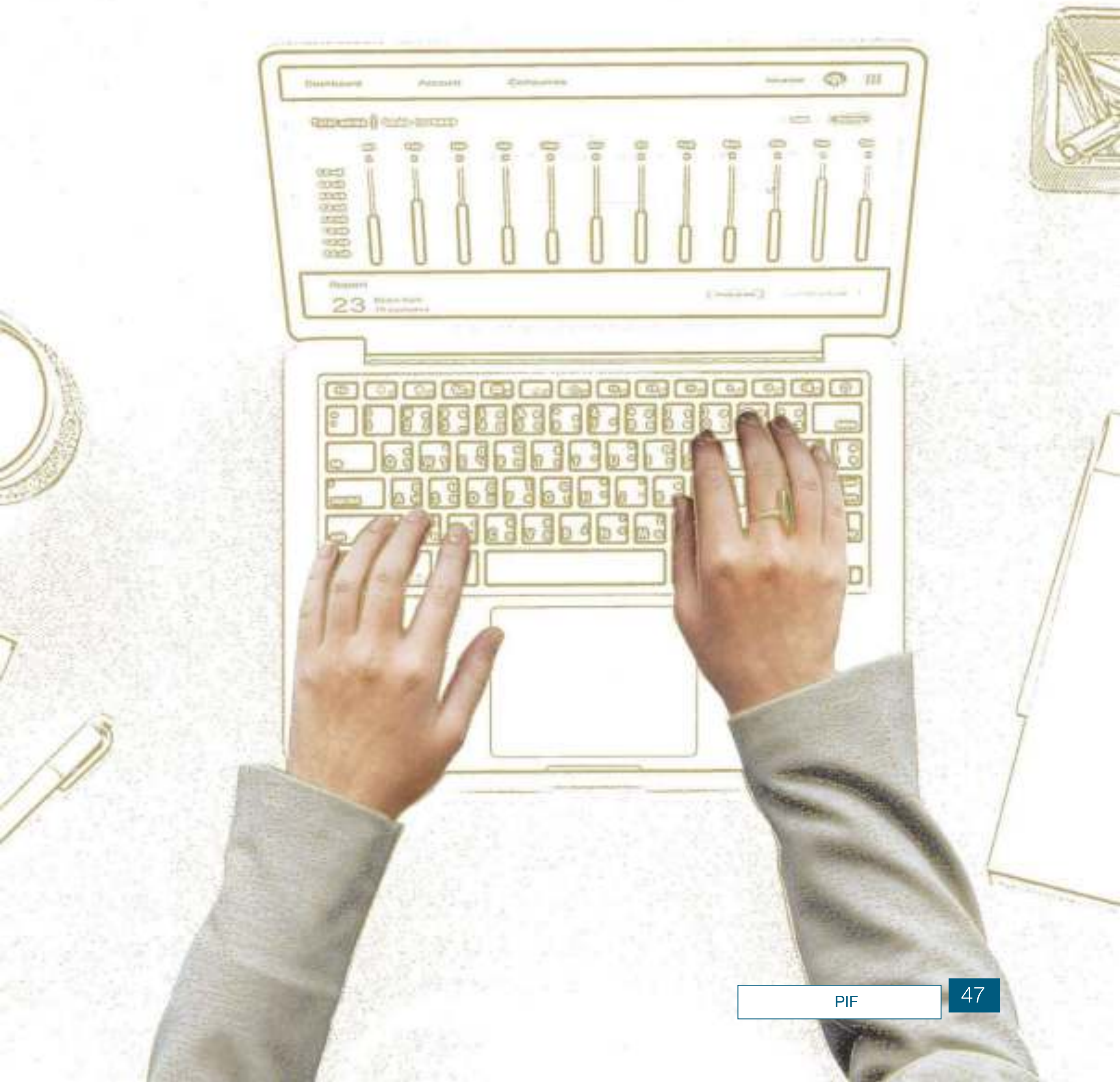
2. Providing 1.000 loans for SMEs in the Palestinian refugee camps in Lebanon within Economic Empowerment program for Palestinian Refugees in Lebanon

3. Within Ibda' Program for Young Entrepreneurs"- Funding Section, 4 agreements worth $8.5 million were signed. It provided funding of $4.8 million for 460 projects.

4. Launching the first development impact bonds within "Finance for Jobs (F4J), executed in partnership with national and international organizations. It is the first development impact bonds concerned with developing skills and employing Palestinian youths.

5. Contributing to establishing and developing more than 1500 small and micro enterprises through partner lending and financing corporations.

6. Within the frame of the SME Loan Program in Jerusalem, an agreement worth of $2.3 million was signed with the Palestinian Banking Corporation. Loans worth of $500,000 were provided in the primary stage, for approximately 13 companies in Jerusalem.



Ibda' Program for Young Entrepreneurs

Training track:

Targeting entrepreneurs and young vocational trainees; The training section of Ibda' program was launched in 2016 in partnership with the Ministry of Education and International Labor Organization (ILO) as well as some local organizations in order to provide them with the skills and knowledge necessary for entrepreneurship and starting their own businesses.

By the end of 2019, PIF have trained and qualified 250 teachers in all vocational schools and technical colleges in Palestine on "Know about Business (KAB)" curriculum. During the same year, about 40 small enterprises, with more than 50% of the beneficiaries were women, were launched by those trained in the program.

Ibda' Program for Young Entrepreneurs- Funding track:

It aims at providing loans to young entrepreneurs through Micro Finance Institutions (MFIs) and financial leasing companies operating in Palestine, to support both Start-ups and existing projects. The Arab Fund for Economic and Social Development provided a loan of $30 million to the program.

By the end of 2019, Ibda' provided loans worth of $20.5 million to Microfinance Institutions and financial service providers, who in their return financed 1,712 projects through loans with a total value of $16.10 million. These loans contributed to the provision of 3,500 jobs. 40% of the beneficiaries of the total portfolio for these projects were women while all the loans targeted youths' projects aged 18-35 year.

Economic Empowerment program for Palestinian Refugees in Lebanon

The program was launched to provide loans (ranging from $500-$5,000) targeting income-generating projects for Lebanon Palestinian refugees. It is implemented through four Palestinian and Lebanese lending institutions operating in Lebanon.

By the end of 2019, more than 4058 loans were provided in Palestinian refugee camps and communities, with a total value of $ 7.25 million. 51% of the total number of beneficiaries are young people, while 27% are women. Since its inception in 2012, this program succeeded in creating and retaining a record of 6,500 jobs.

Tamkeen Fund

PIF decided to invest an amount of $25 million in Tamkeen Fund over the coming few years. The Fund is an investment development vehicle with a capital of $500 million that was established by the Islamic Development Bank in Jeddah with a mission to enable the Palestinian economic environment by investing in economic viable projects that have developmental and social impact.

Jerusalem Matching Grants Facility

This program -funded by the EU and PIF - provides grants (matched by the beneficiary) to SMEs operational in Jerusalem, taking into consideration that MSMEs are the backbone of the economy in the holy city. A second phase of the program was launched in mid-2018 based on the successful track record of phase one that ended in 2017. The program targets SMEs that demonstrate their ability expand and develop their business activities with the goal of creating jobs for Jerusalemites.

By the end of 2019, it provided 25 SMEs with loans at the value of 870.00 Euro, thus; creating and retaining 180 jobs. 65% of the beneficiaries are young people (less than 36 years) and 24% are women, and 30% of the supported projects are start-ups.

Additionally, in partnership with Oxfam and loans from the Swedish Agency for International Development (SIDA); technical support (planning, feasibility studies, and needs assessment) was provided for 15 projects in the Old City of Jerusalem to develop projects and plans that incentivize shop-keepers to reopen their shops in Bab Al Jadid and Qataneen Market. Most of the shops that were supported were closed since 50 years due to the challenges set by the Israeli occupation in the Old City.

Jerusalem Program for lending SMEs

Funded by the Arab Fund for Economic and Social Development

The program provides funding for SMEs operating in Jerusalem with flexible terms. The Arab Fund provided a $4.5 million loan portfolio for this program. Around 64 loans of a total value of $3 million were provided to SMEs in Jerusalem, covering various sectors including industry, services, trade, and tourism. The program managed to create 550 new job opportunities.

Development Impact Bond (DIB) Program

“Finance For Jobs – F4J” was launched as a first of its kind Development Impact Bond DIB in Palestine with the target of developing the skills young graduates in partnership of PIF, the European Bank for Reconstruction and Development (EBRD), Netherlands Development Finance Company (FMO), Invest Palestine, The Palestinian Chile Investment Fund “Olives Seeds” and a funding from the World Bank.

The main purpose of the First Palestinian Employment DIB is to match employment opportunities with suitable employees by purposefully training job seekers in employer-demanded skills. The DIB will target an estimated cohort of 1,000 Palestinian job seekers aged 18–29 years (of which at least 30 percent will be women) in several sectors such as; healthcare, nursing, online marketing, IT, education, engineering and others.

Asala Company for Credit and Development

PIF 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 over $ 45 million of loans to more than 20,000 beneficiaries.

Palestinian Ijara Company

Launched in 2013 through a partnership between PIF, the Islamic Corporation for the Development of the Private Sector (ICD) and Palestine Islamic Bank, Ijara is the first and only specialized Islamic leasing company in Palestine offering Islamic leasing solutions (Ijara) to SMEs.

The company leases machines, equipment, vehicles and production lines on a lease-to-own basis; targeting the productive sectors and SMEs in the Palestinian market.

With an initial investment of $12 million. Since its inception, Ijara has granted total leasing portfolio of over $34 million, and has executed more than 1,100 financial leases to over 500 companies.

Corporate Social Responsibility

During 2019, Palestine for Development (PsDF) which is PIF Social Investment arm continued to provide small grants to development programs and projects that seek to create sustainable impact in a wide range of areas such as; the local education, entrepreneurship, cultural, artistic, , medical and women organizations. It supported 41 organizations and associations in WB, Gaza and Jerusalem. PsDF continues its work within the social responsibility program and PIF's Social Investment vision during 2020 to create sustainable community impact.

Industry and Trade Sector

The trade sector is one of the promising economic sectors in Palestine. It still plays a pivotal role in the Palestinian economy in terms of its volume, structural and development impact. This can be owed to several factors, including its impact of the other economic productive sectors and its impact on the labour market, balance of payments and its provision of the local market with production supplies, consumables and other materials.

The industrial sector is one of the leading productive sectors that give momentum to economic growth. It has a pivotal role in leading inclusive development process. Industry development achieves high economic growth rates, creates diversified job opportunities and economic diversity that is necessary for improving social growth.

Top Industry and Trade Accomplishments 2019

1. Sanad Construction Resources Company began to establish the cement mill with a productive capacity of 1.1 million tons of cement annually which will meet around 50% of the current Palestinian market demand.

2. Executed investment deal to acquire an additional portion of the shares of Siniora Food Industries Company. PIF possess now 29% of the company.

Siniora Food Industries Company

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 exporting 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 state of the art meat industry facilities.

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.

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.

APIC invests in the manufacturing, trading, distribution and services sectors in Palestine, Jordan, Saudi Arabia, and the United Arab Emirates through 9 subsidiaries.

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.

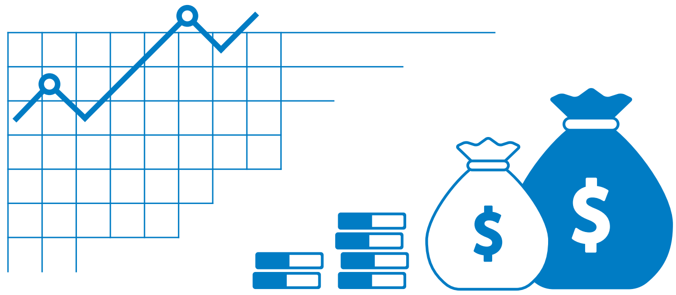
Sanad is now establishing a cement mill with a capacity of 1.1 million tons annually, covering 50% of the market's needs. It shall work at a faster pace in 2020, and the mill is expected to start production in 18 months from the date of the signature of the agreement with the supplier of the machinery.

Financial Sector

Financial markets are necessary for achieving economic benefits and catalyzing the companies the shares of which are listed in the stock exchange. They motivate them to improve their performance and increase their profits to spike the prices of their shares. Financial markets prepare the environment necessary for promoting local investments and attract foreign investments through monitoring issuance of securities, trading them among dealers, maintaining investors' properties and building investors' confidence in the local companies.

Top Financial Markets Accomplishments 2019

1. PIF acquired additional shares of "Palestine Investment Bank", reaching slightly in excess of 25%.



PIF manages capital markets portfolios in regional and international capital markets. These diverse portfolios adhere to strict investment guidelines that are in line with PIF's risk appetite and investment strategy.

Rasmala Palestine Equity Fund

Rasmala Palestine Equity Fund was initiated and led by PIF along with key partners in 2011, with an investment size of $ 39 million. It aims to attract local and global investment in Palestinian securities.

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 27 branches and offices all over Palestine.

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 government, registered with a paid-in capital of $20 million.

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 1,000,000 clients including individuals, corporates, and organizations

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.

Financial Statements
Palestine Investment Fund

Consolidated Financial Statements 31 December 2019

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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, 2019, 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, 2019, 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 (including International Independence Standards) (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 2019 Annual Report

Other information consists of the information included in PIF's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. PIF's 2019 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 misstatements, 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.

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 misstatements, 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 misstatements 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 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.

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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
Sa'ed Abdallah

Ernst + Young
Sa'ed Abdallah
License # 105/2003

Ramallah - Palestine
May 31, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	U.S. $ 000's 2019	2018
Assets			
Non-current assets			
Property, plant and equipment	6	150,995	164,169
Goodwill	7	25,244	25,244
Investment properties	8	55,418	68,761
Projects in progress	9	45,752	43,485
Investments in associates	10	158,949	140,091
Investments in joint ventures	11	6,275	5,074
Investments in securities	12	106,119	115,631
Other assets	13	64,063	59,509
		612,815	621,964
Current assets			
Properties ready for sale	14	22,404	11,725
Accounts receivable	15	118,185	93,334
Investments in securities	12	151,382	164,674
Other current assets	16	24,696	22,606
Cash and deposits at banks	18	61,502	91,133
		378,169	383,472
Assets held for sale	17	8,982	-
		387,151	383,472
Total assets		999,966	1,005,436
Equity and liabilities			
Equity			
Paid-in share capital	19	625,000	625,000
Shareholder's current account	20	(57,818)	(42,278)
Statutory reserve	21	104,810	102,286
Voluntary reserve	21	40,388	37,864
Foreign currency translation reserve		992	384
Fair value reserve	12	1,782	4,999
Retained earnings		9,431	8,827
Total equity attributable to shareholder		724,585	737,082
Non-controlling interests		9,284	17,224
Total equity		733,869	754,306
Non-current liabilities			
Long-term loans and lease liabilities	23	116,083	108,022
Deferred tax liabilities	24	2,234	2,909
		118,317	110,931
Current liabilities			
Credit facilities and current portion of long-term loans and lease liabilities	25	72,387	82,045
Accounts payable	26	38,106	26,204
Provisions and other liabilities	27	36,538	31,731
Provision for income tax	28	749	219
		147,780	140,199
Total liabilities		266,097	251,130
Total equity and liabilities		999,966	1,005,436

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2019

	Notes	U.S. $ 000's 2019	U.S. $ 000's 2018
Operating revenues	29	151,017	214,209
Share of associates' results of operations	10	5,971	6,499
Share of joint ventures' results of operations	11	(54)	(312)
Gain from sale of associates	10	957	21,870
Gain from sale of a subsidiary	5	303	-
Gain from investments in financial assets	30	32,756	10,836
Operating expenses and cost of sale	29	(140,133)	(195,934)
		50,817	57,168
Interest income	31	2,514	2,940
Change in fair value of investment properties	8	162	3,971
Gain (loss) from sale of investment properties	8	668	(870)
Investment expenses	32	(2,035)	(2,228)
General and administrative expenses	33	(13,254)	(16,107)
Depreciation and amortization	6	(4,364)	(4,097)
Grants and donations		(1,228)	(1,253)
Finance costs		(9,860)	(9,614)
Other revenues (expenses), net	34	1,824	(6,585)
Profit for the year before income tax		25,244	23,325
Income tax expense	28	(900)	(2,036)
Profit for the year		24,344	21,289
Attributable to:			
The shareholder		25,237	21,366
Non-controlling interests		(893)	(77)
		24,344	21,289

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2019

	Notes	U.S. $ 000's 2019	2018
Profit for the year		24,344	21,289
Other comprehensive income items:			
Items not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial assets through other comprehensive income	12	(2,381)	(4,625)
Share of associates' other comprehensive income	12	(66)	317
		(2,447)	(4,308)
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation difference		779	(718)
Change in fair value of cash flow hedge	12	(668)	(548)
Share of associates' and joint ventures' other comprehensive income items	10 & 11	(171)	63
		(60)	(1,203)
Total other comprehensive income items		(2,507)	(5,511)
Net comprehensive income for the year		21,837	15,778
Attributable to:			
The shareholder		22,730	15,855
Non-controlling interests		(893)	(77)
		21,837	15,778

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(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
2019										
At January 1, 2019	625,000	(42,278)	102,286	37,864	384	4,999	8,827	737,082	17,224	754,306
Profit for the year	-	-	-	-	-	-	25,237	25,237	(893)	24,344
Other comprehensive income items	-	-	-	-	608	(3,217)	102	(2,507)	-	(2,507)
Net comprehensive income for the year	-	-	-	-	608	(3,217)	25,339	22,730	(893)	21,837
Shareholder's current account (note 20)	-	(30,540)	-	-	-	-	-	(30,540)	-	(30,540)
Distributed dividends (note 22)	-	15,000	-	-	-	-	(15,000)	-	-	-
Disposal of subsidiary (note 5)	-	-	-	-	-	-	-	-	(2,072)	(2,072)
Change in non-controlling interests	-	-	-	-	-	-	(4,687)	(4,687)	(4,975)	(9,662)
Transfers	-	-	2,524	2,524	-	-	(5,048)	-	-	-
At December 31, 2019	625,000	(57,818)	104,810	40,388	992	1,782	9,431	724,585	9,284	733,869

	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 1, 2018	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 10)	-	-	-	-	-	-	(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 items	-	-	-	-	(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 22)	-	30,000	-	-	-	-	(30,000)	-	-	-
Distributed dividends by subsidiaries (note 22)	-	-	-	-	-	-	-	-	(333)	(333)
Change in non-controlling interests	-	-	-	-	-	-	(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

The attached notes 1 to 43 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Notes	U.S. $ 000's 2019	2018
Operating activities			
Profit for the year before income tax		25,244	23,325
Adjustments:			
Finance costs		10,007	9,614
Interest income		(2,514)	(2,940)
Share of associates' results of operations		(5,971)	(6,499)
Share of joint ventures' results of operations		54	312
Change in fair value of investment properties		(162)	(3,971)
Gain from investments in financial assets		(32,756)	(10,836)
Gain from sale of a subsidiary		(303)	-
Gain from sale of associates		(957)	(21,870)
Gain from sale of investment properties		(668)	870
Provisions for expected credit losses		837	778
Gain from sale of property, plant and equipment		(48)	(40)
Depreciation and amortization		14,143	13,627
Impairment of assets		1,429	711
Other non-cash items		(661)	828
		7,674	3,909
Working capital adjustments:			
Accounts receivable		(24,984)	(9,068)
Other current assets		(3,061)	6,990
Ready for sale properties		1,097	1,374
Accounts payable		11,902	6,855
Provisions and other liabilities		3,901	(183)
Income tax payments		(633)	(1,945)
Change in restricted cash		(6,718)	(1,284)
Net cash flows (used in) from operating activities		(10,822)	6,648
Investing activities			
Investments in securities		41,931	1,709
Purchase of property, plant and equipment		(3,902)	(56,774)
Sale of property, plant and equipment		1,145	2,407
Investment properties		11,583	1,301
Investments in joint ventures		(1,847)	(2,327)
Investments in associates		(13,897)	35,870
Acquisition of subsidiary		-	(75)
Cash from acquisition of subsidiary		-	42
Sale of shares in subsidiary		1,039	-
Projects in progress		(15,440)	1,800
Granted loans		(5,543)	3,202
Assets held for sale		(2,725)	-
Dividends and interest received		14,628	16,686
Change in term deposits maturing after three months		562	(7,103)
Net cash flows from (used in) investing activities		27,534	(3,262)
Financing activities			
Net movement on shareholder's current account		(15,540)	(17,208)
Cash dividends paid		(15,000)	-
Long-term loans and lease liabilities		49,881	16,217
Settlement of long-term loans and lease liabilities		(46,336)	(15,555)
Distributed dividends to non-controlling interests		-	(320)
Change in non-controlling interests		(9,662)	(1,756)
Finance costs paid		(9,767)	(8,766)
Net cash flows used in financing activities		(46,424)	(27,388)
Decrease in cash and cash equivalents		(29,712)	(24,002)
Foreign currency translations differences		779	88
Cash and cash equivalents, beginning of the year		36,578	60,492
Cash and cash equivalents, end of the year	18	7,645	36,578

The attached notes 1 to 43 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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-investors.

PIF's consolidated financial statements were authorized for issuance by the Board of Directors on May 31, 2020.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2019.

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

		Ownership %	
	Nature of business	2019	2018
Sanad Constructions Industries (PCSC)	Trade	100	100
Sanad Construction Resources (Sanad) *	Trade	97.5	91.1
Amaar for Real Estate and Tourism Development Company (Amaar)	Real estate and Tourism investment	100	100
Khazaneh Financial Investments Company (Khazaneh)	Financial investment	100	100
Sharakat for Small and Mid-size investments Company (Sharakat)	Financial investment	100	100
Aswaq for Investment Portfolios Company (Aswaq)	Financial investment	100	100
Amaar Jerusalem for Investment and Development Company (Amaar Jerusalem) *	Real estate investment	100	100
Sorouh for Tourism Investment Company (Sorouh) *	Tourism investment	100	-
Massader Company for the Development of Natural Resources and Infrastructure Projects (Massader) *	Energy Investment	100	100
Others	Real estate and financial investments	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, Amaar Jerusalem, Sorouh and Massader have investments in partially owned subsidiaries that have material non-controlling interests. Non-controlling interests' share of these subsidiaries' equity amounted to U.S. $ 7,493,000 as at December 31, 2019 (2018: U.S. $ 10,731,000).

At the end of 2019, Sanad sold all of its investment in Bulk Express Company (Bulk) (note 5).

3. Accounting policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of PIF and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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, 2019.

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 arrangements 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.

Profits or losses and each component of other comprehensive income (OCI) are attributed to the shareholder 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in the consolidated income statement. Any investment retained is recognized 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, amendments and interpretations as of January 1, 2019. Except for the adoption of IFRS (16), the adoption of these standards, interpretations and amendments did not have any effect on the consolidated financial statements of PIF. PIF has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS (16) "Leases"

IFRS (16) supersedes IAS (17) Leases, IFRIC (4) Determining whether an Arrangement contains a Lease, SIC (15) Operating Leases-Incentives and SIC (27) Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS (16) is substantially unchanged from IAS (17). Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS (17). Therefore, IFRS (16) did not have an impact for leases where PIF is the lessor.

PIF adopted IFRS (16) using the modified retrospective method of adoption with the date of initial application of January 1, 2019, therefore, prior year financial statements were not adjusted. PIF elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS (17) and IFRIC (4) at the date of initial application. The effect of adoption IFRS (16) is as follows:

The following is the increase effect on the consolidated statement of financial position as of January 1, 2019:

	U.S. $ 000's
Assets	
Right-of-use assets	1,712
Equity	
Retained Earnings	-
Liabilities	
Lease liabilities	1,712

a) Nature of IFRS (16) application effect

PIF has lease contracts for various items of properties, plant and equipment. Before the adoption of IFRS (16), PIF classified each of its leases (where it is a lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to PIF; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at fair value of the leased property or, if lower, at the present value of the lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased properties were not capitalised and the lease payments were recognized as rent expense in the profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other receivables and payables, respectively.

Upon adoption of IFRS (16), PIF applied a single recognition and measurement approach for all leases where it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific application requirements and practical expedients that PIF used when applying the standard.

- Leases previously accounted for as finance leases

PIF did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS (17)). The requirements of IFRS (16) was applied to these leases from January 1, 2019.

- Leases previously accounted for as operating leases

PIF recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

PIF also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

b) Amounts recognized in the consolidated statement of financial position and the consolidated income statement

Set out below, are the carrying amounts of PIF's right-of-use assets and lease liabilities and the movements during the year ended December 31, 2019:

	U.S. $ 000's	
	Right-of-use assets*	Lease liabilities
As at January 1, 2019	1,712	1,712
Transfers resulting from the application of IFRS (16)	393	530
Additions	351	351
Amortization	(416)	-
Interest expense	-	113
Payments	-	(567)
As at December 31, 2019	2,040	2,139

* Right-of-use assets include lands, buildings and vehicles.

Rent expense for short-term and low value leases which is recognized in the consolidated income statement for the year ended December 31, 2019, is amounted to U.S. $ 13,000 (note 33).

Lease liabilities details as at December 31, 2019 are as it follows:

U.S. $ 000's		
Short-term	Long-term	Total
463	1,676	2,139

C) Set out below are the new accounting policies of PIF upon adoption of IFRS (16):

Right-of-use assets

PIF recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless PIF is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, PIF recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by PIF and payments of penalties for terminating a lease, if PIF intends to exercise the option to terminate based on the lease term.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, PIF uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low value assets

PIF applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

PIF determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. PIF has the option, under some of its leases to lease the assets for additional terms. PIF applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, PIF considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, PIF reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

PIF included the renewal period as part of the lease term for leases due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operating activities if a replacement is not readily available.

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) Income Taxes. It does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

An entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Interpretation did not have an impact on PIF's consolidated financial statements.

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 did not have an impact on PIF's consolidated financial statements.

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.

The amendments did not have an 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. The new standards and amendments that are issued, but not yet effective, up to the date of issuance of PIF's consolidated financial statements are disclosed below. PIF intends to adopt these standards when they become effective.

Amendments to IFRS (3): Definition of a Business

The IASB issued amendments to the definition of a business in IFRS (3) Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, PIF will not be affected by these amendments on the date of transition.

Amendments to IAS (1) and IAS (8): Definition of "Material"

The IASB issued amendments to IAS (1) Presentation of Financial Statements and IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on PIF's consolidated financial statements.

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. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. 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 impairment of financial assets at amortized cost (provision for expected credit losses)

When determining the impairment of financial assets, PIF's management and its subsidiaries use 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.

- Assessment of substantial increase in credit risks:

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

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

1. Establishment of thresholds for substantial increases in credit risk based on changes in 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) includes an assumption that there is a substantial 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 by global credit rating agencies.

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.

Cash flow discount rates

PIF uses the average borrowing rate for PIF and its subsidiaries for the purpose of discounting future cash flows, and adjust it, if needed, 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 properties

PIF's subsidiaries estimate the net realizable value of their properties ready 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 they operate. 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 in the consolidated financial statements. 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 units 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 lands and related infrastructure services. PIF has concluded that it has two separate obligations, selling lands to developers and providing them with infrastructure services related to these lands. 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

Revenues from contracts with customers are recognized as follows:

Sale of goods

Revenues from the sale of goods are recognized at a certain point in time at which the control of the goods sold is transferred to the customer.

Rendering of services

Service revenues are recognized over time in accordance with inputs used in determining performance obligations are satisfied as the customer receives and uses the features and services provided at the same time.

Properties ready for sale revenues

A property is regarded as sold at a certain point in time at which time the control over the property sold to the customer is transferred to the customer, that is when the property is delivered for contracts including unconditional exchange terms. For contracts including conditional exchange, sale is recognized when applying all contract terms and conditions.

Room service revenues

Room service revenues are recognized 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 a certain point in time when sold.

Electricity sales revenues

Electricity sales revenues are recognized at a certain point of time at which the electricity produced is transferred to the customer.

Other Revenues

Leases

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

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

Interest income

Revenues are recognized as interest accrues using the effective interest method, under which the rate used 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 recognized at the date of sale. Dividends income is recognized when the rights to receive the dividends are established.

Expenses recognition

Expenses are recognized 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 PIF 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 of the consolidated financial statements as deferred taxes.

Deferred taxes are 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 the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be 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

All other liabilities are classified as 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 7)
- Quantitative disclosures of fair value measurement hierarchy (Note 35)
- Investment properties (Note 8)
- Investments in securities (Note 12)

Fair value is the price that would be received to sell an asset or paid to settle 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 settle 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 of inputs that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level of inputs that is significant to the fair value measurement is unobservable

There have been no transfers among the levels mentioned above during 2019 and 2018.

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 certified appraisers are involved for valuation of significant assets such as investment properties. PIF decides, after discussions with the external certified 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.

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, amortization and 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. Lands are not depreciated.

This item includes right-of-use assets which PIF classified as property, plant and equipment given the similarity of the nature of these right-of-use assets to the nature of property, plant and equipment.

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
Right-of-use assets	3 - 15
Solar power systems	10 - 25
Office equipment, machinery, 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 fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. For each business combination, PIF measures the non-controlling interests in the acquiree at fair value or at the appropriate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and recognized in the consolidated income statement in administrative expenses.

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 recognized in the consolidated income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the 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 gain is recognized 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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation 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 amortized nor individually tested for impairment.

The consolidated income statement and the statement of comprehensive income reflect PIF's share of the result of operations of the associates. Unrealised 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 PIF. 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 there is such evidence, PIF calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference 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.

Investment in joint ventures is accounted for using the equity method. Under 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 and is neither amortized nor individually tested for impairment.

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

The financial statements for the joint ventures are prepared for the same reporting period 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 carrying value of the investment from the expected recoverable amount and recognizes the difference 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 certified, external independent appraisers.

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 property, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change in use. If property, plant and equipment become 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 for the purpose of resale through PIF'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, related lands 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, portion of the indirect costs, and finance cost. Upon completion, all project's 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, and when the carrying value exceeds the recoverable amount, 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 recognized on the trade date, i.e. the date that PIF commits to purchase or sell the asset. All financial assets are recognized at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss (FVTPL) which are recognized at fair value.

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

B- Classification of financial assets

Financial assets at amortized cost

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

- The debt instrument 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 at FVTPL as set below). They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized 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 amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized 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 and its fair value are carried in the consolidated statement of financial position. 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 recognized in the consolidated income statement.

PIF has not classified any debt instrument matching amortized cost criteria as financial asset at fair value through profit or loss. Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but PIF has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

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

Dividends income on investments in equity instruments are recognized 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 recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gains or losses previously accumulated in the fair value reserve are not recycled to the consolidated income statement but are reclassified directly to retained earnings.

Dividends on investments in equity instruments are recognized 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 debt instrument 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 recognized for financial instruments that are not measured at FVTPL. No impairment loss is recognized 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
- 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 are considered credit-impaired. PIF records a provision for impairment of ECL over the life of the financial instruments.

The calculation of ECL

PIF calculates ECL 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 PIF in accordance with the contract and the cash flows that PIF expects to receive.

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

PD	The Probability of Default (PD) 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 (EAD) 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 (LGD) 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 ECL, 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 LTECL that represents the ECL 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 LTECL. 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 Effective interest rate (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 LTECL 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.

PIF applies a simplified approach in calculating ECL for trade receivables and recognizes a loss allowance based on lifetime ECL at each reporting date. For ECL calculation, PIF classifies trade receivables based on credit risk and days past due.

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 ECL 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. Provisions for credit-impairment are recognized in the consolidated income statement and are reflected in an allowance account against loans granted and investment debt instruments.

Default

Financial assets that are measured at amortized cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties. Irrespective of the above analysis, PIF considers that default has occurred when a financial asset is more than 90 days past due unless PIF has reasonable and supportable information to demonstrate that a different default criterion is more appropriate.

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 settlements are reasonably guaranteed. Financial assets that have been rescheduled are subject for period reassessment to determine whether it is 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.

Due to the subsequent events' effect (note 43), inputs and assumptions used by PIF in the calculation of expected credit losses on financial instruments may differ.

Financial instruments and derivatives

Derivatives are initially recognized 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.

Any gains or losses arising on remeasurement of financial derivatives not designated as hedging instruments and any ineffective portion of the hedging instrument is recognized in the consolidated income statement.

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.

At the inception of a hedge relationship, PIF formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, the risk management objective, and strategy for undertaking the hedge. 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 cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in 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 recognized in OCI in the fair value reserve, while any ineffective portion is recognized 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 recycled to the consolidated income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss (i.e. recognizing interest expenses in the consolidated income statement). 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.

If cash flow hedge accounting is discontinued, amounts that have 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 recycled to the consolidated income statement 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 recognized 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 amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated income statement when the liabilities are derecognized.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs 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.

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

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 recognized 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 recognized 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.

Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value (less costs to sell). PIF classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Non-current assets are not depreciated or amortized once classified as held for sale.

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 and its 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 financial assets at FVOCI where any foreign exchange differences are recognized in the consolidated statement of 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 recognized in the consolidated statement of comprehensive income.

4. Material partially-owned subsidiaries

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

Company name	Country of incorporation	2019 %	2018 %
Sanad Construction Resources (SANAD)	Palestine	2.46	8.88

	U.S 000's	
Balances of non-controlling interests	1,791	6,493
Losses allocated to non-controlling interests	(24)	(43)

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, 2019 and 2018:

	SANAD	
	2019	2018
	U.S 000's	
Current assets	114,906	98,517
Non-current assets	83,410	79,968
Current liabilities	(85,159)	(78,759)
Non-current liabilities	(35,919)	(18,784)
Total equity	77,238	80,942
Attributable to non-controlling interests (SANAD subsidiaries)	872	3,640

Summarized Income Statement for the year ended December 31, 2019 and 2018:

	SANAD	
	2019	2018
	U.S 000's	
Sales revenue	116,849	180,639
Cost of sale	(110,785)	(169,658)
General and administrative expenses	(4,186)	(6,141)
Depreciation of property, plant and equipment	(1,029)	(1,001)
Provision for expected credit losses	(370)	(171)
Finance costs	(3,464)	(2,702)
SANAD's share of associates' results of operations	862	1,917
other revenues (expenses), net	1,605	(1,231)
(Loss) profit for the year before tax	(518)	1,652
Income tax expense	(448)	(1,335)
(Loss) profit for the year	(966)	317
Other comprehensive income items	-	-
Net comprehensive income for the year	(966)	317
Attributable to SANAD's shareholders	(936)	(437)
Attributable to non-controlling interests (SANAD's subsidiaries)	(30)	754

Summarized Cash flow information for year ended December 31, 2019 and 2018:

	SANAD	
	2019	2018
	U.S 000's	
Operating activities	(126)	(16,170)
Investing activities	(6,539)	(11,596)
Financing activities	11,171	1,315
Increase (decrease) in cash and cash equivalents	4,506	(26,451)

5. Disposal of a subsidiary

During the end of 2019, Sanad Construction Resources (SANAD) sold all of its investment in Bulk Express (Bulk). Accordingly, Bulk's financial statements were not consolidated with PIF's consolidated financial statements for the year ended December 31, 2019.

PIF eliminated the book value of Bulk's assets and liabilities and the book value of non-controlling interests in accordance with IFRS (10) at the date which control was lost in 2019. The sale resulted in a gain of U.S. $ 303,000 recognized in the consolidated income statement.

6. Property, plant and equipment

	U.S. $ 000's							
2019	Lands	Buildings	Transportation means, equipment and spare parts	Right-of-use assets	Solar power systems	Office equipment, machinery, computers and systems	Furniture and decoration	Total
Cost								
At January 1, 2019	22,322	82,992	95,525	-	-	18,139	6,666	225,644
Impact of IFRS 16 adoption (note 3)	-	-	-	1,712	-	-	-	1,712
Transfers resulting from IFRS 16 adoption (note 3)	-	-	(851)	851	-	-	-	-
Additions	-	2,406	375	351	-	393	377	3,902
Disposal of a subsidiary	(1,644)	-	(7)	-	-	(7)	(4)	(1,662)
Net transferred from/ to investment properties	1,116	(3,226)	-	-	-	-	(348)	(2,458)
Transferred from projects in progress	-	-	-	-	758	12	-	770
Transferred to assets held for sale	(1,079)	-	-	-	-	-	-	(1,079)
Disposals	(1,096)	-	-	(264)	-	(9)	-	(1,369)
Foreign currency translation	304	552	-	-	-	-	-	856
At December 31, 2019	19,923	82,724	95,042	2,650	758	18,528	6,691	226,316
Accumulated depreciation and impairment								
At January 1, 2019	526	17,684	33,471	-	-	6,566	3,228	61,475
Transfers resulting from IFRS 16 adoption (note 3)	-	-	(458)	458	-	-	-	-
Depreciation charge for the year	-	2,306	9,318	416	8	1,251	844	14,143
Disposal of a subsidiary	-	-	(4)	-	-	(7)	(2)	(13)
Transferred to investment properties	-	(59)	-	-	-	-	(10)	(69)
Disposals	-	-	-	(264)	-	(8)	-	(272)
Foreign currency translation	-	57	-	-	-	-	-	57
At December 31, 2019	526	19,988	42,327	610	8	7,802	4,060	75,321
Net carrying amount								
At December 31, 2019	19,397	62,736	52,715	2,040	750	10,726	2,631	150,995

- Property, plant and equipment include an amount of U.S. $ 51,662,000 mortgaged to local and regional banks as collaterals against loans and credit facilities (note 23).

- During 2019, U.S. $ 9,779,000 of depreciation expense have been allocated to operating expenses.

2018	Lands	Buildings	Transportation means, equipment and spare parts*	Office equipment, machinery, computers and systems	Furniture and decoration	Total
	U.S. $ 000's					
Cost						
At January 1, 2018	22,363	82,866	46,512	14,696	6,038	172,475
Additions	328	1,167	51,094	3,741	444	56,774
Acquisition of a subsidiary	-	-	-	1	26	27
Transferred from projects in progress	-	-	-	-	176	176
Transferred from properties ready for sale	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	82,992	95,525	18,139	6,666	225,644
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	65,308	62,054	11,573	3,438	164,169

- 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.
- During 2018, U.S. $ 9,530,000 of depreciation expense have been allocated to operating expenses.

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

7. Goodwill

For impairment testing, goodwill resulting from acquisition of subsidiary has been allocated to one cash generating unit (trade and transportation of cement).

The recoverable amount of the trade and transportation of cement segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14.7%, and cash flows beyond the five-year period are extrapolated using a 2.75% growth rate.

Key assumptions used in the calculation of the value in use

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

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

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

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

8. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	68,761	77,353
Additions	2,113	6,213
Investment properties sold	(13,028)	(6,299)
Net transferred to properties ready for sale	(320)	-
Transferred to assets held for sale	(4,659)	-
Net transferred from property, plant and equipment	2,389	-
Change in fair value of investment properties	162	3,971
Returned to Ministry of Finance	-	(9,356)
Transferred to projects in progress	-	(3,121)
Balance, end of year	55,418	68,761

Investment properties include the following:

	U.S. $ 000's	
	2019	2018
Land lots (A)	51,497	64,884
Buildings (B)	3,921	3,877
	55,418	68,761

(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. Rent revenues amounted to U.S. $ 366,000 and U.S. $ 470,000 for the years of 2019 and 2018, respectively.

An amount of U.S. $ 3,280,000 of investment properties was mortgaged to a regional bank as collateral against loans granted to PIF (note 23).

During the years of 2019 and 2018, PIF has sold part of its investment properties resulting in a gain of U.S. $ 668,000 and a loss of U.S. $ 870,000 respectively, which was recognized in the consolidated income statement.

9. Projects in progress

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	43,485	42,538
Additions	23,202	2,539
Transferred to properties ready for sale	(11,456)	-
Projects sold	(7,909)	(4,339)
Transferred to property, plant and equipment	(770)	(176)
Transferred to assets held for sale	(671)	-
Impairment	(129)	(193)
Transferred from investment properties	-	3,121
Transferred to other current assets	-	(5)
Balance, end of year	45,752	43,485

Total expected costs to complete these projects amounts to U.S. $ 110,608,000.

Following are details of the projects in progress:

	U.S. $ 000's	
	2019	2018
Ersal Center	16,457	16,452
Commercial center development	15,055	9,037
Beit Hanina project	5,057	-
Solar panels fields	3,384	2,712
Solar panels systems over public schools' rooftops	2,001	360
Cement grinding mill project	1,377	332
Others	2,421	14,592
	45,752	43,485

10. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2019	2018	2019	2018
	%	%	U.S. $ 000's	
Wataniya Palestine Mobile Telecommunications Company - Ooredoo Palestine (Listed)	39.56	37.15	47,660	41,047
Arab Islamic Bank (Listed)	35.06	35.06	39,440	36,926
Specialized Arab Hospital Group	27.44	21.60	31,066	19,893
Palestine Power Generation Company	40.31	40.31	7,216	7,434
Mada Al-Arab Company	30	-	5,916	-
Al Naya Palestinian Co. for Construction Materials	49	49	5,168	4,670
Palestine Tourism Investment Company	28.25	28.25	4,473	4,456
Al-Nokhba for Concrete Products	30	30	4,051	4,045
Palestine Ijara Company - LTD	33.33	33.33	3,604	3,458
Hospitality Holy Company	-	40.30	-	4,126
Others	20-50	20-50	10,355	14,036
			158,949	140,091

- The market value of PIF's investments listed in Palestine Exchange as of December 31, 2019 amounted to U.S. $ 159,562,000.
- PIF's Investment in Arab Islamic Bank includes 7,335,000 shares with a book value of U.S. $ 9,715,000 mortgaged to local banks as collateral against loans granted to PIF (note 23).
- During 2019, Massader (a subsidiary) purchased shares in Mada Al-Arab Company (Mada). PIF's ownership percentage in Mada's capital amounted to 30%. PIF's management believes that it has significant influence over Mada, accordingly, the investment has been classified as investment in associates. Mada operates in the telecommunications sector.
- During 2019, Amaar Jerusalem (a subsidiary) sold its investment in Hospitality Holy Company resulting in a gain of U.S. $ 775,000 recognized in the consolidated income statement.
- During 2019, Sharakat (a subsidiary) sold its investment in Pal Farm for Diary Products resulting in a gain of U.S. $ 269,000 recognized in the consolidated income statement.
- During 2019 and 2018, Sanad (a subsidiary) sold some of its investments in associates resulting in a loss of U.S. $ 87,000 and U.S. $ 144,000, respectively; recognized in the consolidated income statement.
- During 2019, some of PIF's subsidiaries recorded impairment on their investments in some associates in an amount of U.S. $ 554,000 recognized in the consolidated income statement.
- During 2018, Aswaq (a subsidiary) sold its investment in Palestine Islamic Bank (ISBK), which resulted in a gain of U.S. $ 22,014,000 recognized 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 recognized in the consolidated income statement as at the date of losing the significant influence and classified under gain from investments in financial assets (note 30).

- PIF's associates have applied IFRS (9) as at January 1, 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 1, 2016. The financial effect of IFRS (9) application in associates has been adjusted in the opening balance of retained earnings as at January 1, 2018 due to unavailability 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:

December 31, 2019	U.S. $ 000's									
Associates' Statements of Financial Position:	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital Group	Palestine Power Generation Company	Mada Al-Arab Company	Al Naya Palestinian Co. for Construction Materials	Palestine Tourism Investment Company	Al-Nokhba for Concrete Products	Palestine Ijara Company	Hospitality Holy Company
Non-current assets	196,127	681,112	65,616	13,970	5,670	4,735	29,118	12,180	10,761	-
Current assets	41,779	590,816	93,852	2,436	6,134	8,526	1,661	13,938	16,061	-
Non-current liabilities	(89,099)	(64,897)	(13,603)	(364)	(4,361)	(1,685)	(7,473)	(73)	(12,156)	-
Current liabilities	(52,763)	(1,090,468)	(63,730)	(412)	(4,755)	(7,166)	(1,619)	(10,954)	(3,853)	-
Non-controlling interests	-	-	(11,920)	-	-	-	-	-	-	-
Unpaid capital	-	-	-	7	-	-	-	-	-	-
Equity holders of the associate	96,044	116,563	70,215	15,637	2,688	4,410	21,687	15,091	10,813	-
PIF's ownership	37,991	40,871	19,267	6,303	806	2,161	6,127	4,527	3,604	-
Adjustments	9,669	(1,431)	11,799	913	5,110	3,007	(1,654)	(476)	-	-
Carrying amount of investment	47,660	39,440	31,066	7,216	5,916	5,168	4,473	4,051	3,604	-
Revenues and results of operations:										
Revenues	99,415	45,888	62,186	88	14,621	16,623	5,214	12,387	2,080	
Results of operations	1,123	9,010	5,101	(542)	2,448	1,015	53	19	438	-
PIF's share of results of operations	374	3,464	1,209	(219)	416	497	17	6	146	(5)
PIF's share of other comprehensive income items	-	(30)	(36)	-	-	-	-	-	-	-
Others:										
Dividends from associates	-	920	-	-	-	-	-	-	-	195

- During 2019, PIF's share of other associates' results of operations amounted to U.S. $ 66,000, and PIF's share of other associates' other comprehensive income items amounted to a loss of U.S. $ 173,000. Additionally, PIF's share of other associates' dividends amounted to U.S. $ 1,793,000.

U.S. $ 000's

December 31, 2018	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital Group	Palestine Power Generation Company	Al Naya Palestinian Co. for Construction Materials	Palestine Tourism Investment Company	Hospitality Holy Company	Al-Nokhba for Concrete Products	Palestine Ijara Company	Palestine Islamic Bank
Associates' Statements of Financial Position:										
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 investment	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's share of other associates' results of operations amounted to U.S. $ 1,138,000, and PIF's share of other associates' other comprehensive income items amounted to U.S. $ 96,000. Additionally, PIF's share of other associates' dividends amounted to U.S. $ 380,000.

- PIF's share of other associates' IFRS (9) application adjustments amounted to a loss of U.S. $ 193,000.

11. Investments in joint ventures

	U.S. $ 000's	
	2019	2018
Convention Palace Company (A)	2,110	2,825
New Capitol Hotel (B)	4,165	2,249
	6,275	5,074

(A) The Convention Palace Company (CPC) in Solomon Pools 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 Palace in Bethlehem. During 2019, PIF recorded an impairment loss on its investment in CPC amounting to U.S. $ 594,000 recognized in the consolidated income statement.

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

	U.S. $ 000's	
	Convention Palace Company	
	2019	2018
Statement of financial position of joint venture		
Non-current assets	9,316	8,598
Current assets	597	718
Non-current liabilities	(1,102)	(119)
Current liabilities	(3,474)	(3,546)
Equity attributable to venture's shareholders	5,337	5,651
PIF's ownership	2,669	2,825
Adjustments	(559)	-
Carrying amount of the investment	2,110	2,825
Revenues and results of operations		
Revenues	823	811
Results of operations	(242)	(460)
PIF's share of results of operations	(121)	(230)

(B) New Capitol Hotel Company was established with a share capital of 10,000 shares of ILS 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	
	2019	2018
Statement of financial position of joint venture		
Non-current assets	3,603	1,854
Current assets	2,442	1,136
Non-current liabilities	(21)	-
Current liabilities	(1,736)	(644)
Equity attributable to venture's shareholders	4,288	2,346
PIF's ownership	2,144	1,173
Adjustments	2,021	1,076
Carrying amount of investment	4,165	2,249
Revenues and results of operations		
Revenues	2,079	-
Results of operations	133	(90)
PIF's share of results of operations	67	(45)
PIF's share of other comprehensive income items	2	(33)

(C) During 2018, PIF has acquired a joint venture in an amount of U.S. $ 75,000 which resulted in a loss of U.S. $ 12,000 recognized as impairment loss in the consolidated income statement. PIF's share of joint venture results of operations up to acquisition date in 2018 amounted to a loss of U.S. $ 37,000.

12. Investments in financial securities

	U.S. $ 000's	
	2019	2018
Financial assets at FVOCI (A)	98,804	103,748
Financial assets at amortized cost (B)	7,315	11,883
	106,119	115,631
Financial assets at FVTPL - current (C)	151,382	164,674
	257,501	280,305

(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	
	2019	2018
Quoted shares	77,018	79,520
Unquoted shares	21,786	24,228
	98,804	103,748

Financial assets at FVOCI as at December 31, 2019 include shares with a book value of U.S. $ 50,074,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (Note 23).

Movement on the fair value reserve was as follows:

	U.S. $ 000's	
	2019	2018
Balance, beginning of the year	4,999	9,045
Net loss from valuation of financial assets at FVOCI	(2,381)	(4,625)
Change in fair value of cash flow hedge	(668)	(548)
Share of associates' other comprehensive income	(66)	317
(Gain) loss from sale of financial assets at FVOCI recognized in retained earnings	(102)	810
Balance, ending of the year	1,782	4,999

Financial assets at FVOCI sold during the year amounted to U.S. $ 2,577,000. Sale transactions of these financial assets were made to finance other investment activities and to exit of non-strategic investments.

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

		U.S. $ 000's	
	Credit Rating	2019	2018
Quoted debt instruments at national and regional financial markets	BBB-AA	-	4,587
Unquoted national debt instruments	Un-rated	7,410	7,410
		7,410	11,997
Provision for expected credit losses		(95)	(114)
		7,315	11,883

Interest on the financial assets at amortized cost is 5% with a maturity ranging from 2 to 3 years.

The market value of the quoted debt instruments amounted to U.S. $ 4,579,000 as at December 31, 2018. During 2019, PIF sold its investments in quoted debt instruments with an amount of U.S. $ 4,122,000 to finance other investment activities.

Movement on financial assets at amortized cost was as follows:

	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
As at January 1, 2019	11,468	529	-	11,997
Collection during the year	(500)	-	-	(500)
Sale of financial assets at amortized cost	(3,535)	(521)	-	(4,056)
Amortization of discount/ issuance premium	(23)	(8)	-	(31)
As at December 31, 2019	7,410	-	-	7,410

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

	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
As at January 1, 2019	113.5	0.5	-	114
Net remeasurement of ECL provision during the year	(18.5)	(0.5)	-	(19)
As at December 31, 2019	95	-	-	95

(C) Financial assets at FVTPL include the following:

	U.S. $ 000's	
	2019	2018
Quoted shares	98,937	75,647
Unquoted investment portfolios	51,633	88,046
Unquoted shares	812	981
	151,382	164,674

As at December 31, 2019, financial assets at FVTPL include shares with a book value of U.S. $ 7,541,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (note 23).

13. Other assets

	U.S. $ 000's	
	2019	2018
Prepayment on investment (A)	45,800	45,800
Granted loans (B)	18,263	13,709
	64,063	59,509

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's 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:

	Interest rate (%)	Settlement	U.S. $ 000's 2019	2018
Palestinian microfinance institutions	3.5 - 5	2020 -2023	10,057	6,071
Finance lease companies	3.5 - 3.8	2020 -2023	3,259	2,662
Palestine Development Fund	1	2017-2023	3,154	3,154
First Trading Centre	1.5 + LIBOR	2015	1,100	1,100
Al Mashtal Tourism Investment Company	5	2017	406	406
Palestine Tourism Investment Company **	7.5	-	-	1,072
Others ***	1 - 8.78	2019 -2024	2,643	2,802
			20,619	17,267
Accrued interest on loans			555	648
			21,174	17,915
Provision for expected credit losses *			(2,911)	(4,206)
			18,263	13,709

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, 2019	11,431	1,693	4,143	17,267
Loans granted during the year	8,707	1,000	273	9,980
Collections during the year	(3,916)	(474)	(47)	(4,437)
Transferred to investments in associates	-	-	(2,210)	(2,210)
Transfers between stages	183	(183)	-	-
Currency variance	-	-	19	19
As at December 31, 2019	16,405	2,036	2,178	20,619

* Movement on provision for expected credit losses 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, 2019	269	48	3,889	4,206
Transfers between stages	16	(16)	-	-
Remeasurement of ECL provision during the year	(27)	145	384	502
Transferred to investment in associates	-	-	(1,816)	(1,816)
Currency variance	-	-	19	19
As at December 31, 2019	258	177	2,476	2,911

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 PIF's historical experience and taking into consideration both internal and external factors.

** During 2019, Sorouh (a subsidiary) capitalized its granted loans to Palestine Tourism Investment Company following recording provision for expected credit losses on the loan balance and the related accrued interest.

***During 2019, Amaar Jerusalem (a subsidiary) capitalized a granted loan along with its accrued interest in an amount of U.S. $ 484,000 recording it as investment in associates.

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, 2019.

14. Properties ready for sale

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

Movement on properties ready for sale is as follows:

	U.S. $ 000's	
	2019	2018
Balance, beginning of the year	11,725	13,871
Additions	233	171
Transferred from projects in progress	11,456	-
Net transferred from investment properties	320	-
Residential units sold	(1,330)	(1,545)
Transferred to property, plant and equipment	-	(772)
Balance, end of the year	22,404	11,725

Properties ready for sale include properties with a carrying amount of U.S. $ 8,097,000 that are mortgaged to a regional bank as collateral on loans granted to PIF (note 23).

15. Accounts receivable

	U.S. $ 000's	
	2019	2018
Checks under collection	84,619	62,166
Trade receivables	44,405	41,121
Cap Holding Company	11,305	11,305
Others	859	849
	141,188	115,441
Provision for expected credit losses	(23,003)	(22,107)
	118,185	93,334

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

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	22,107	21,721
Additions	447	610
Recoveries during the year	(88)	-
Written-off during the year	(111)	(1)
Currency variance	648	(223)
Balance, end of year	23,003	22,107

Aging analysis of the unimpaired accounts receivable as of December 31, 2019 and 2018 is as follows:

	U.S. $ 000's				
		Neither past due nor impaired	Past due but not impaired		
2019	Total		< 90 days	91-180 days	> 181 days
Accounts receivable	141,188	89,046	18,359	2,690	31,093
Expected credit losses	(23,003)	(1,079)	(346)	(520)	(21,058)
	118,185	87,967	18,013	2,170	10,035
2018					
Accounts receivable	115,441	66,687	20,988	2,575	25,191
Expected credit losses	(22,107)	(1,233)	(554)	(548)	(19,772)
	93,334	65,454	20,434	2,027	5,419

The subsidiaries' managements believe that the value of the unimpaired receivables is recoverable. The subsidiaries obtain guarantees against some of these receivables. Regarding receivables resulting from sale of properties, the sold properties ownership is not transferred to the buyers until the receivables are settled in full as a guarantee. The total value of these properties amounted to U.S. $ 13,018,000 as at December 31, 2019.

16. Other current assets

	U.S. $ 000's	
	2019	2018
Due from Value Added Tax department	15,596	13,018
Advances to suppliers	4,017	4,864
Contributions receivable*	3,124	959
Dividends receivable	2,293	501
Inventory	1,442	3,760
Accrued revenues	741	375
Prepaid expenses	439	493
Due from employees	122	290
Due from brokers	83	123
Forward currency contracts	-	1,180
Others	650	417
	28,507	25,980
Provision for uncollectible current assets	(3,811)	(3,374)
	24,696	22,606

* This item represents contributions receivable from donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. During 2019, Massader (a subsidiary) also received a grant to finance solar PV systems project over the public schools' rooftops (note 27).

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

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	3,374	3,141
Additions during the year	390	262
Currency variances	47	(29)
Balance, end of year	3,811	3,374

17. Assets held for sale

Assets held for sale represents lands and projects in progress and heavy equipment that will be sold during the upcoming year in its current condition. Book value of these assets amounted to U.S. $ 8,982,000 as of December 31, 2019.

	U.S. $ 000's
	2019
Balance, beginning of year	-
Additions	2,725
Transferred from investment properties	4,659
Transferred from property, plant and equipment	1,079
Transferred from projects in progress	671
Impairment provision	(152)
Balance, end of year	8,982

Assets held for sale include assets with a carrying amount of U.S. $ 2,573,000 that are mortgaged to a regional bank as collateral on loans granted to PIF (note 23).

18. Cash and deposits at banks

	U.S. $ 000's	
	2019	2018
Cash on hand and current accounts at banks	22,595	16,286
Term deposits at banks	38,907	74,847
	61,502	91,133

The average interest rate during the year was 2.83% (2018: 3.06%) on U.S. $ deposits and 4.82% (2018: 4.82%) on JD deposits.

Cash and deposits at banks include restricted cash of U.S. $ 11,217,000 and U.S. $ 4,499,000 as at December 31, 2019 and 2018, respectively, as 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, 2019 and 2018:

	U.S. $ 000's	
	2019	2018
Cash on hand and current accounts at banks	22,595	16,286
Term deposits at banks	38,907	74,847
	61,502	91,133
Credit facilities - overdrafts (Note 25)	(36,099)	(42,953)
Deposits maturing after 3 months	(6,541)	(7,103)
Restricted cash	(11,217)	(4,499)
	7,645	36,578

19. 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 partial capitalization of PIF's retained earnings.

20. Shareholder's current account

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

	U.S. $ 000's	
	2019	2018
Receivables on returned lands	26,680	26,680
Receivables from operational services	30,834	15,598
Others	304	-
	57,818	42,278

The movement on the shareholder's current account during 2019 and 2018 was as follows:

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	42,278	47,799
Distributed dividends	(15,000)	(30,000)
Receivables from operational services for the year	15,236	15,598
Properties returned to Ministry of Finance during the year	-	8,609
Payments to Ministry of Finance	15,000	-
Others	304	272
	57,818	42,278

21. 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 several small and medium sized projects following the decision of the Board of Directors.

22. Distributed dividends

The General Assembly approved in its meeting held on June 18, 2019 the distribution of U.S. $ 15 million dividends which have been paid during the year.

The General Assembly approved in its meeting held on May 2, 2018 the distribution of U.S. $ 30 million dividends which have been deducted 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 distribution of cash dividends of 5% per par with a total amount of U.S. $ 3,300,000, non-controlling interests share of these distributed dividends amounted to U.S. $ 333,000.

23. Long-term loans and lease liabilities

	U.S. $ 000's	
	2019	2018
Long-term loans	150,232	146,584
Lease liabilities (note 3)	2,139	530
Current portion of long-term loans (note 25)	(35,825)	(38,778)
Current portion of lease liabilities (note 25)	(463)	(314)
	116,083	108,022

During 2019, PIF signed a long-term loan agreement with a regional bank in an amount of U.S. $ 30 million to fund PIF's expected projects for the years from 2019 to 2025. 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 and a half years where the last installment to be settled during 2025. During the year, PIF has withdrawn the full loan and the outstanding balance as at December 31, 2019 amounted to U.S. $ 30 million.

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 following 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 and a half years where the last installment to be settled during 2023. During the year, PIF has settled an amount of U.S. $ 7.5 million. The outstanding balance of the loan as at December 31, 2019 amounted to U.S. $ 40 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 (which was in 2016) and where the right to withdrawal ends in 2021. During 2019, PIF has withdrawn an amount of U.S. $ 8.5 million and settled an amount of U.S. $ 4 million, accordingly the outstanding balance of the loan amounted to U.S. $ 16.5 million as at December 31, 2019.

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 related interest are repayable at the earlier of sale of the solar projects or after 12 months from the date of last tranche. During 2019, Massader had withdrawn an amount of U.S. $ 4,729,000 and then settled the whole loan balance.

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 installment to be settled during 2023. During 2019, Aswaq has settled an amount of U.S. $ 4 million. The outstanding balance of the loan as at December 31, 2019 amounted to U.S. $ 16 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 5.35%. These loans are to be settled within a period of 1 to 4 years. The outstanding balance of these loans as at 31 December 2019 amounted to U.S. $ 18 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. The interest rate on these loans ranged from 1.75% (in addition to 3 months to 6 months LIBOR) to 8%. These loans are to be settled within a period of 1 to 6 years. The outstanding balances of these loans as at 31 December 2019 was approximately U.S. $ 30 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, 2019:

Items	Book value of collaterals	Note
Property, plant and equipment	51,662,000	6
Investment properties	3,280,000	8
Investments in associates	9,715,000	10
Financial assets at FVOCI	50,074,000	12
Financial assets at FVTPL	7,541,000	12
Properties ready for sale	8,097,000	14
Assets held for sale	2,573,000	17
Investments in subsidiaries	5,224,000	
Total	138,166,000	

The maturities of loans and lease liabilities are as follows:

	U.S. $ 000's
Matures in 2020	36,288
2021	34,640
2022	35,010
2023	32,260
Thereafter	14,173
	152,371

24. Deferred tax liabilities

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

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	2,909	3,083
Additions	36	609
Amortization of deferred tax liabilities	(711)	(783)
Balance, end of year	2,234	2,909

25. Credit facilities and current portion of long-term loans and lease liabilities

	U.S. $ 000's	
	2019	2018
Current portion of long-term loans (note 23)	35,825	38,778
Current portion of lease liabilities (note 23)	463	314
Overdrafts *	36,099	42,953
	72,387	82,045

* During the year and previous years, 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 ceiling amounted to ILS 180 million (equivalent to U.S. $ 52.1 million), where the U.S. $ credit facilities ceiling 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 15%, where the U.S. $ facilities are subject to a declining interest rates of (2% + 6-months LIBOR) with a floor of 3.5% and a ceiling of 7%. 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 Sanad Construction Resources (subsidiary) guarantee. The utilized balance as at December 31, 2019 was U.S. $ 35,629,000.

In addition, one of PIF's subsidiaries signed credit facilities agreement to finance its operational activities. The utilized balance as at December 31, 2019 was U.S. $ 470,000.

26. Accounts Payable

	U.S. $ 000's	
	2019	2018
Trade payables	36,401	25,431
Contractors payables	922	258
Properties sales advances	744	341
Others	39	174
	38,106	26,204

27. Provisions and other liabilities

	U.S. $ 000's	
	2019	2018
Temporarily restricted contributions *	6,420	4,373
Accrued expenses	5,752	3,684
Postponed checks	4,567	6,629
Provision for employees' indemnity **	2,899	2,872
Interest rates swaps	1,215	577
Employees' income tax payable	1,027	851
Forward currency contracts	903	-
ECL on guarantees ***	634	426
Leasehold improvement taxes	261	240
Due to brokers	221	1
Bonuses provision	152	358
Dividends payable	10	13
Others	12,477	11,707
	36,538	31,731

* This account represents temporarily restricted contributions from different donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. In addition, Massader (a subsidiary) received a grant during 2019 to finance solar PV systems project over the public schools' rooftops. Revenues are recognized when the purpose or time of these contributions is satisfied.

Following is the movement on temporarily restricted contributions during 2019 and 2018:

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	4,373	4,399
Additions	2,046	-
Currency variances	1	(26)
Balance, end of year	6,420	4,373

** Following is the movement on provision for employees' indemnity during the years of 2019 and 2018:

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	2,872	2,936
Additions	916	1,533
Payments	(944)	(1,564)
Acquisition of a subsidiary	-	5
Currency variances	55	(38)
Balance, end of year	2,899	2,872

Provision for employee's end of service benefits is provided for in accordance with the labor law prevailing in Palestine and PIF's human resources policies. 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.

*** Following is the movement on provision for expected credit losses on guarantees granted to associates in accordance to IFRS (9):

	Stage (1)	Stage (2)	Stage (3)	Total
	U.S. $ 000's			
As at January 1, 2019	426	-	-	426
Transfers between stages	(215)	215	-	-
Net remeasurement of ECL provision during the year	(85)	293	-	208
As at December 31, 2019	126	508	-	634

28. 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 2019 and 2018:

	U.S. $ 000's	
	2019	2018
Balance, beginning of year	219	(427)
Additions during the year	845	1,679
Prior years' tax, net	19	(252)
Amortization of deferred tax liabilities (note 24)	711	783
Disposal of a subsidiary	24	-
Payments during the year	(633)	(1,945)
Currency variances	(436)	381
Balance, end of year	749	219

PIF has not reached final settlements with the Income Tax Department for the results of its operations from 2015 to 2018. Furthermore, most of PIF subsidiaries have not reached final settlements with the Income Tax Department for their results of operations for prior periods up to 2018, taking into consideration that all tax filings 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	
	2019	2018
Additions during the year	845	1,679
Prior years' tax, net	19	(252)
Deferred tax liabilities (note 24)	36	609
	900	2,036

29. Operating revenues

	U.S. $ 000's			
	2019			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	15,236	-	(12,535)	2,701
Trade and transportation	116,873	(103,430)	(7,215)	6,228
Real estate*	3,125	(2,439)	(595)	91
Energy	8,978	(8,570)	-	408
Tourism	6,805	(1,522)	(3,827)	1,456
	151,017	(115,961)	(24,172)	10,884

	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
Energy	-	-	-	-
Tourism	8,282	(1,930)	(4,539)	1,813
	214,209	(167,102)	(28,832)	18,275

* All above revenues are subject to IFRS (15) - "Revenues from contracts with customers" except for leases income which are accounted for in accordance with IFRS (16) - "Leases". Leases income during the year amounted to U.S. $ 987,000 (2018: U.S. $ 1,000,000) included in real estate item.

Following are the details of revenues from contracts with customers:

	U.S. $ 000's	
According to time of recognition	2019	2018
At point in time	131,550	193,672
Over a period of time	18,480	19,537
	150,030	213,209

30. Gain from investments in financial assets

	U.S. $ 000's	
	2019	2018
Gain (loss) on sale and revaluation of financial assets at FVTPL	21,012	(1,412)
Dividends income from financial assets at FVOCI	6,848	8,073
Dividends income from financial assets at FVTPL	4,419	3,650
Gain from sale of investments at amortized cost (note 12)	66	-
Gain from revaluation of the remaining investment in associates (note 10)	-	16
Interest on bonds	411	509
	32,756	10,836

31. Interest income

	U.S. $ 000's	
	2019	2018
Interest on deposits with banks	2,025	2,451
Interest on granted loans	489	489
	2,514	2,940

32. Investment expenses

	U.S. $ 000's	
	2019	2018
Employees' salaries, wages and benefits	1,326	1,010
Professional fees	592	913
Travel and transportation	68	147
Others	49	158
	2,035	2,228

33. General and administrative expenses

	U.S. $ 000's	
	2019	2018
Employees' salaries, wages and benefits	8,407	10,242
Professional fees	2,004	2,172
Fees and subscriptions	517	625
Travel and transportation	391	486
Maintenance	273	290
Board of Directors bonuses	270	256
Insurance	260	369
Telephone and postage	202	292
Marketing	170	273
Printing and stationery	80	114
Hospitality	78	124
Rents	13	104
Others	589	760
	13,254	16,107

34. Other revenues (expenses), net

	U.S. $ 000's	
	2019	2018
Gain (loss) from currency variances	4,826	(5,386)
ECL - simplified approach and provision for uncollectible current assets (notes 15 and 16)	(837)	(872)
Assets impairment losses (notes 9, 10, 11 and 17)	(1,429)	(711)
ECL - general approach (notes 12, 13 and 27)	(691)	(696)
Gain from sale of property, plant and equipment	48	40
Others	(93)	1,040
	1,824	(6,585)

35. Fair value

Fair value measurement

PIF did not make any transfers between the levels during the year 2019 and 2018. The following table provides the fair value measurement hierarchy of PIF's assets and liabilities as at December 31, 2019:

	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, 2019	98,937	36,627	15,818
Financial assets at FVOCI	December 31, 2019	77,018	11,112	10,674
Investment properties	December 31, 2019	-	-	55,418
Liabilities measured at fair value:				
Interest rates swaps	December 31, 2019	-	-	1,215
Forward currency contracts	December 31, 2019	-	903	-

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	1,731
Financial assets at FVOCI	December 31, 2018	79,520	10,326	13,902
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 amortized cost	December 31, 2018	4,579	-	-
Liabilities measured at fair value:				
Interest rates swaps	December 31, 2018	-	-	577

The following table represents movement on assets measured at the fair value through "Level 3":

	Financial assets at FVTPL	Financial assets at FVOCI	Investment properties	Interest rates swaps	Total
			U.S. $ 000's		
Balance, January 1, 2019	1,731	13,902	68,761	(577)	83,817
Net movement during the year	14,296	-	(13,505)	-	791
Change in fair value	(209)	(3,228)	162	(638)	(3,913)
Balance, December 31, 2019	15,818	10,674	55,418	(1,215)	80,695

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

Regarding lands, 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 independent 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:

	Increase/ decrease in fair value	Effect on fair value and profit for the year
2019	%	U.S. $ 000's
Fair value per meter square	+ 5	912
Fair value per meter square	- 5	(912)
2018		
Fair value per meter square	+ 5	616
Fair value per meter square	- 5	(616)

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

	Increase/ decrease in fair value	Effect on fair value and profit for the year
2019	%	U.S. $ 000's
Discounted rate	+ 5	(457)
Growth rate	+ 5	51
2018		
Discounted rate	+ 5	(276)
Growth rate	+ 5	32

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 as of December 31, 2019 and 2018:

	Positive fair value	Negative fair value	Par value	Matures in one year	Matures in more than one year
			U.S. $ 000's		
2019					
Forward currency contracts	-	1,215	27,610	27,610	-
Interest rates swap contracts	-	903	40,000	10,000	30,000
	-	2,118	67,610	37,610	30,000
2018					
Forward currency contracts	1,180	-	27,600	27,600	-
Interest rates 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, 2019 and 2018:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial assets				
Granted loans	18,263	13,709	18,263	13,709
Investment in securities	257,501	280,305	257,596	280,411
Accounts receivable	118,185	93,334	118,185	93,334
Other financial assets	19,940	14,654	19,940	14,654
Cash and deposits at banks	61,502	91,133	61,502	91,133
	475,391	493,135	475,486	493,241
Financial liabilities				
Accounts payable	37,362	25,863	37,362	25,863
Loans, lease liabilities and credit facilities	188,470	190,067	188,470	190,067
Other financial liabilities	15,034	14,161	15,034	14,161
	240,866	230,091	240,866	230,091

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 lease liabilities and credit facilities approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of granted loans and long-term loans and lease liabilities are estimated by discounting future cash flows using rates currently available for debt on similar credit terms. The carrying amounts of granted loans and long-term loans and lease liabilities 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.

36. Related parties balances and transactions

This item represents balances and transactions with related parties. Related parties represent associated companies, the shareholder, Board of Directors, key management personnel, 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	
	2019	2018
Shareholder's current account	57,818	42,278
Granted loans to associates and related accrued interest *	3,453	5,048
Accounts receivable (associates)	12,488	8,093
Cash and deposits at banks (associate)	8,502	14,122
Other current liabilities (associates)	289	43
Accrued Board of Directors bonuses	152	150

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

	U.S. $ 000's	
	2019	2018
Operational services revenues with the shareholder	15,236	15,598
Sales revenues (associates)	8,275	18,050
Interest on granted loans to associates	133	149
Interest on deposits with associates	270	336

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

	U.S. $ 000's	
	2019	2018
Board of Directors bonuses	270	256
Key management's share of salaries and related benefits	2,888	3,117
Key management's share of employees' indemnity	377	239

* ECL provision on granted loans to associates amounted to U.S. $ 44,000 and U.S. $ 1,523,000 as at December 31, 2019 and 2018, respectively.

Furthermore, PIF is considered as a guarantor for loans granted to some associates, the value of the guarantees amounted to U.S. $ 35,613,000 and U.S. $ 27,615,000 as at December 31, 2019 and 2018, respectively. The ECL provision on these guarantees amounted to U.S. $ 634,000 and U.S. $ 426,000 as at December 31, 2019 and 2018, respectively.

37. Risk management

PIF's financial liabilities comprise loans, lease liabilities, 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, granted loans, cash and deposits at banks, some other financial assets, and investments in securities, which arise directly from PIF's operations.

Financial assets are classified as follows:

December 31, 2019	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
	U.S. $ 000's			
Investments in securities	7,315	151,382	98,804	257,501
Granted loans	18,263	-	-	18,263
Accounts receivable	118,185	-	-	118,185
Cash and deposits at banks	61,502	-	-	61,502
Other financial assets	19,940	-	-	19,940
	225,205	151,382	98,804	475,391

December 31, 2018	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
	U.S. $ 000's			
Investments in securities	11,883	164,674	103,748	280,305
Granted loans	13,709	-	-	13,709
Accounts receivable	93,334	-	-	93,334
Cash and deposits at banks	91,133	-	-	91,133
Other financial assets	13,474	1,180	-	14,654
	223,533	165,854	103,748	493,135

All financial liabilities have been classified at amortized cost as at December 31, 2019 and 2018 except for interest rates swaps and forward currency contracts 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 floating interest bearing assets and liabilities, such as term deposits at banks, granted loans and obtained long term loans.

The following table demonstrates the sensitivity of PIF's consolidated income statement as at December 31, 2019 and 2018 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 and its subsidraies' profit for one year, based on assets and liabilities with floating interest rates at December 31, 2019. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

2019	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. $	+10	(75)
Israeli Shekel	+10	(12)
Jordanian Dinar	+10	(8)

2018	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. $	+10	(78)
Israeli Shekel	+10	(32)
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 (JD) and the Qatari Riyal (QR) are linked to U.S. $. Therefore, no effect resulting from the fluctuations in JD and QR rates is expected on the consolidated financial statements. The effect of decreases in the exchange rate of U.S. $ against other currencies is expected to be equal and opposite to the effect of the increase shown below:

	Increase in currency rate to U.S. $ %	Effect on profit U.S. $ 000's	Effect on equity U.S. $ 000's
2019			
Israeli Shekel	10+	4,250	150
Other currencies	10+	(227)	-
2018			
Israeli Shekel	10+	4,023	1
Other currencies	10+	(255)	-

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:

2019	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	7,644	5,666
Shares listed in other markets	+10	58	4,228
Shares and portfolios not listed	+10	2,179	5,245

2018			
Shares listed in Palestine Securities Exchange	+10	7,887	4,796
Shares listed in other markets	+10	65	2,768
Shares and portfolios not listed	+10	2,423	8,903

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 amortized cost is their carrying amounts as explained in notes (12), (13) and (15). 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 risk 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, 2019 and December 31, 2018, 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, 2019					
Long-term loans and lease liabilities and credit facilities	13,155	68,140	127,897	720	209,912
Accounts payable	37,362	-	-	-	37,362
Other financial liabilities	10,393	4,641	-	-	15,034
	60,910	72,781	127,897	720	262,308
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

38. 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 2019 and 2018.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interest with a total of U.S. $ 733,869,000 and U.S. $ 754,306,000 as at December 31, 2019 and 2018, respectively.

39. Segment information

PIF presents segment reporting information in accordance with PIF's nature of operations, as risks and rates of return are affected predominantly by differences in the products and services provided. Business segments comprise trade and transportation, real estate, tourism, energy in addition to the investment sector. Business operations are organised and managed separately according to the nature of the services provided by each sector, as each sector presents a strategic business unit.

The following table presents revenue and results of operations and certain assets and liabilities information regarding PIF's business segments for the year ended December 31, 2019:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	15,236	116,873	3,125	6,805	8,978	-	151,017
Inter-segment revenues (eliminated)	-	-	725	-	-	(725)	-
Total revenues	15,236	116,873	3,850	6,805	8,978	(725)	151,017
Results of operations							
Profit (loss) before tax	30,470	209	(2,332)	(2,148)	(955)	-	25,244
Other information							
Depreciation of property, plant and equipment	9,666	2,217	548	1,885	159	(332)	14,143
Capital expenditures	809	5,900	11,084	85	13,704	(13)	31,569
Impact of IFRS 16 application	2,145	1,330	382	-	-	(2,145)	1,712
Interest revenues	2,004	-	510	-	-	-	2,514
Finance costs	5,627	3,574	121	887	49	(398)	9,860
Investments in associates and joint ventures	126,815	11,848	5,518	6,583	14,460	-	165,224
Share of associates' results of operations	5,301	862	(285)	12	81	-	5,971
Share of joint ventures' results of operations	-	-	(54)	-	-	-	(54)

The following table presents segments' assets and liabilities as of December 31, 2019:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segments' assets	1,472,656	226,556	266,317	75,924	40,099	(1,081,586)	999,966
Segments' liabilities	301,774	115,322	10,845	55,716	6,947	(224,507)	266,097

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 revenues (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 expenditures	50,857	11,828	643	522	1,676	-	65,526
Interest revenues	2,400	-	540	-	-	-	2,940
Finance costs	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 ventures' 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							
Segments' assets	983,994	209,174	178,569	71,900	19,897	(458,098)	1,005,436
Segments' liabilities	283,410	99,027	23,032	27,900	1,616	(183,855)	251,130

40. 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's subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to U.S. $ 16,144,000 as of December 31, 2019. 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 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.

  During 2018, the Company filed a request for arbitration against CAP with the Swiss Chambers' Arbitration Institution (Second Arbitration), in which the Company requests the payment of rental fees due from September 13, 2013 amounting to U.S. $ 6 million including VAT and interest in accordance with the agreement signed between the Company and CAP in 1996 and its amendments in 2000. In its answer to the request for arbitration, CAP requested that the Company's claims be dismissed in their entirety. In addition, CAP raised three counterclaims, two of which are directed against the PA concerning CAP's claim for a hotel license. The third counterclaim is directed against the Company; CAP requests a declaration that the agreements underlying the Transaction are valid.

- 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. $ 6,091,000 as at 31 December 2019.

41. 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.

42. Comparative figures

Certain comparative figures of the prior year consolidated financial statements were reclassified to conform to the current year presentation for the year ended December 31, 2019. These reclassifications had no effect on the net income and equity of prior years.

43. Subsequent events

Subsequent to the date of the consolidated financial statements, and as a result of the continued effect of the Corona Virus (COVID 19) on the global economy and the different business sectors, and the accompanying measures and restrictions taken by the Palestinian Government, neighboring countries and the rest of the world; it is possible that PIF's operating activities will be affected by these global and domestic changes that currently influence different sectors.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these consolidated financial statements. These developments could impact PIF's future financial results, cash flows and financial condition.

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