صندوق الاستثمار الفلسطيني
Palestine Investment Fund

Investing for Impact

Annual Report 2020

Annual Report

2020

Contents

Message from the President of the State of Palestine

“And say, “Do [as you will], for Allah will see your deeds, and [so, will] His Messenger and the believers.”

Allah Almighty is Truthful

The Palestine Investment Fund (PIF) has demonstrated its national and economic commitment as a Palestinian national institution seeking to contribute towards development and economic independence through the implementation of an ambitious investment program for impact sectors that affect the daily lives of our people. Those include, the energy sector, both traditional and renewable energy, industry, health, Telecommunication and infrastructure, technology and education, agriculture, and support for SMEs.

PIF has also shown remarkable institutional solidarity as demonstrated in its efforts throughout the ongoing COVID-19 pandemic. PIF has supported the initiatives of national institutions in order to curb the pandemic. In this regard, PIF launched a program to support Small Enterprises that were affected by the pandemic. Furthermore, PIF placed some of its owned buildings under the disposal of medical teams and the governorates as preventive COVID-19 self-isolation care facilities.

I express the utmost appreciation for the PIF Chairman and members of the board, its general assembly, executive management, and staff who are exerting all efforts to fulfill the vision of PIF and implement its strategy as a cornerstone for the building of our independent Palestinian state and its capital Jerusalem.

Yours,
Mahmoud Abbas
President of the State of Palestine

Message from the Chairman of the Board of Directors

A year has passed by and has presented our people with a multitude of challenges at all levels, primarily in terms of the health and economic sectors due to the ongoing COVID-19 pandemic and its repercussions on all aspects of life. In this regard; I cannot but first salute and highly appreciate the efforts of our Palestinian people, who continue to struggle and fight for the independence of our Palestinian state on one hand, while embodying the spirit of solidarity among all communities and groups in battling the pandemic on the other.

In this context of ongoing actions to contain and curb the pandemic and the concerted official and popular efforts, PIF engaged as a national institution to support and complement these efforts and support the relevant institutions. Since the early weeks of the outbreak of the pandemic, PIF took the initiative and placed a number of its touristic facilities under the disposal of medical teams and governorates. PIF also launched 'ESNAD' emergency program to help small businesses access finance in order to continue their economic operations and retain their employees, as part of its efforts to mitigate the economic repercussions of the pandemic. In addition to the support to the general government budget through advanced dividend transfers.

The pandemic has proved to us and to the world that strong and self-reliant national economies based on excellence, creativity, and local industries, are the best placed, compared to economies dependent on consumption and imports, to face such circumstances that sent shockwaves through the global economy as a whole. This reflects the strategic direction of PIF and caused the progress down the right path towards achieving its vision and mission of making impact on the main development indicators of the national economy alongside the achieving of reasonable returns on investments. These issues will be presented to you throughout this PIF 2020 annual report.

Ladies and gentlemen,

Allow me to present to you PIF annual report for the year 2020, including its impact-based investment strategy, the strategic sectors of investments, and the projects implemented underneath them. Of course, the report highlights PIF's financial performance by presenting its consolidated audited financial statements.

PIF adopted several major development indicators such as job opportunities, contribution to the GDP, contribution to reducing reliance on imports through local product substitutions, in order to measure progress achieved, assess, strengthen it or adjust its operations as needed.

Since our national economy relies heavily on MSMEs, PIF accorded special attention to this sector by designing and implementing nine programs to develop and support the sector. These programs are implemented in cooperation with local and international partners. Between 2006 and 2020, more than 7000 enterprises inside Palestine benefitted from these programs, in addition to more than 4000 in refugee camps in Lebanon under a program for empowerment of Palestinian refugees there.

In the same context, PIF has provided about 75000 job opportunities for Palestinians since its establishment through its investments in programs, projects, and companies in partnership with the Palestinian private sector and international partners.

Due to the specificity of the situation in Jerusalem, and to Israeli occupation's ongoing efforts to isolate and separate the city from its Palestinian natural environment, PIF gave exceptional attention to focusing its activities in the city. Choice of word, PIF leads a special investment portfolio that implemented investments and projects worth more than US$82 million dollars in cooperation with its partners. Furthermore, PIF attracted Arab and international investments to Jerusalem as well as in the marginalized so-called area C that are targeted by the Israeli occupation policies. These included the EU, the Arab Fund for Economic and Social Development, IFC, the World Bank Group, and others.

Dear brothers and sisters,

PIF has chosen for strategic national reasons, to focus the majority of its investments and activities inside Palestine to benefit our people and engage Palestinian citizens in the planning and implementation processes of different projects. Faced by major obstacles to investment in Palestine due to the occupation, PIF adopted the philosophy and methodology of partnership and patient capital (long-term capital) to attract investors. The aim is to create a proper investment environment by stimulating investment in strategic economic sectors. This is done by launching projects and leading them to advance stages of development in order to alleviate the risks, save effort and costs related to pre-development stages to potential investors, and overcome challenges related to the specificity of the context in Palestine. This is followed by efforted to attract partners from the private sector to engage at this advanced stage. Often, and despite that these projects were launched and established by PIF, yet PIF share is usually a minority share with a 1:3 ratio in those projects. PIF succeeded over the past years, and since its establishment, in leveraging its invested capital of a total amount of US$625 million dollars, to attract a total amount of US$1.2 billion dollars.
These investments covered strategic economic sectors, and focused on high added-value productive sectors, such as the energy sector, both traditional and renewable, health, telecommunication and infrastructure, technology and education,, agriculture, industry, commerce, construction, and small enterprises.

Strategic economic sector

The impact investment strategy of PIF for the coming years came as a continuation of achievements and efforts of previous years with an outlook to the future. The strategy takes into consideration economic disengagement as a major national goal. PIF's strategy of impact investment aims at developing specific and measurable development goals, and annual performance indicators for the set goals, to allow PIF to evaluate its investment and financial performance. To achieve these objectives, PIF investments concentrated on vital strategic sectors, some of which will be presented in details through this report.

The year 2020 was a year of ongoing efforts and several achievements despite the challenges. In the energy sector, for example, Noor Jenin Solar PV Plant was opened and operationalized with a total capacity of 5MW, sold to the North Electricity Distribution Company (NEDCO) after connecting the Plant to the electricity grid. Also, in 2020, work started to install solar panels on the rooftops of 120 public schools throughout the different governorates, under the Schools' Rooftop Solar Power program, after completing the installation of solar panels on the rooftops of 30 schools in the previous year. Under the health sector, a soft-opening of Ibn Sina Hospital in the Jenin governorate took place. PIF alongside local partners holds shares in the hospital. Additionally, the COVID-19 Intensive Care Unit at the Arab Istishari Hospital had been expanded by adding 12 additional beds, that are fully equipped with medical tools needed such as the oxygen generator required for this section. The total capacity of the ICU rose to 36 beds. Construction works were initiated for the Istishari Cancer Hospital with an initial capacity of 170 beds over a total area of 27,000 square meters.

At the level of national industries, work was initiated in 2020 to build a cement grinding station through Sanad Company with a total estimated cost of US$85 million dollars. In agriculture, work was initiated to develop 362 dunums of agricultural lands in the Jordan Valley area under the Al Dalya Seedless Grape Farm project. The project had already harvested its second crop of seedless grapes cultivated over an area of 178 dunums. After completing the works, the total area of Al Dalya Farm will cover 540 dunums. Additionally, in 2020, PIF launched infrastructure works for Al Rabiya project for animal fodder in the Hebron governorate.

In the wake of the pandemic that affected Palestine just like the rest of the world, PIF launched 'Esnad' emergency project to support Ministry of Micro, Small & Medium Enterprises with a total amount of US$25 million dollars. Additionally, 70 small businesses in Jerusalem received support and funding from the programs implemented by PIF under the sector of SMEs.

Following is a presentation of the most prominent PIF investment activities under these sectors and the major work milestones in 2020

The Energy Sector

PIF continues to implement an important and ambitious investment program in the energy sector, both traditional and renewable, in partnership with our local and international partners. The aim is to contribute towards achieving energy security for Palestine, and minimize, as much as possible, imports of this vital commodity.

PIF, has recorded notable successes in this sector. Notably, and under its Noor Palestine Solar Program, PIF opened the Noor Jenin PV Solar Plant in 2020 with a total production capacity of 5MW, i.e. the equivalent of the electricity consumption of 2,400 households.

PIF is proud to see the substantial contribution of the Noor Jenin Solar Plant in reducing electricity imports by a total amount of 3 million NIS annually.it is worth mentioning, that PIF had celebrated in 2019 the start operations of the Nour Jericho Solar PV plant with a total production capacity of 7.5MW, the Plant was sold to NEDCO, with direct benefit to municipalities that fall under the company's jurisdiction.

In the same context, works started for the installation of solar PV panels on the rooftops of 120 schools in Jerusalem, Hebron, Ramallah, and Bethlehem governorates, after completing the installation works of solar PV panels on the rooftops of 31 schools as an initial stage. Indeed, these solar systems were connected to the electricity grids, so that they start producing electricity and cover their needs. These efforts are part of the Schools Rooftop Solar Program that targets 500 public schools throughout all governorates, with the aim of producing a total of 35MW of electricity. Before the end of 2021, we will celebrate with you the completion of works for installing solar panels on the rooftops of those additional 120 schools.

Health Sector

The healthcare sector in Palestine remains at the center of attention of everyone especially in light of the Covid-19 pandemic. Given the importance of developing this sector for the Palestinian people, PIF worked substantially to focus efforts on cooperation with partners to do that. The size of PIF investment portfolio together with its partners in the healthcare sectors amounts currently to US$150 million dollars.

Investments under this portfolio include investments in the Arab Specialized Medical Complex Company, which is the company that manages and invests in a number of leading hospitals within the Palestinian healthcare sector, such as the Specialized Arab Hospital in Nablus, the Istishari Arab Hospital in Al Reehan neighborhood, and the Istishari Hospital for Cancer treatment.

PIF celebrated few months ago the soft opening of Ibn Sina Specialized Hospital in Jenin governorate. PIF, along with a number of local partners has shares in the hospital, which is considered the first specialized hospital in Jenin governorate. It includes an emergency ward, a cardiology section, ICU, surgery department, X-ray, maternity ward, ophthalmology department, medical labs, and outpatient clinics.

During the year 2020, the accommodation capacity of the COVID-19 section at the Istishari Arab Hospital with an additional 12 beds fully equipped including an oxygen generator that is dedicated to this section. This raises the total number of beds to 36. Additionally, work started on the construction of Istishari Hospital for Cancer Treatment with a capacity of 170 beds in the first phase, over an area of 27,000 square meters.

Industry and Commerce

When we talk about reducing imports, it is essential to strengthen and increase local substitutes to contribute towards economic disengagement from the Israeli occupation. PIF implements a range of industrial projects such as the Cement Mill through Sanad company that was established by the Fund, in addition to investments in industrial and trade companies such as the Arab Palestinian Investment Company (APIC), Siniora Food Industries Company, the National Aluminum and Profile Company (NAPCO), and Birzeit Pharmaceutical Company.

Construction works of the Cement mill started in 2020 with an estimated cost of US$85 million dollars. Once completed, the mill will be able to produce approximately 1.3 million tons of cement annually, constituting around 50% of the local demand on this strategic good.

PIF is proud of its investment in Siniora Food Industries Company with 29% of the shares. The company expanded out recently to regional markets through several agreements and deals that opened new markets and helped increase the company's share in them.

Agriculture sector

Agriculture and livestock constitute one of the most important promising productive sectors in Palestine. The sector helps create significant job opportunities for Palestinian workers, in addition to its role in strengthening Palestinians' resilience and steadfastness against the occupation's plans and settlement activities. The sector contributes towards food security for Palestine in addition to enhancing local products and focusing on marginalized areas.
PIF continues operating its investment program for the sector that was launched with an initial amount of US$10.5 million dollars. The program involves three projects: Al Dalyeh Company for Agricultural Investment, that was established in partnership with Sawafta brothers in the beginning of 2018, with the aim of developing an agricultural land of more than 540 dunums in the so-called area 'C' and the Jordan Valley. 178 dunums of the total area were cultivated with early seedless grape. The first crop was picked in 2020 with a total of 90 tons of grapes, and work continues on developing and cultivating the remaining area during the year 2021.
The second project involves investment in Al Rabyeh Company for animal feed and Grains. The Company was established in the Hebron governorate in 2018 as a partnership between PIF and Palestine Industrial Investment Company. The animal feed plant will have a total capacity of 230,000 tons of forage annually. In 2020, factory infrastructural works were initiated.
PIF seeks to double the size of its investments in the agricultural sector, and thus works currently on developing, supporting, and managing a number of vital projects in agriculture, food industries, livestock, and marketing of agricultural products in partnership with a number of international partners and the Palestinian private sector.

SMEs and Entrepreneurship Financing Sector

PIF implements a range of programs and projects under this sector in partnership with several local and international partners contributing towards the development and support of small enterprises. This is based on PIF's conviction of the importance of this sector for the Palestinian economy as it constitutes the backbone for the economy in terms of the number of these enterprises which constitute more than 98% of the total economic establishments in Palestine. Furthermore, the sector is the largest employer of the Palestinian workforce.
PIF runs a program that aims at strengthening small and medium lending institutions, leasing companies operating in Palestine in order to increase the number of beneficiaries, the number of loans extended, and the ability to expand geographic and sectoral coverage, whether through direct lending to these institutions, or loan guarantee programs for the benefit of the majority of lending institutions in Palestine, or by investing in their capital. Some of these organizations benefitting from these programs are Asala for Credit and Development, and the Pal-lease company.
In 2020, PIF launched 'Esnad' emergency program during the COVID-19 pandemic, to support small enterprises and help them access needed funds to continue their economic operations and retain their employees. In 2020, 191 enterprises benefitted from the program and obtained loans for a total amount of US$2.3 million dollars. This help retain 502 jobs in the first phase for a total amount of US$5 million dollars. The second phase was launched by the end of 2020 with a total amount of US$10 million dollars.
Additionally, 70 enterprises in Jerusalem received funding under the lending and financing program of small enterprises implemented by PIF in Jerusalem in cooperation with international organizations such as the EU. 450 youth-led enterprises received funding for a total of US$4.5 million dollars under the 'Ibdaa" program for youth, and 320 young men and women were trained under Development Impact Bonds program for the employment of youth, as well as securing employment for more than 40 of them.

Brothers and sisters,

Despite the challenges facing the Palestinian economy in general over the past year, PIF succeeded in achieving positive financial results. Despite the extraordinary conditions affecting Palestine, primarily the COVID-19 pandemic, the lockdown measures, the closure of institutions and borders, the implications of these measures on bank transactions and financial revenues. PIF profits for the year 2020 amounted to 10.4 million dollars before tax, while the net profit amounted to 8.6 million dollars despite the harsh conditions that affected most of the investments due to the pandemic. Part of the dividends was transferred in advance to the treasury. The total amount of profits made by PIF since its establishment reached 1.069 billion dollars.

Finally, I take this opportunity personally and on behalf of PIF Board of Directors to thank the Palestinian leadership, represented by President Mahmoud Abbas for his ongoing guidance and support to PIF particularly and national institutions in general. Thanks go also to the Palestinian government and all national institutions for their support to PIF allowing it to undertake its role. I also thank all PIF partners from the private sector and Palestinian, Arab, and international institutions that contributed to the success of PIF's programs and projects in all sectors.
I would like to also thank my colleagues, members of the Board of Directors and the General Assembly, for their commitment to give their best for developing and implementing PIF strategies in the best manner possible. Thanks go also to the executive body of PIF, the Fund's investment portfolios and all their workers for their diligence towards achieving PIF vision, mission, and goals to effectively contribute to investments and impact, laying solid foundations for a strong and independent national economy.

Yours,
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.

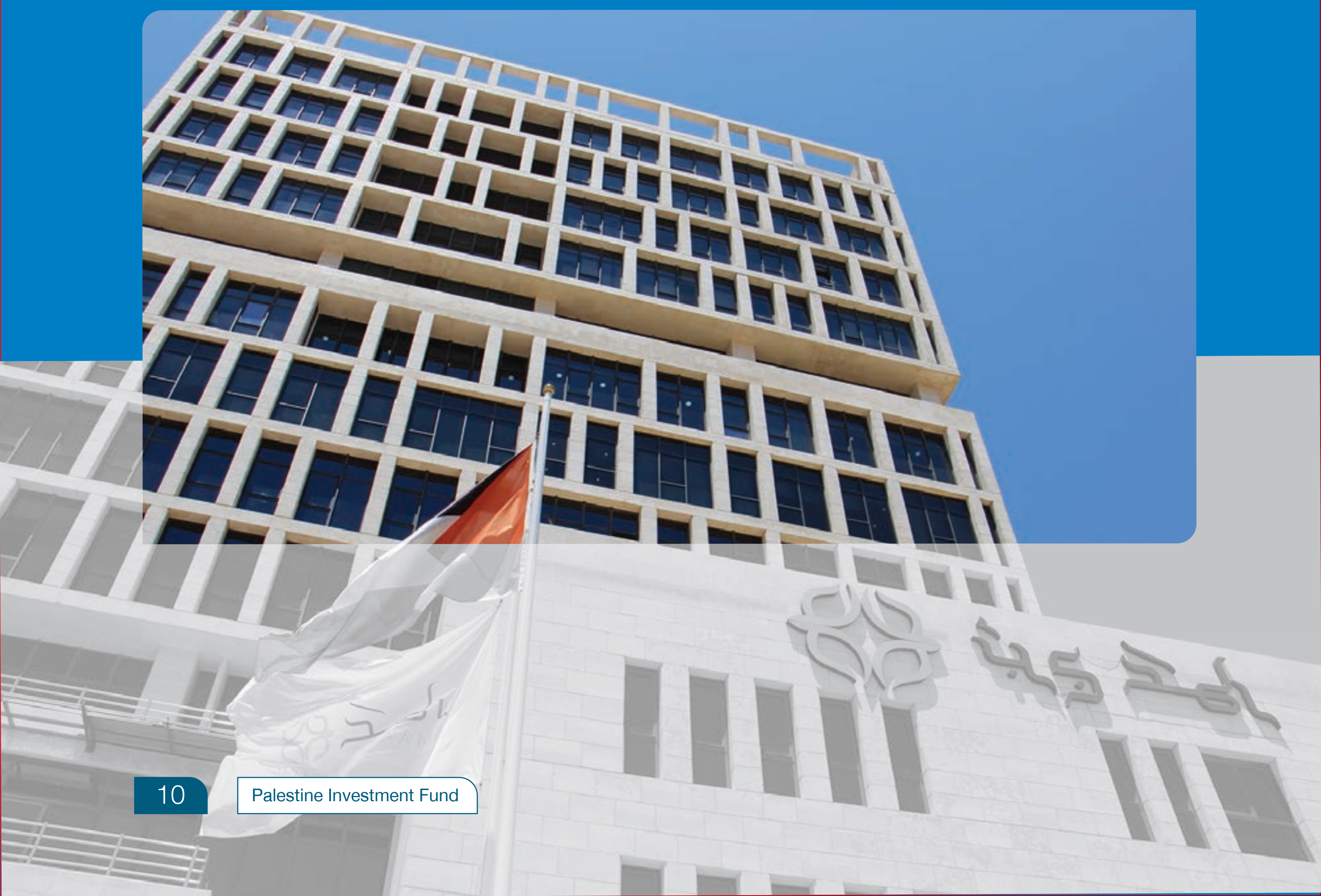
Founded in 2003, PIF is a public shareholders company registered within the Ministry of National Economy. It focuses on investing in strategic sectors such as the energy sector, both traditional and renewable, agriculture, and health sectors, education, infrastructure and industrial zones, real-estate, technology and entrepreneurship in Palestine. PIF Current assets amount to US$ 934.3 million dollars by end of 2020.

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 based on "impact investment", i.e. achieving positive impact on economic development by devising specific and measurable development goals that support the desired economic transformation in order to achieve PIF's vision and mission, alongside achieving reasonable returns on investments that meet the aspirations of the investors and fund vital development projects to achieve the desired impact.
PIF's investment strategy is premised around concentrating its projects and programs inside Palestine, thus contributing towards the empowerment of the national economy and the incentivizing of a large number of sectors.
Furthermore, PIF's strategy seeks to invest in value-added productive sectors such as the energy sector, both traditional and renewable, healthcare services, agriculture, industry, telecommunication and infrastructure, food industries, technology, and others.

PIF implements its investment programs and projects through two investment arms, namely:

Amaar Company for real-estate and tourism development

The company runs PIF's portfolio in the sectors of real-estate, tourism, and infrastructure, including investments and projects in Jerusalem. Massader company comes under AMAAR Group and focuses on investments in the energy sector, both traditional and renewable. AMAAR Group aims primarily at realizing impact in the targeted sectors in additional to financial impact.

Aswaq Company for investment portfolios

Aswaq Investments runs PIF's portfolio in the stock market sector as well as in terms of investments in existing companies locally and internationally operating in various sectors such as health, telecommunications, industry, and banks. Aswaq Investments aims primarily at achieving the intended financial impact to meet the aspirations of investors on the one hand and finance long-term development projects on the other in addition to achieving impact on development indicators.

Philosophy of partnership

PIF relies on attracting and incentivizing 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 is the empowering the private sector 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 launch projects, including bearing the developmental and pre-development costs, drawing clear plans, and getting projects and investments to such an advanced stages thus mitigating risks, and saving the burdens and costs related to pre-operation phases, addressing all challenges related to the specificity of the situation in Palestine, and then attract local, Arab, and international partners to invest in these projects. Often, major shares are held by the partners.

Main indicators of impact investment (2006-2020)

Approximately **60** Program and Project Investments

Size of investment in Jerusalem and so-called 'Area C'
82
million dollars

PIF's contribution to the GDP
2.7
billion dollars

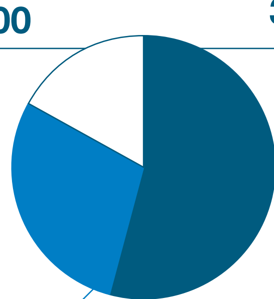
Job opportunities

Total 74,956

Temporary through the real-estate and construction portfolio
13,000

Direct
38,931

Indirect through the financial portfolio
23,025



Size of PIF's assets

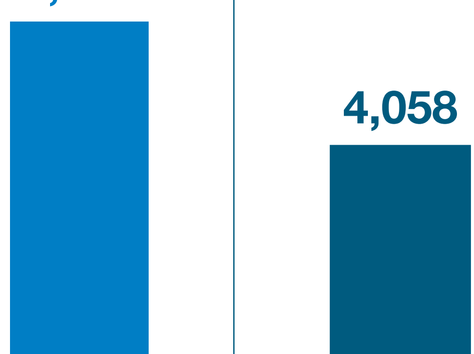
934.3
Million Dollars

Investment program: approximately **1.8** billion dollars

1.2
billion dollars
dollars incentivized and attracted from partners (including financing loans

625
million dollars
by PIF

Small businesses and enterprises benefitting from PIF investments



7,780
small businesses inside Palestine

4,058
small businesses targeting Palestinian refugees in Lebanon

Total: 11,838

Governance

PIF is governed by its by-laws, and the Companies' Law applicable for all matters that were not stipulated in the by-laws. PIF adopts several measures to strengthen its governance, that are built on principles of integrity, transparency, and separation of powers, that were developed in cooperation with the relevant international companies according to the highest international standards, criteria and best practices. A number of policy manuals have been developed and constitute the reference documents for the implementation of measures and regulations under the various business operations. These are regularly reviewed and updated.

PIF remains a member of the International Forum of Sovereign Wealth Funds since 2016. PIF represents Palestine in this international forum because of its 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 International Monetary Fund IMF.

PIF is also a member of the Global Impact Investing Network 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

PIF and its subsidiaries are subject to an internal audit system by the Audit unit which reports to the Board of Directors' Audit Committee, in cooperation with one of the worldwide renowned audit companies.

External audit

Like other shareholders' 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. These statements are issued according to international criteria and are published together with the independent auditors' report on PIF website and in the annual report that 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 chairperson and members.

Dr. Mohammad Mustafa. Chairman

Dr. Mustafa is currently the Chairperson of Palestine Investment Fund. He served as the Deputy Prime Minister in the 15th Palestinian Government and the Deputy Prime Minister for Economic Affairs, and the Minister of the National Economy in the 16th Palestinian Government. Prior to his chairmanship of PIF, Dr. Mustafa was the CEO of the fund, where he led PIF to become a leading economic institution in Palestine, that has been able to achieve remarkable financial results. In addition, he led the launch of several leading Palestinian companies in vital and strategic sectors such as telecommunications, real estate, energy, SMEs, construction, hospitality, tourism and infrastructure. Earlier, Dr. Mustafa worked at the World Bank in Washington, an Economic and Investment Reform Advisor in Kuwait and Saudi Arabia, CEO of Paltel and an instructor at George Washington University.

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. 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. 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. 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.

Mr. Azzam Al Shawa

Former 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.

Dr. Mohammad Nasr

Associate Professor of Economy at the Birzeit University. Dr. Nasr is the chairperson 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.

Engineer Nabil Al Sarraf

Businessman, chairperson, 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 Aachen University in Germany.

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.

Mr. Ali Abu Diak

Lawyer and legal advisor, who served formerly as Minister of Justice and the Secretary General of the Council of Ministers and Head of the Fatwa and Tashree' Office as Supreme Court Judge. Mr. Abu Diak holds a B.A. in Law from the University of Applied Sciences-Jordan, and M.A. in Commercial Law from the Law Institute-Birzeit University.

Board Committees

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

Investment Committee

Regularly reviews investment proposals and the performance of PIF's subsidiaries, ensuring investments are made in sound, strategic sectors with acceptable returns and economic and development impact.

Dr. Mohammad Mustafa – Chairman

Mr. Mazen Sinokrot- Member

Mr. Maher Al Masri- Member

Dr. Mohammad Nasser- Member

Audit Committee

Reviews outputs and results of the internal and external audits of PIF and its subsidiaries to ensure the transparency of financial statements and operations.

Mr. Tamer Bazari – Chairman

Mr. Mazen Sinokrot- Member

Mr. Maher Al Masri- Member

Mr. Mohammad Abu Ramdan- Member

Governance Committee

Oversees PIF governance framework that regulates the work of PIF and its subsidiaries, including policies and regulations, and ensures compliance with internal governance rules and regulations and protects against conflicts of interest.

Dr. Mohammad Mustafa- Chairman

Dr. Mohammad Nasser- Member

Mr. Azzam Shawa- Member

Human Resources Committee

Reviews PIF and subsidiaries' human resources policies including determining the salary and benefits of the General Manager and executive directors, the salary scale and policies for PIF staff.

Mr. Nabil Al Sarraf- Chairman

Ms. Lana Abu Hijleh- Member

Mr. Samer Khoury- Member

The General Assembly

PIF's General Assembly is comprised of 30 individuals including members of the Board of Directors, from different backgrounds and specializations, including a range of public, private, and civil society organizations who represent the shareholders. Members of the General Assembly are appointed upon a decree of the President of the State of Palestine according to the by-laws.

The General Assembly members do not receive any financial remuneration for their work and membership.

The Authorities 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 detailed press release of the meeting and its results is published immediately after the meeting, and uploaded on PIF's official website.

Members of the General Assembly

Chairman and Members of PIF's Board of Directors	Mr. Hisham Al Omari
Head of the Palestinian Private Sector Coordination Council	Mr. Abdulkader Al Husseini
Representative of the Court of the Presidency	Dr. Imad Abu Kishek
Representative of the Board of Directors of the Women's Business Forum	Mr. Ahed Bseiso
Dr. Ali Abu Zuhri	Mr. Nassar Nassar
Dr. Nabil Qassis	Mr. Jawdat Al Khoudari
Mrs. Hind Khoury	Dr. Suheil Sultan
Dr. Atef Alawneh	Dr. Ola Awad
Dr. Safa' Nasr Al Deen	Mr. Alaa' Alaa' El Deen
Dr. Ziad Al Bandak	Mrs. Inas Abu Laban

PIF General Manager

The Board of Directors appoints PIF's General Manager and the appointment is approved by the President of the State of Palestine.

The General Manager manages the holding company and reports to the Board of Directors regarding its performance.

The General Manager assists the Board of Directors in setting PIF's annual plans, monitoring and evaluating the performance of its subsidiaries.

Fadi Dweik

Mr. Fadi Dweik has been the General Manager of PIF since 2016. He previously served as the VP for financial and administrative affairs. He also established and headed previously the internal audit function within PIF. Mr. Dweik worked with several prominent international companies in the fields of consulting, audit and risk management, and corporate governance. He has a wide range experience in investments, real estate, banking, and financial institutions, industry, hospitality, non-profit organizations, governmental institutions, and health care providers. In addition to his work with PIF, Mr. Dweik serves on the boards and executive committees of several companies affiliated with PIF as well as NGOs in Palestine. Mr. Dweik holds a Bachelor's degree in Accounting and a Master's degree in Business Administration, both from Birzeit University.

Impact investment in Economic Sectors

Energy Sector

The Energy Sector plays a vital role in the process of economic development. It is considered a primary factor in industrial development and economic growth. Electricity is the main component of this sector. It is important to note that currently, Palestine imports more than 90% of its electricity. As such, PIF is implementing an investment program in the energy sector, both traditional and renewable, to contribute towards achieving energy security and reducing the costs of imported electricity.

Top Energy accomplishments in 2020

1. **Opening and operationalization of Noor Jenin PV Solar Plant with a production capacity of 5MW. An agreement was signed to sell the plant to the North Electricity Distribution Company (NEDCO).**

2. **Starting the installation of solar panels on the rooftops of an additional 120 schools.**

3. **Launching a one-year training program in cooperation with the Engineers' Association to train a number of engineers on solar energy systems for schools' rooftops.**

Noor Palestine Solar Energy Program

Amount of energy produced

14.7

MW

since the launch of the program in 2019

120 specialized job opportunities created in the field of the building of large-sized solar energy plants (engineers, craftsmen, and technicians)

137.5 dunums developed through the establishment of Noor Jericho and Noor Jenin solar energy plants.

Noor Palestine Solar Energy Program

PIF launched 'Noor Palestine Solar Program' with the aim of generating 200MW of electricity from solar energy, which is the equivalent of 14% of West Bank needs of electricity. The size of this investment program amounts to $200 million dollars. The program involves several components such as solar PV plants and schools' solar rooftops program for 500 public schools.

1- "Noor Jericho" Solar PV Plant

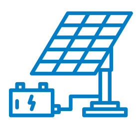
PIF developed Noor Jericho over an area of 86 dunums with a total of 20,000 solar PV panels. The capacity of the plant is 7.5 MW, approximately the equivalent of the consumption rates of 3600 households according to the average annual consumption rate of electricity for households in Palestine.
The plant is operating and has been linked up with JEDCO's electricity grid. The plant will reduce the electricity imports by a total of NIS 4.5 million Shekels annually, and approximately NIS 112 million Shekels throughout its expected 25-year life span.
PIF sold the plant to the Birzeit Pharmaceutical Company, Istishari Arab Hospital, and the National Bank to meet their electricity needs.

Reducing electricity imports

NIS **4.5** million Shekels annually and NIS **112** million Shekels throughout the lifespan of the project

Production Capacity

7.5 MW i.e. the equivalent of the consumption of approximately **3600** households



20000 solar panels over an area of **86** dunums

2- “Noor Jenin” Solar PV Plant

This plant was constructed over an area of 52 dunums of the town of Kufr Dan in the Jenin governorate with a total of 13,500 solar panels. The investment in the plant is approximately US$ 6 million dollars, with a capacity of 5MW, i.e. the equivalent of consumption of 2,400 households of electricity.
An agreement was signed with the Northern Electricity Distribution Company to sell the plant which was activated and linked with their electricity grid, with direct benefit to the municipalities that fall under the Company’s jurisdiction.

Reducing electricity imports

2.97
million Shekels annually, and
74
million Shekels throughout the life span of the project

Production capacity

5 MW
i.e. the equivalent of the consumption of
2400
households

13500
solar panels over an area of
52 dunums

3- Schools Solar Rooftops Program

This program is implemented in partnership with the Ministry of Education, the Jerusalem District Electricity Company (JEDCO), the Northern Electricity Distribution Company, and the Hebron Electric Power Company to provide 500 public schools with rooftop PV systems over a four-year timeframe. The program aims at generating 35MW of electricity with a total investment of of US$ 35 million dollars. It is expected that the program will contribute towards the reduction of the annual electricity bill of participating schools by US$1.2 million dollars.
PIF succeeded in attracting international organizations to fund the program such as the European Investment Bank (EIB) which contributed with US$18 million dollars and IFC with a total amount of US$ 15 million dollars, in addition to a US$2 million dollar-grant from the World Bank.
Works started during the year 2020 to install PV systems on the rooftops of 120 additional public schools in the Jerusalem, Hebron, Ramallah, and Bethlehem governorates after having completed the installation of similar systems on the rooftops of 30 schools in the first phase.
The Program contributes towards upgrading the quality of the school environment in Palestine by using clean energy on the rooftops of public schools, thus helping to reduce the electricity bill of these schools. Part of the electricity generated by these systems will be used to cover the consumption of these schools, while the remaining quantity will be sold to electricity distribution companies.

The program will contribute towards reducing the annual electricity bill of participating schools by a total of US$
1.2
million dollars

Work started for the installation of PV systems on the rooftops of an additional
120
schools during the year 2020

Total production capacity of the program

35 MW
i.e. the equivalent of the consumption of
16,000
households

Gaza Marine Offshore Natural Gas Field

The Palestinian Natural Gas field, Gaza Marine, is located in the Palestinian coastal area and includes an estimated reserve of 1 trillion cubic feet (TCF) of Natural Gas, approximately 30 billion cubic meters (BCM). The project will be developed to support the national economy, giving priority to meeting the domestic market needs for natural gas that would enable 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 a central pillar of Palestine's energy security towards the path to self-sufficiency in power generation, providing a relative degree of energy independence, lessening dependence on imported energy sources and significantly reducing the current trade deficit. Gaza Marine development costs are estimated at $ 1.2 billion dollars.

PIF is focusing on developing the Gas field with its partners, parallel to the international and regional efforts undertaken to overcome the Israeli obstacles to the development of the field to date. In addition to working on finding a global developer as a partner after the relevant Palestinian Cabinet decisions related that approved the exit of British Gas Company owned by Shell Company from the hydrocarbon resources development license agreement. The development company alliance was replaced by a new coalition composed of the existing partners in the agreement; Palestine Investment Fund (PIF) and the Consolidated Contractors Company for Oil and Gas (CCC) and a global developer partner.

شــركة فلســطين لتوليد الطـــاقة
Palestine Power Generation Co.

Jenin Power Plant

PIF is one of the largest investors in the Palestine Power Generation Company (PPGC), which is the development company for the first large scale power plant in the West Bank, located in Jenin. Jenin Power Plant is gas-fired with a generation capacity of approximately 450 MW. The plant will be developed in two phases through Palestine Power Generation Company (PPGC), which is supported by a leading group of Palestinian investors including Palestine Development and Investment Company (PADICO), Palestine Telecommunications Company (PalTel), the Arab Bank Group, the Palestine Electric Company, and the Arab Palestinian Investment Company (APIC). These investors are joined by other local investors including local banks such as Bank of Palestine, Al Quds Bank, and Cairo-Amman Bank.
A goodwill letter had been signed with the developers of the Palestinian natural gas field in order to provide natural gas to the plant. As projected, the Jenin Power Plant will fulfill approximately 40% of Palestine's current total electricity consumption with a total project cost of approximately $650 million dollars.

Jerusalem District Electricity Company

PIF invests in JEDCO's shares given that the company plays a pioneering role in providing Palestinians with electricity in vast areas of Palestine, including in Jerusalem. JEDCO is constantly working on searching for several sources for purchasing electric power, develop the electric power generation capacity from alternative energy sources, particularly solar energy.

JDECO
Jerusalem District Electricity Co. Ltd.

Palestinian Electricity Company (Gaza Power Plant)

PIF is one of the founding investors of the Palestinian Electricity Company that owns the power plant in Gaza Strip alongside many financial local 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.

Health Sector

It is a vibrant sector that directly affects the life of the Palestinian citizens, and it is one of the vital sectors that contributes towards the advancement of societies at all levels. Drawing on that, PIF has always been a firm believer in the importance of developing and upgrading this sector to provide high quality healthcare services for the citizens.

Top Health accomplishments in 2020

1. **Completion of construction works and the soft opening of Ibn Sina Specialized Hospital in Jenin Governorate, as well as opening the emergency department and the outpatient clinics.**

2. **Initiating construction works of Istishari Hospital for Cancer Treatment with a capacity of 170 beds as a first phase over an area of 27,000 square meters.**

3. **Signing the agreement between the Arab Medical Complex and the Palestine Polytechnic University to establish Al Azzeh Medical Complex to be a teaching hospital that supports the Faculty of Medicine and Health Sciences at the Palestine Polytechnic University. Once established, Al Azzeh Medical Complex will be one of the biggest Palestinian medical complexes.**

Size of investment portfolio (with the partners)

US$150 million dollars

620 beds were added during the year 2020

850 jobs created under this investment portfolio including specialized jobs, training, and transfer of knowledge.

Arab Specialized Medical Complex Company

It is a private shareholding company which was established in Nablus in 1998. This company in which PIF is a shareholder manages and invests in a number of leading hospitals in the Palestinian health sector such as the Arab Specialized Hospital in Nablus, the Istishari Arab Hospital in Al Reehan Neighborhood, the Ibn Sina Specialized Hospital in the Jenin Governorate, and Al Istishari Hospital For Cancer Treatment (under construction).

Istishari Arab Hospital in Al Reehan

Istishari Arab 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 $75 million dollars. The hospital extends over a total area of 13,000 square meters, on which a 14-floor building with a total area of 25,000 square meters was constructed.

the hospital is equipped by competent and skilled national staff. It also offers a healthy environment where the needs of the patients and their companions and visitors are available.

The hospital started operating in 2016 with an operational capacity of 100 beds in the primary operational stage. This was followed with a gradual operationalization of a larger number of beds, amounting to a total number of 330 operating beds by the end of 2020. The hospital offers high-quality health services. It contributed to the replacement of referrals abroad, and so it helped reduce the cost of overseas referrals and gave patients access to all the services they need, whether diagnostic or remedial inside Palestine

Al Istishari Hospital For Cancer Treatment (Under construction)

Based on a conviction in the need to provide necessary high-quality healthcare services to our people, the start of construction works of Al Istishari Hospital For Cancer Treatment was announced. The hospital will be built in the Ramallah and Al Bireh Governorate with a capacity of 170 beds as a first stage over an area of 27,000 square meters. This is a company that is affiliated with Arab Specialized Medical Complex Company.
This hospital will offer its services to all the governorates including Gaza Strip, in addition to offering treatment services to children cancer patients. Among the treatments to be offered are chemotherapy for adults and children, nuclear medicine therapy, and oncology clinics. The hospital will contribute towards substituting medical referrals abroad that incur high costs to the treasury, in addition to providing high-quality healthcare services to Palestinian citizens and contributing towards the development of Palestinian medical capacities to serve the citizens.

Ibn Sina Specialized Hospital

Ibn Sina Specialized Hospital is the first specialized hospital in Jenin. PIF, alongside several partners, is a shareholder of the hospital. The hospital will include an emergency department, cardiology, intensive care unit, surgery, radiology, maternity ward, ophthalmology, medical lab, and outpatient clinics. In 2020, construction works were completed and a soft opening of the outpatient clinics and the emergency department took place in the end of 2020.

Telecommunications and infrastructure sector

Telecommunications constitute, undoubtedly, a primary component of the infrastructure needed for development and the acceleration of economic growth. Under this sector, PIF invests in a number of projects and investments that aim at developing it and strengthening the telecommunications infrastructure in Palestine. Among these projects are the Palestinian National Mobile Company Ooredoo, PalTel Company, Mada for Telecommunications and Internet Services, and Transcend Company.

Top Telecommunications and infrastructure accomplishments in 2020

1 **Ooredoo achieved profits amounting to US$7.5 million dollars in 2020, a real turning point in the Company's history.**

Ooredoo Palestine

Ooredoo Palestine was established through partnership between PIF and Ooredoo International Group. The services of Ooredoo Palestine were launched in the West Bank in 2009. 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 2020. The Company witnessed growth in its financial performance this year despite the difficult conditions in the Palestinian market, whereby it succeeded in 2020 to achieve profits amounting to $7.5 million dollars, a real turning point in the Company's history.

Palestine Telecommunications Company (Paltel)

The first operator in the telecommunication services in Palestine, wherein PIF is considered one of the main a co-founders. 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. Being the biggest company within the Palestinian private sector, PalTel Group maintained its status as the biggest company listed in Palestine stock market in terms of its market value which amounted to US$705 million dollars by the end of 2020, i.e. 20.5% of the total market value of Palestine's stock market.

MADA for Telecommunications and Internet Services

Mada Al Arab is considered one of the most prominent providers of internet and communication services for residential and commercial sectors in Palestine. PIF has a decisive share in Mada. This investment contributes towards the development of sustainable infrastructure needed for telecommunications in Palestine.

Transcend Company

Transcend is a specialized IT company. Transcend works from its headquarters in the city of Bethlehem as a call center consisting of 88 seats offering technical support services, customers' services, simultaneous interpretation services, marketing services for commercial and services companies in Palestine and abroad. Transcend offers its services in other languages such as French and German in addition to Arabic and English. PIF, alongside other partners, invests in Transcend with the aim of using this investment in the expansion plans of the company and the hiring of the largest number of qualified individuals.

Industry and Trade Sector

The industry sector, including industrial parks, plays a pioneering role in economic development, particularly in terms of accelerating growth of other sectors. This is particularly true for the industry sector that affects tangibly the process of economic development, since developing and upgrading the industries lead to higher rates of economic growth, the creation of diverse job opportunities, and improvement of economic indicators.

Top Industry and Trade accomplishments in 2020

1. **Work started on the construction of the cement mill through Sanad company. The estimated cost for this cement mill is approximately $85 million dollars. Once built, the cement mill capacity will be around 1.13 million tons of cement annually, constituting approximately 50% of the domestic local demand of this strategic good.**
2. **Engagement in a strategic partnership between Sanad Construction Resources Company and Union Five for Development and Investment from the Issa Khoury Group for Mining and Construction Industries and Aswaq Investment Company through the project company, Jericho Cement Industry Company, to construct the first Palestinian cement mill.**
3. **Completed the awarding of a tender for the equipment supply for the cement mill project with a total amount of approximately US$16 million dollars. This constitutes the first step in the process importing of the components of cement mill. The company signed an agreement of import of the equipment with a Danish company early 2021.**

Sanad Construction Resources Company

PIF established Sanad Construction Resources Company in 2016 as a public shareholder company that listed its stocks in the Palestinian stock market. The aim of establishing this company was to bring together all commercial activities in the sector of trade and manufacturing of construction materials, particularly cement. Sanad is currently implementing with other partners the Cement Mill Project with a capacity of 1.13 million tons annually, covering half of the market needs of this good. The year 2021 will see an accelerated rate of implementation. It is important to note that investment in the Mill project will be carried out through the Jericho Cement Industry Company that currently owns the plant for packaging cement in different sizes.

Siniora Company for Food Industries

PIF has shares in Siniora Company that was established in Jerusalem in 1920. The Company's mission is to provide food products and high-quality services to the consumers. The Company then opened its factories in Jordan in 1992. Siniora Company has a subsidiary company in UAE, namely Al Massa Company for Meat Processing, as well as another subsidiary in Turkey, the Trakia Company for Meat Processing that owns the trademark "Polonez". Siniora is considered one of the first and largest companies for the production of processed meat and has four factories equipped with the latest technologies.

Arab Palestinian Investment Company – APIC

PIF invests in APIC that was established in the year 1994 upon the initiative of a group of Arab businessmen who wanted to direct funding and investments to Palestine. In 2014, APIC shares were listed in Palestine Stock Market. The declared capital of the company is $100 million dollars divided into 100, 000,000 million dollars ($1.00 per share). The paid capital of the company was $95 million dollars by the end of 2020. APIC investments are diversified across manufacturing, trade, distribution, and services sectors in Palestine, Jordan, Saudi Arabia, United Arab Emirates through a group of 9 subsidiaries specialized in several areas such as trade, industry, advertising, and others.

National Aluminum & profile company (NAPCO)

PIF invests in NAPCO that was established in 1991. Since its establishment, NAPCO developed objectives in line with the national interest to create more than 280 job opportunities within its production lines. NAPCO is the first and only industrial company for the manufacturing of aluminum in Palestine. It is based in Nablus over an area of 29,000 square meters and is equipped with a full range of state-of-the-art production lines and technologies. NAPCO has a production capacity of more than 7,000 tons annually of products that are of international quality and standards.

NAPCO is a public shareholder company that is listed in the Palestinian Stock Market. The company's capital is JOD 7.3 million as of the end of 2020.

Birzeit Pharmaceutical Company

PIF invests in the Birzeit Pharmaceutical Company (BPC) which is Palestine's leading manufacturer of generic medicines. With a broad portfolio of products that consist of more than 300 products distributed among ten production lines and covering different therapeutic ranges, BPC targets all types of customers in the local Palestinian market including Ministry of Health, local health care organizations, international health care organizations and programs, end users (through pharmacies and physicians). BPC market is not limited to the Palestinian Territory; the company has a well-established presence in different key export markets – mainly Algeria and East Europe and is continuously targeting new markets.

Industrial Parks

Tarqumia Industrial Park and Bonded Area

PIF obtained the rights to develop and operate Tarqumia Industrial Park. The project will include an industrial park and bonded areas near Hebron. It will facilitate the movement of goods to regional and international markets – serving as a critical link to integrate the Gaza economy with the West Bank. The Park will be connected to the ports and the Jericho Agro-Industrial Park, enabling Palestine to access Arab countries and the rest of the world. It will provide investors and companies with warehouses, land, modern technological logistics solutions strengthen Palestinian products, and promote competencies in the Palestinian industrial supply chain, and other benefits. The project will cost US$ 105 million dollars and will contribute towards strengthening Palestinian products and stimulate qualified human resources in the Palestinian industrial supply chain.

Jericho Agro-Industrial 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. Jericho Agro-Industrial Park is located on the eastern side of the city.

The project aims at providing the needed infrastructure for the investing companies to increase Palestinian exports and enable free access of Palestinian products to foreign markets. The project will provide, upon completion of all stages, about 5,000 direct jobs and at least 10,000 indirect jobs. The first phase of the project was completed over an area of 140,000 square meters of integrated infrastructure suitable for all needs as well as industrial and agricultural projects.

Real Estate Sector

The real estate sector in Palestine witnessed large-scale development and growth throughout all governorates. PIF started to implement a strategy of horizontal real estate development through land development, that have the potential for development and developmental impact, by providing the necessary infrastructure for them. This would stimulate local developers and investors to invest in these lands

Top Real Estate accomplishments in 2020

1. **Complete the full handover of Sarou Project to the beneficiaries in the Jenin governorate. The project involved land parcels of areas ranging between 750-1100 square meters.**
2. **Complete the full handover of Al Bustan neighborhood project in Jericho and Al Aghwar Governorate to a number of beneficiaries. The projects provided land parcels that are ready for construction and development.**
3. **Several companies and institutions working in various economic sectors moved to Amaar building for their new headquarters.**
4. **Agreements singed with hundreds of Palestinian developers and institutions to develop land parcels in the Moon City project.**
5. **Complete handover of the first phase of Birzeit Heights project to beneficiaries with a total area of 31,000 square meters.**

Number of jobs created by the real-estate sector, including temporary and indirect jobs

Approximately 11 Thousand Jobs

2015 - 2009

Number of projects/investments under this sector

9

Area of developed lands

2015 - 2020

2.3

million square meters

Beit Hanina Heights (Jerusalem)

This project is located in the center of Jerusalem in Beit Hanina, one of the most important Palestinian residential areas about 5 kilometers from the old city 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.
Following the obtaining of all needed licenses and approvals for the project, PIF set up an appropriate investment environment for the private sector in Jerusalem to start the implementation of the project. In 2020, an agreement was signed with a Jerusalem-based developer to lead the project which is now ready for implementation. This agreement is in line with PIF's strategy aiming at creating the investment environment for the private sector to start implementing projects in support of the economy in Jerusalem.

Jerusalem Commercial Center

The Jerusalem Commercial Center has a strategic location in the heart of Jerusalem. 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 approximately 20,000 square meters. The project is currently in the phase of obtaining needed licenses and approvals, and attracting partners and investors.

Al Reehan Neighborhood

PIF started the implementation of Al Reehan Neighborhood project from scratch and succeeded in transforming a total area of 2500 dunums of undeveloped lands into a residential, commercial, and investment area. Al Reehan is one of the most well-known and iconic residential neighborhoods in Palestine. It is an extension of the city of Ramallah and is located close to it. The area has various commercial, health, educational, and social facilities. It was developed according to the highest standards of design and infrastructure, allowing it to attract not only citizens for residence purposes, but also a number of investments such as those by the Arab American University, Istishari Arab Hospital, La Casa mall, the housing project of the provident fund of Jawwal employees.

The project contributed to the development of several economic sectors such as the construction sector and others. Several Palestinian companies contributed to the implementation of the project. These companies benefitted from this and created thousands of job opportunities for their employees and workers. The project, that PIF has developed from scratch, consists of 1600 housing units, and can accommodate (8000) people, with an investment of $ 250 million dollars. Currently, works are underway to develop the remaining part of the project in cooperation with local developers.

Al Jinan Neighborhood

Al Jinan model neighborhood is located amidst Jenin city's forests with a total area of 77 dunums that is located 3 kilometers to the east of the city center, and 5 kilometers to the northwest of the Arab American University.

Al Jinan Neighborhood has an integrated infrastructure with all needed elements for a residential area such as road networks, electricity grids, water and telecommunication networks. 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 a central green area. The project was completed in 2019.

Ersal Center

Ersal Center is home to a number of Palestinian and regional companies due to its location in the heart of the twin cities of Ramallah and Al Bireh with the necessary infrastructure for the different commercial facilities. It includes (11) multi-purpose commercial towers.

Two towers have already been constructed in Ersal Center: Amaar Tower, a thirteen-floor building, with (3) underground floors for parking lots and stores. It is home to PIF and Amaar Company among others; and CCC Building, which serves as the company's corporate office, and the office of several Palestinian private sector companies. During the year 2020, work started on constructing two other towers by a number of local developers and investors. Actual construction works started on one of the towers and needed licenses and approvals have been obtained to start working on the other tower.

Moon City

After the successful implementation and sale of the first phase of the Moon City project over an area of 550 dunums, with lots for different commercial, housing and tourism projects that meet the increasing demand by the national companies and organizations for lots of lands for development purpose, PIF offered approximately 1200 dunums as a second phase of the Moon City Project in the Jericho and Jordan Valley Governorate for developers. This will contribute towards developing the Palestinian real estate sector and providing affordable and suitable land lots ready for construction works.

Surda Hills in Ramallah and Al Bireh Governorate

This project, that PIF has launched and implemented, 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 with areas ranging between 500-900 square meters. Each lot is sorted with a title deed, and has all the adequate infrastructure services that provide all necessary services for modern constructions. 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 Governorate

PIF implements this project that is located approximately two kilometers away from the center of Birzeit to the north of Ramallah. Through this project, PIF has effectively offered adequate infrastructure to build new 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. It is connected with the main roads between the Palestinian cities.

Al Bustan Neighborhood in Jericho and the Jordan Valley Governorate

PIF completed the implementation of the project that 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. In 2020, the project was completed with a total area of 37,000 square meters prepared for a number of beneficiaries. PIF develops these lands with the aim of providing lots of land that are ready for construction across all governorates, including Jericho and Al Aghwar governorate.

Tourism Sector

PIF paid special attention to investment in the tourism sector, given the significance of this sector to the Palestinian national economy and job creation. The tourism sector has been severly affected during the COVID-19 pandemic. The closures and lockdowns as a result of the pandemic caused many touristic projects to incur major losses, in addition to the loss of many jobs in this sector. Additionally, PIF put part of its hotel assets under the disposal of official authorities as part of its contribution towards supporting efforts for fighting the pandemic.

Top Tourism accomplishments in 2020

1. **At the onset of the pandemic, PIF took the initiative to place the Grand Park Hotel in Ramallah under the disposal of the Ramallah and Al Bireh Governor to make the hotel as a preventive isolation care center if needed.**
2. **Making the New Capitol Hotel in Jerusalem available as headquarters for medical teams in Jerusalem to fight the pandemic.**

Number of projects:

8

Number of hotel rooms:

1,015
Hotel rooms

208
Number of hotel rooms under construction

Golden Gate Hotel (Under construction)

This planned hotel will have 208 rooms in the heart of Jerusalem in Shiekh Jarah neighborhood. The project area will be 3200 square meters with 21.000 square meters built-up area. With an estimated investment of $ 41 million. The project will enhance the city's sustainable tourism efforts by providing and improving the existence of projects owned by Jerusalemites. The project is currently in the phase of planning, applying for the needed licenses and approvals, and attracting partners.

New Capitol Hotel

PIF invests in the New Capitol Hotel in partnership with the Jerusalem District Electricity Company. 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. During the stage of renovation, it provided 200 job opportunities. After it was opened, over 40 incoming 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 PIF is one of the major shareholders of the hotel along with other shareholders.

Millennium Hotel

It is one of the International Millennium Hotels chain. It is located in Ramallah which is one of the most vibrant cities in Palestine. It is just a few minutes- walk from the downtown and approximately 1.5 kilometers from the shopping and recreation area in the city. This 5-star hotel is the sole international one in Palestine. It spans over 9665 square meters and PIF is one of the shareholders in it along with other partners.

Bethlehem Convention Palace

PIF is one of the shareholders in the Bethlehem Convention Palace alongside other partners, the most prominent being CCC. The Palace is located in the Bethlehem Governorate and is considered one of the most prominent modern sites in Palestine. The Convention Palace is an architectural masterpiece and the best venue for meetings, events and activities, folkloric and cultural eves in Palestine. It includes an amphitheater that has an elegant architectural design and is considered the most modern amphitheater in the area, has the latest lighting and sound equipment and technologies, and can accommodate approximately 1550 persons.

Grand Park Hotel (Ramallah)

Grand Park is considered one of the best hotels in Palestine with a strategic and comfortable location in Al Masyoun neighborhood in Ramallah. The hotel was placed under the disposal of the Governor of Ramallah and Al Bireh to use it as a preventive isolation care center against COVID-19 virus.

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 the agriculture and livestock sector since it is one of the promising productive sectors in Palestine in addition to its role in strengthening the steadfastness of farmers, creating job opportunities for a large segment of Palestinian laborers.

This investment is based on PIF's conviction of the need to promote the agricultural sector, developing it to stay up-to-date with the global technological development in the sector. PIF also believes in the importance of activating the role of good governance within all the agricultural projects that PIF has established in partnership with local like-minded investors who share PIF's vision and policies.

During the years 2019 and 2020, PIF worked and continues to work on establishing a dedicated investment portfolio for agricultural projects, whereby PIF ensured the distribution of investments across all the governorates, particularly in the so-called Area C. These investments are diversified in terms of focus to target traditional agriculture, livestock, food processing, and others.

Top Agriculture Accomplishments in 2020

1. **Launching work to develop 362 dunums after completing the development of 178 dunums out of a total of 540 dunums of agricultural lands located in Al Aghwar area (so-called Area C) under Al Dalyeh Farm project, despite the difficulties and political challenges in the area.**
2. **Contribution to GDP with more than 330 tons of agricultural crops, including 240 tons of various seasonal crops, more than 90 tons of early seedless grapes that have a high economic value.**
3. **Started preparation and infrastructure works for Al Rabyeh Factory for Animal Feed in the Hebron governorate.**

Size
of investment
10.5
million dollars

Area of land in which PIF invested in vital areas

540

Al Dalyeh Company for Agricultural Investment
– Early Seedless Grape Farm

Al Dalyeh Company for Agricultural Investment was established in partnership with Sawafta Brothers Corporation in the beginning of 2018 based on a clear strategy that involves the development of a total agricultural area of more than 540 dunums of lands in the so-called Area C. These lands are located in the north-eastern part of the West Bank as part of Tubas Governorate's lands and on the western borders of Jordan River (Jordan Valley). During the year 2020, work started on developing 320 dunums of agricultural lands in the Palestinian side of the Jordan Valley area as part of this project. The project had collected the second crop of seedless grapes that were planted on an area of 178 dunums. Upon completion of the work, the total area of the farm will reach 540 dunums.

PIF's goal from this project is to strengthen the steadfastness of farmers and their families on their lands in the so-called Area C, and provide them with job opportunities. On the economic side, PIF seeks to invest in agricultural crops with cost-effective economic returns, meet the demand of the local market for early seedless grapes, and provide a high-quality substitute for imported grapes.

Al Rabyeh Animal Feed Company

Al Rabyeh Animal Feed Company was established in the Hebron governorate at the end of 2018 through partnership between PIF and Palestine Industrial Investment Company (PADICO Industrial), with a total capacity of more than 230,000 tons annually of animal feed made from plant inputs only. The company is seeking to establish an industrial plant equipped with modern production lines that operate according to the best standards for the production of feed for ruminating animals and poultry that are of high quality and capable of competing with imported feed. Work is underway on the infrastructure of the project.
The project aims at contributing towards bridging the gap within local production of animal feed in southern West Bank and substitute imported feed from external markets, as well as contribute towards achieving animal food security through the plant's ability to store up to 20,000 tons of grains used in the production and animal feed.

Education and Technology Sector

PIF has paid the education sector major attention and focused and focused, in cooperation with partners, on improving and developing the quality of education, in addition to investing in emerging technology-related projects that contribute towards the development of this sector in general.

Top Education and Technology sector Accomplishments in 2020

1. **Contributing to providing educational opportunities for 500 students through a holistic technology curriculum.**

2. **Contributing to the support of 27 start-ups in the field of IT.**

Al Jinan International School

Al Jinan International School is the first of its kind to focus on technology, applied skills, and coding classes for all stages. Al Jinan Real Estate Investment Company initiated the establishment of the school, through efforts led by a group of investors and businessmen, along with several academics and professionals in Jenin Governorate. The current number of students is 500 (boys and girls). The school was opened in 2018.

The American International School in Gaza

AISG was built in Gaza city in 2000 as an independent co-educational school and caters to all levels primary and secondary levels. Most of its graduates join international universities and colleges.
All courses at AISG are taught in English, except Arabic and French languages. It offers an academic curriculum that matches the American curriculum.

Ibtikar Fund

PIF is a shareholder in the Ibtikar Fund, a $10 million dollar-fund that invests in innovative Palestinian IT start-ups at early stages. Ibtikar succeeded in empowering 26 Palestinian start-ups in the field of IT.

Play 3rabi Company

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

Microfinance Sector for SMEs and Entrepreneurship

SMEs are the backbone of the Palestinian economy. This sector which makes up more than 98% of the operating establishments in Palestine and is the largest employer of the Palestinian workforce.

Accordingly, PIF launched a range of programs and projects that aim at strengthening this sector, enabling small businesses to access needed financing to develop their commercial activities.

Top SMEs accomplishments in 2020

1. **Launching Esnad Emergency Program for the support of MSMEs with a total amount of $25 million dollars as a result of the COVID-19 pandemic.**
2. **The financing of 47 small businesses in Jerusalem under the Jerusalem Program for Lending SMEs.**
3. **Training of 320 young men and women under the Development Impact Bonds Program for the employment of youth.**
4. **Financing of 22 enterprises in Jerusalem for a total of Euros 660,000 under the Jerusalem Matching Grants Facility in cooperation with the EU.**

Number of beneficiary companies

1,703

during 2020

Number of projects/investments in the sector

9

Number of jobs created

1,587

during 2020

Ibda' Program for Young Entrepreneurs:

This program led by PIF aims at providing production loans with appropriate and encouraging conditions through Palestinian lending and financial leasing institutions operating in Palestine to facilitate the establishment of new projects for youth, and create self-employment primarily or create external job opportunities for existing youth projects that would use the funding for expansion purposes.
The program was launched through support from the Arab Fund for Economic and Social Development in the form of a $30 million dollars loan. By the end of 2020, loans were issued to microfinancing and financial services' institutions for a total amount of $ 30 million dollars, whereby more than 2,150 projects/loan were financed for a total amount of $20 million dollars through funding and financial leasing institutions. These loans contributed to the maintaining and creation of more than 4,500 job opportunities. The percentage of women within the benefitting projects was approximately 36% of the total portfolio, while the majority of the projects were project led by youth between 18-35 years old.

Lebanon Refugee Economic Empowerment Program

The program that has been launched by PIF aims at supporting Palestinian refugees in refugee camps and Palestinian communities in Lebanon, by providing loans ranging between $500-$5,000 for income-generation projects, through 4 Palestinian and Lebanese lending institutions. More than 4,058 productive loans were provided in Palestinian refugee camps and communities since the launching of the program with a total value of $ 7.25 million. Young people attained 51% of the total value of these loans while women attained 27% while 6500 jobs were created and retained.

Economic Development Fund

PIF invests in the Economic Development Fund of the Palestinian people, which is a development investment fund with a capital amounting to $500 million dollars. The Fund was established by the Islamic Development Bank in Jaddeh with a view to enable the Palestinian economic environment by investing in economic projects with development and social impact.

Jerusalem Matching Grants Facility

This program provides funding ((in which the entrepreneur contributes) to SMEs that are the backbone of the economy in Jerusalem, through direct funding from the EU and PIF to companies that demonstrate their ability to implement their expansion plan and develop their business activities.

By the end of 2020, it provided 47 small businesses in Jerusalem with a total amount of Euros 1.5 million. It provided and retained 350-400 jobs through these enterprises. 55% of these loans were provided to young people (less than 36 years) and 19% for women. It is important to note that 30% of the funded projects were new and launched after obtaining funding.

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 facilitated guarantees. The Arab Fund provided a $4.5 million loan portfolio for this program. Around 120 loans of $4.1 million were provided to SMEs in Jerusalem, covering various sectors including industry, services, trade, and tourism. The program managed to create and retain 600 new job opportunities.

Development Impact Bond (DIB) Program

Funding for Job Creation project launched DIB to develop the skills and employ the young in Palestine, funded in partnership with 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.
This program supports job-applicants to match their skills to labour market needs. It targets a group of 1500 beneficiaries aged between 18-29 years (at least 30% of them are females). Many of them shall be employed in the different sectors such as healthcare, nursing, online marketing, IT, education, engineering and others.
More than 6 agreements were signed in 2020 with service providers and 320 young men and women trained while more than 40 were employed.

Esnad Emergency Program for supporting MSMEs

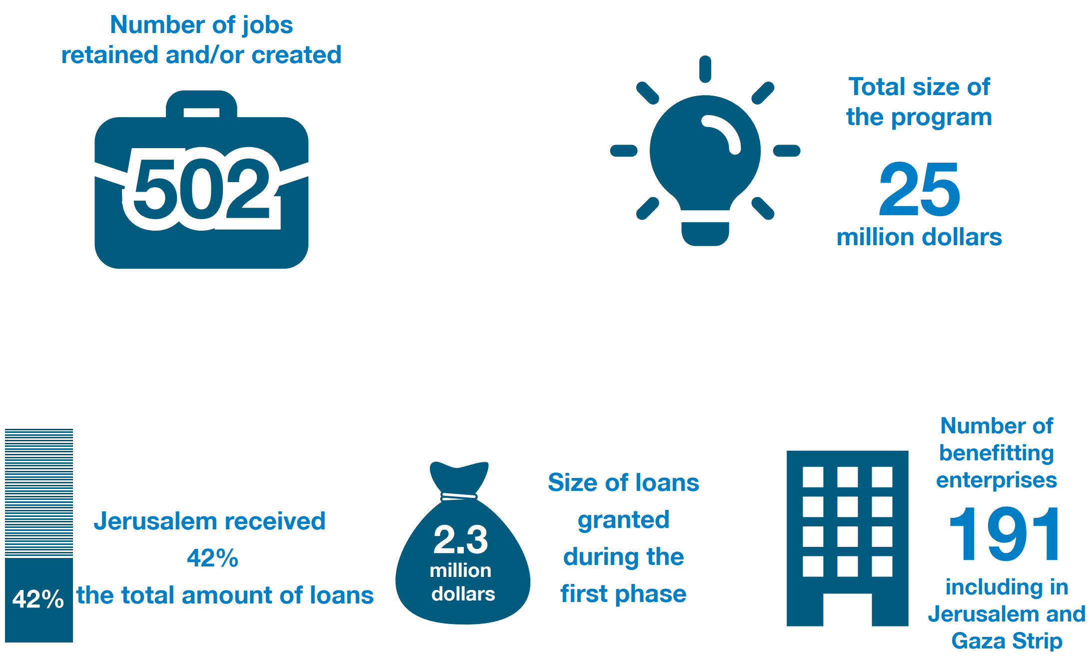
PIF launched this program during the COVID-19 pandemic with the aim of enabling small and micro enterprises to access needed financial liquidity to help them continue their operations through a portfolio of loans and a portfolio of financial facilitations for a total amount of $25 million dollars spread over several phases. The loans can be used to cover the operating capital including the running expenditures of rent, salaries, and others. This would allow MSMEs to retain their workers and employees by paying their salaries during the state of emergency that Palestine is going through since the outbreak of the pandemic.

The program has two main elements:

- Loan program of a total amount of $15 million dollars to be implemented in two phases by providing loans of a maximum amount of $20,000 per enterprise during the first phase, and loans of a maximum amount of $100,000 per enterprise for the second phase. The program was actually launched and provided funding through lending institutions.

- Additional facilitations of a total amount of $10 million dollars that PIF is preparing in cooperation with other financial institutions.

Results of phase 1 and phase 2



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 loans of over $79 million dollars for 37,000 beneficiaries.

Palestinian Ijarah Company

PIF launched Ijarah Company in partnership with the Islamic Corporation for the Development of the Private (ICD) and Palestine Islamic Bank. Ijarah is the first specialized Islamic leasing company in Palestine; offering Islamic leasing solutions (Ijarah) to SMEs.
The company leases machines, equipment, vehicles and production lines for the purpose of ownership. It also targets the productive sectors and SMEs in the Palestinian market.
Since its inception in 2013, Ijarah Company provided its services for more than 500 Palestinian companies. It also offered 1,100 financial leases with an investment portfolio of more than $34 million.

Financial Services Sector

Financial markets are necessary for achieving economic benefits and incentivizing the companies the shares of which are listed in the stock exchange to monitor and follow the changes that are taking place in the markets, pushing for improving the performance of these companies, increase their profits, in order to improve 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.

PIF owns a portfolio in financial markets that invests in existing companies in the local, regional, and international markets and operating in a variety of sectors such as health, communications, industry, and banks. It aims primarily at achieving the required financial impact in terms of meeting the goals of investors on the one hand, and financing long-term development projects on the other, in addition to the impact on development indicators.

Rasmala Palestine Equity Fund

Rasmala Palestine Equity Fund was initiated and led by PIF along with key partners in 2011, to manage an investment portfolio in companies listed in the Palestinian stock market and to attract local and global investment in Palestinian securities, with an investment size of more than $50 million dollars.

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.
The Bank's assets increased in 2020 by 23% compared to the growth of banking sector's assets by 2.11%. The financing operations of the bank grew by 25% compared to 5.11% within the banking sector. Deposits of the Arab Islamic Bank grew by double compared to deposits of the banking system by 27% compared to 1.13% respectively.

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.

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.

Bank of Palestine

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

PIF's efforts in fighting COVID-19 pandemic

Since the start of COVID-19 pandemic in the beginning of 2020, all the efforts of the public and private sectors focused on the one hand on preserving our health sector to allow it to fulfill its role in the best manner possible. On the other hand, the efforts focused on supporting the national economy maintain its resilience during the pandemic. In the context of concerted efforts of all parties, PIF was not isolated from its national environment, and as such, placed all its assets and capacities under the disposal of the competent parties to confront the pandemic. PIF also launched a program for MSMEs to allow them to access financial liquidity needed to maintain their operations.

Making a Grand Park Hotel as COVID - 19 preventive isolation care center

PIF, upon its own initiative, handed over the Grand Park Hotel in Ramallah to the Governor of Ramallah and Al Bireh and the Ministry of Health to be used as a COVID-19 preventive isolation care center.

Part of the hotel's delivery to the governor of Ramallah and Al-Bireh

Launching of Esnad Emergency Program for support of MSMEs with a total amount of US$25 million dollars

PIF launched Esnad Emergency Program to support MSMEs, including support for purposes of the operational capital to allow these enterprises to access financial liquidity needed to maintain their operations and retain their workers and employees by paying their salaries during the state of emergency that Palestine is going through since the outbreak of the pandemic, and support them during the post-pandemic recovery phase.
The first phase of Esnad aimed at extending soft loans to enterprises with a maximum ceiling of US$20,000 per enterprise. The first phase achieved positive results as 191 loans were provided by the end of 2020 for a total amount of US$2.3 million dollars. The loans helped retain more than 500 jobs.
The second phase of Esnad was launched at the end of 2020. This phase seeks to raise the ceiling of granted loans for small enterprises up to US100,000. This will allow enterprises to access financial liquidity needed to recover and expand their activities and development plans and move out of the resilience phase to the recovery phase.

One of the benefiting projects from Esnad program

One of the benefiting projects from Esnad program

Handing over the New Capitol Hotel in Jerusalem to be used as headquarters for medical teams in the city in fighting COVID-19.

PIF took the initiative to hand over the New Capitol Hotel in Jerusalem to Arab medical teams operating in the city to fight the COVID-19 virus. The hotel was placed under the disposal of these medical teams to help them strengthen their presence in Jerusalem and curb the spread of the pandemic among its residents.

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) program implemented by PIF focuses on supporting sectors, segments, and area that have on the one hand huge potentials to contribute towards economic development while some of them, such as youth, women, persons with disability, suffer from tremendous challenges. PIF views these segments of the society as an essential component for development.

Additionally, PIF gives priority to Jerusalem and vital marginalized and threatened areas in addition to refugee camps. In this regard, the program has provided support and sponsorship for a number of initiatives to support the resilience and steadfastness of our people, help them hold firm onto their lands, improve their livelihoods, and provide them with additional job opportunities.

Following are some examples of interventions supported by PIF through the CSR Program:

Corporate Social Responsibility

%10 to support economic empowerment institutions

%15 to support the cultural sector in Palestine

%31 to support educational institutions and implement youth-targeting projects

%30 to support Jerusalem and Area C

67 institutions

• Launching of a training program for a number of engineers to train them on solar energy systems on the rooftops of schools

PIF and the Engineers' Association-Jerusalem Branch signed a MOU to provide a training program for a number of graduate engineers in the fields of electric engineering- renewal energy and civil engineering- management of establishments- to build their capacities in projects and programs related to their field of study- which would help them acquire technical experience and enhance practical skills.

• PIF invests in the establishment of the Center for Creative Agricultural Expertise

PIF, An Najah University, Hebron University, and Al Quds University signed an agreement to launch the 'Center For Creative Agricultural Expertise' Project that aims at developing the agriculture and food industries sector through studies, research papers, and solutions that serve this sector, and particularly Palestinian private sector companies specialized in this field who will benefit from this Center.

• Supporting the education improvement project in refugee camps in southern West Bank

Provide smart boards for Al Fawwar and Al Dheisheh Girls schools to improve academic achievement inside these schools, change methods of teaching by using smart boards.

• Adaptation of a park to suit children with special needs in Salfit

PIF helped support the development of a park that is adapted to children with special needs in Salift in partnership with the Salfit Municipality and the Local Council of Be'eineh Al Njeidat. The part is part of the Salfit municipality park that extends over an area of 4 dunums. The children's park is located close to the city center, making it easily accessible to children with special needs.

• Supporting the installation of solar energy systems in threatened areas in the Jordan Valley

PIF supported the Tubas Governorate in installing solar energy systems in the Palestinian side of the Jordan Valley area. The aim was to strengthen the steadfastness of residents in the area, provide them with basic needs that allow them to remain on their lands, since electricity is considered one of the basic resources for life and the fact that electricity networks are non-existent in many Bedouin communities in those areas, thus solar panels are considered among the most effective solutions for this problem

• Providing 13 computers to Jerusalem-based schools under the project of Faisal Al Husseini Foundation titled ‘ Buy time for Jerusalem schools’

PIF supported Jerusalem-based schools by providing 13 computers that were distributed to schools in cooperation with FHF to support the educational process and teaching remotely. FHF had launched its project ‘Buy time for Jerusalem schools’ in order to support the continuity and development of the educational process in the occupied city and guarantee high-quality education for the students.

• Support the project for the development of agricultural lands on Ein Al Zarqa water spring in Ramallah and Al Bireh Governorate

PIF, in partnership with Al Jenan Society for Agricultural development, supported the development of 5 dunums of agricultural lands in Ein Al Zarqa near the village of Deir Ghassaneh in the Ramallah and Al Bireh Governorate. The project aims at protecting agricultural lands threatened by settlement activities and are located in Area C. These agricultural lands are considered fertile and are promising in terms of producing leaf, fruit, and flowery plants as well as medicinal herbs. The support will help farmers in the area find a source of income and protect their lands.


Part of the lands to be developed

• Supporting two initiatives for remote education and development of kindergartens in the north-west villages of Jerusalem

PIF supported two initiatives that aim at supporting remote education and development of kindergartens in these communities in cooperation with the Society of University Students’ Fund of North-West Jerusalem and the Joint Services Council for Planning and Development of North-West Jerusalem.

The project provided 17 laptops to ten villages in the area through schools and village councils.

In terms of the development of kindergartens, PIF, in partnership with the Charitable Society of University Students’ Fund in North-West Jerusalem, secured the needs of a number of Kindergartens in those villages, building play areas, and providing for the needs of the educational process in the kindergartens in Bir Nabala, Biddo, and Beit Iksa, particularly in light of the difficult health, political, and security conditions affecting the area.


Handing laptops to students


Playground for People with Disabilities in Salfit

PALESTINE INVESTMENT FUND COMPANY P.L.C

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

PALESTINE INVESTMENT FUND COMPANY P.L.C

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020, 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, 2020, 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' International 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 2020 Annual Report

Other information consists of the information included in PIF's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. PIF's 2020 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.

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

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Sa'ed Abdallah

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Sa'ed Abdallah
License # 105/2003

Ramallah – Palestine
June 15, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

		U.S. $ 000's		
	Notes	2020	2019 Restated (Note 40)	1 January 2019 Restated (Note 40)
Assets				
Non-current assets				
Property, plant and equipment	6	128,839	150,995	164,169
Investment properties	7	41,157	55,418	68,761
Projects in progress	8	41,262	45,752	43,485
Investments in associates	9	160,604	158,949	140,091
Investments in joint ventures	10	4,417	6,275	5,074
Investments in securities	11	100,361	106,119	115,631
Other assets	12	67,967	64,063	59,509
		544,607	587,571	596,720
Current assets				
Properties ready for sale	13	29,262	22,404	11,725
Accounts receivable	14	119,908	112,257	93,334
Investments in securities	11	162,740	151,382	164,674
Other current assets	15	32,976	30,624	22,606
Cash and deposits at banks	17	43,483	61,502	91,133
		388,369	378,169	383,472
Assets held for sale	16	1,303	8,982	-
		389,672	387,151	383,472
Total assets		934,279	974,722	980,192
Equity and liabilities				
Equity				
Paid-in share capital	18	625,000	625,000	625,000
Shareholder's current account	19	(77,125)	(57,818)	(42,278)
Statutory reserve	20	103,423	102,347	99,823
Voluntary reserve	20	12,001	37,925	35,401
Foreign currency translation reserve		2,699	992	384
Fair value reserve	11	(2,201)	1,782	4,999
Retained earnings		8,686	(10,272)	(10,876)
Total equity attributable to shareholder		672,483	699,956	712,453
Non-controlling interests		5,725	8,669	16,609
Total equity		678,208	708,625	729,062
Non-current liabilities				
Long-term loans and lease liabilities	22	111,694	116,083	108,022
Deferred tax liabilities	23	1,643	2,234	2,909
		113,337	118,317	110,931
Current liabilities				
Credit facilities and current portion of long-term loans and lease liabilities	24	71,250	72,387	82,045
Accounts payable	25	20,083	38,106	26,204
Provisions and other liabilities	26	48,746	36,538	31,731
Provision for income tax	27	2,655	749	219
		142,734	147,780	140,199
Total liabilities		256,071	266,097	251,130
Total equity and liabilities		934,279	974,722	980,192

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

CONSOLIDATED INCOME STATEMENT
For the Year Ended December 31, 2020

		U.S. $ 000's	
	Notes	2020	2019
Operating revenues	28	113,946	151,017
Share of associates' results of operations	9	6,427	5,971
Share of joint ventures' results of operations	10	(501)	(54)
Gain from sale of associates	9	-	957
Gain from sale of a subsidiary	5	-	303
Gain from investments in financial assets	29	24,933	32,756
Operating expenses and cost of sale	28	(103,631)	(140,133)
		41,174	50,817
Interest income	30	1,495	2,514
Change in fair value of investment properties	7	691	162
Gain from sale of investment properties	7	76	668
Investment expenses	31	(2,015)	(2,035)
General and administrative expenses	32	(12,036)	(13,254)
Depreciation and amortization	6	(3,853)	(4,364)
Grants and donations		(747)	(1,228)
Finance costs		(10,364)	(9,860)
Other (expenses) revenues, net	33	(3,976)	1,824
Profit for the year before income tax		10,445	25,244
Income tax expense	27	(1,843)	(900)
Profit for the year		8,602	24,344
Attributable to:			
The shareholder		10,764	25,237
Non-controlling interests		(2,162)	(893)
		8,602	24,344

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2020

	Notes	U.S. $ 000's 2020	2019
Profit for the year		8,602	24,344
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	11	(3,477)	(2,381)
Share of associates' other comprehensive income items	11	(134)	(66)
		(3,611)	(2,447)
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		900	779
Change in fair value of cash flow hedge	11	(420)	(668)
Share of associates' and joint ventures' other comprehensive income items - foreign currency translation differences		807	(171)
		1,287	(60)
Total other comprehensive income items		(2,324)	(2,507)
Net comprehensive income for the year		6,278	21,837
Attributable to:			
The shareholder		8,440	22,730
Non-controlling interests		(2,162)	(893)
		6,278	21,837

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, 2020
(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
2020										
At January 1, 2020	625,000	(57,818)	102,347	37,925	992	1,782	(10,272)	699,956	8,669	708,625
Profit for the year	-	-	-	-	-	-	10,764	10,764	(2,162)	8,602
Other comprehensive income items	-	-	-	-	1,707	(3,983)	(48)	(2,324)	-	(2,324)
Net comprehensive income for the year	-	-	-	-	1,707	(3,983)	10,716	8,440	(2,162)	6,278
Shareholder's current account (note 19)	-	(36,307)	-	-	-	-	-	(36,307)	-	(36,307)
Distributed dividends (note 21)	-	17,000	-	(7,000)	-	-	(10,000)	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	521	521	(782)	(261)
Effect of associate's purchase of non-controlling interests (note 9)	-	-	-	-	-	-	(127)	(127)	-	(127)
Transfers (note 20)	-	-	1,076	(18,924)	-	-	17,848	-	-	-
At December 31, 2020	625,000	(77,125)	103,423	12,001	2,699	(2,201)	8,686	672,483	5,725	678,208

	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 – before adjustments	625,000	(42,278)	102,286	37,864	384	4,999	8,827	737,082	17,224	754,306
Adjustments (note 40)	-	-	(2,463)	(2,463)	-	-	(19,703)	(24,629)	(615)	(25,244)
At January 1, 2019 – after adjustments	625,000	(42,278)	99,823	35,401	384	4,999	(10,876)	712,453	16,609	729,062
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 19)	-	(30,540)	-	-	-	-	-	(30,540)	-	(30,540)
Distributed dividends (note 21)	-	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 (note 20)	-	-	2,524	2,524	-	-	(5,048)	-	-	-
At December 31, 2019	625,000	(57,818)	102,347	37,925	992	1,782	(10,272)	699,956	8,669	708,625

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	Notes	U.S. $ 000's 2020	2019
Operating activities			
Profit for the year before income tax		10,445	25,244
Adjustments:			
Finance costs		10,364	10,007
Interest income		(1,495)	(2,514)
Share of associates' results of operations		(6,427)	(5,971)
Share of joint ventures' results of operations		501	54
Change in fair value of investment properties		(691)	(162)
Gain from investments in financial assets		(24,933)	(32,756)
Gain from sale of a subsidiary		-	(303)
Gain from sale of associates		-	(957)
Gain from sale of investment properties		(76)	(668)
Provisions for expected credit losses		3,875	837
Loss (gain) from sale of property, plant and equipment		218	(48)
Depreciation and amortization		14,195	14,143
Impairment of assets		1,090	1,429
Other non-cash items		(675)	(661)
		6,391	7,674
Working capital adjustments:			
Accounts receivable		(11,038)	(19,056)
Other current assets		(2,603)	(8,989)
Ready for sale properties		12,267	1,097
Accounts payable		(18,023)	11,902
Provisions and other liabilities		8,137	3,901
Income tax payments		(437)	(633)
Change in restricted cash		(3,652)	(6,718)
Net cash flows used in operating activities		(8,958)	(10,822)
Investing activities			
Investments in securities		4,373	41,931
Purchase of property, plant and equipment		(958)	(3,902)
Sale of property, plant and equipment		3,557	1,145
Investment properties		1,482	11,583
Investments in joint ventures		1,019	(1,847)
Investments in associates		3,548	(13,897)
Sale of shares in subsidiary		-	1,039
Projects in progress		4,598	(15,440)
Granted loans		(4,626)	(5,543)
Assets held for sale		7,268	(2,725)
Dividends and interest received		15,018	14,628
Change in term deposits maturing after three months		3,291	562
Net cash flows from investing activities		38,570	27,534
Financing activities			
Net movement on shareholder's current account		(19,307)	(15,540)
Cash dividends paid		(17,000)	(15,000)
Long-term loans and lease liabilities		23,881	49,881
Settlement of long-term loans and lease liabilities		(17,384)	(46,336)
Change in non-controlling interests		(261)	(9,662)
Finance costs paid		(10,331)	(9,767)
Net cash flows used in financing activities		(40,402)	(46,424)
Decrease in cash and cash equivalents		(10,790)	(29,712)
Foreign currency translations differences		894	779
Cash and cash equivalents, beginning of the year		7,645	36,578
Cash and cash equivalents, end of the year	17	(2,251)	7,645

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

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 June 12, 2021.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2020.

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

		Ownership %	
	Nature of business	2020	2019
Sanad Construction Resources (Sanad)*	Trade	97.5	97.5
Sanad Constructions Industries (PCSC)	Trade	100	100
Amaar Real Estate Group (Amaar)*	Real estate and Tourism 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
Arab Hotels Company (AHC)	Tourism investment	55	55
Massader Company for the Development of Natural Resources and Infrastructure Projects (Massader) *	Energy Investment	100	100
Jericho Cement Industry Company (Jericho)	Cement Trading	100	100
Others	Real estate, financial investment and transportation	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 and Massader have investments in partially owned subsidiaries that have non-controlling interests. Non-controlling interests' share of these subsidiaries' equity amounted to U.S. $ 211,000 as at December 31, 2020 (2019: U.S. $1,026,000).

3. Accounting policies and basis of preparation

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, 2020.

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 the 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.

The financial statements of the subsidiaries are consolidated with PIF's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and results of PIF with the assets, liabilities, and results of its subsidiaries. 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 amendments effective starting January 1, 2020. The adoption of these 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.

<u>Amendments to IAS 1 and IAS 8: Definition of "Material"</u>

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'.

These amendments had no impact on the consolidated financial statements of PIF.

<u>Amendments to IFRS (3): "Definition of a Business "</u>

The IASB issued amendments to the definition of "business" in IFRS (3) – "Business acquisitions" to assist enterprises determine whether the group of activities and assets acquired meet the definition of "business" or not. These amendments clarify the minimum business requirements, remove the assessment of whether market participants are able to replace any non-existent business elements, and add guidelines to help entities assess whether the acquired operation is material, determine business definitions and outputs, and add an optional fair value concentration test.

The amendments have been applied to transactions that are either a business merger or the acquisition of assets whose acquisition date is on or after the beginning of the first annual reporting period that began on or after January 1, 2020. Thus, PIF has not had to reconsider these transactions that occurred on earlier periods.

The applied amendments did not impact PIF's consolidated financial statements.

<u>Amendments to IFRS (9) and IFRS (7) Interest Rate Benchmark Reform</u>

Amendments to the interest rate standards of IFRS (9) and IFRS (7) include a number of reliefs that apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if it gives raise to uncertainty about the timing and / or amount of benchmark-based cash flows of the hedged item or hedging instrument. During the period prior to replacing the current interest rate standard with a risk-free rate (RFR). This may lead to uncertainty as to whether the prospective trade is likely and whether the future hedging relationship is effective or not.

As a result of this modification, there may be uncertainty about timing and/or amount of cash flows based on the standard, for the hedging item or hedging instrument during the period prior to the replacement of the existing interest rate standard with a risk-free alternative (RFR). The amendments are effective for financial periods beginning on or after January 1, 2020. The amendment must be done retrospectively. However, any hedging relationships that were previously canceled cannot be reinstated upon the request, and no hedging relationships can be assigned based on past experience.

After completing the first phase, the IASB shifts its focus to matters that may affect financial reporting when replacing the current interest rate standard with a (RFR). This is referred to as the second phase of the IASB project.

The applied amendments did not impact the consolidated financial statements, and it is not expected that there will be any future impact on PIF.

Amendments to IFRS (16) Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS (16) Leases. The amendments provide relief to lessees from applying IFRS (16) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

These amendments have been applied from June 1, 2020. The amendments have no material impact on the consolidated financial statements of PIF.

Amendments to IAS (19): amendment, curtailment or settlement of the plan

Amendments to IAS (19) clarify the accounting treatment when the plan's amendment, curtailment, or settlement occurs during the fiscal year. The amendments also clarify that PIF must first determine any past service cost, profit or loss from settlement, without taking into account the impact of the asset ceiling. This amount is recognized in the consolidated income statement.

Then the effect on the asset ceiling is determined after modifying, reducing or settling the plan. Any change, except for amounts, is recognized in the net interest in the consolidated statement of comprehensive income. The applied amendments did not impact 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 and amendments when they become effective:

Amendments to IAS (1): Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS (1) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS (3) "Business acquisitions

In May 2020, the IASB issued Amendments to IFRS (3) Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS (3) to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS (37) or IFRIC (21) Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS (3) for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the consolidated financial statements of PIF.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS (16)

In May 2020, the IASB issued Property, Plant and Equipment —Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on PIF's consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS (37)

In May 2020, the IASB issued amendments to IAS (37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. PIF will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on PIF's consolidated financial statements.

IFRS (9) Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS (9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on PIF's consolidated financial statements.

IAS (41) Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS (41) Agriculture. The amendment removes the requirement in paragraph 22 of IAS (41) that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS (41).

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the consolidated financial statements of PIF.

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.

Other notes that indicate the degree of risk that PIF faces, are the following notes:

- Risk management (note 36)
- Capital management (note 37)

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.

To assess whether the credit risk on a financial instrument 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 instruments 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.

Determining the lease term for contracts with renewal and termination option
PIF and its subsidiaries define the lease term as the irrevocable lease period, along with any periods covered by an option to extend the lease if it is reasonably certain that it will be practiced, or any periods covered by the option to terminate the lease, if it is reasonably certain not to exercise it.

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 sold property 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 revenues and services are recognized over the lease term. The amount of the rent and services paid by the tenants for periods beyond the date of the consolidated financial statements is recorded as revenue received in advance, while the amount of the rent and services that have not been paid as of the date of the consolidated financial statements are recorded as accrued or unpaid income.

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 in securities income

Gains or losses on trading of investments in securities are recognized when the trading process is complete. 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.

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,
- 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,
- 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 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:

- Quantitative disclosures of fair value measurement hierarchy (note 34)
- Investment properties (note 7)
- Investments in securities (note 11)

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 2020 and 2019.

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 or not.

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 tested 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:

Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that PIF becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, PIF accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, PIF recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

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

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 has not classified any debt instrument matching amortized cost criteria as financial asset at fair value through profit or loss.

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.

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

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.

<u>The calculation of ECL</u>

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 are 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 effect of Coronavirus (Covid-19) (note 41), 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 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, the amounts that have been accumulated in OCI 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 overdrafts.

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 material partially owned subsidiaries that are not wholly owned by PIF and have material non-controlling interests is provided below:

Company name	Country of incorporation	2020 %	2019 %
Sanad Construction Resources (Sanad)	Palestine	2.46	2.46
Arab Hotels Company (AHC)	Palestine	45	45

	U.S. $ 000's	
Balances of non-controlling interests	2020	2019 (Restated)
Sanad Construction Resources (Sanad)	954	1,177
Arab Hotels Company (AHC)	4,560	6,466
Losses allocated to non-controlling interests		
Sanad Construction Resources (Sanad)	(237)	(24)
Arab Hotels Company (AHC)	(1,906)	(796)

The summarized financial information of Sanad and AHC are provided below prior to elimination of balances and transactions with PIF:

Summarized Statement of Financial Position as at December 31, 2020 and 2019:

Sanad Construction Resources (Sanad)

	U.S. $ 000's	
	2020	2019 (Restated)
Current assets	96,859	114,980
Non-current assets	46,074	58,336
Current liabilities	(80,597)	(85,159)
Non-current liabilities	(20,089)	(35,919)
Total equity	42,247	52,238
Attributable to non-controlling interests (Sanad's subsidiaries)	-	872

Arab Hotels Company (AHC)

	U.S. $ 000's	
	2020	2019
Current assets	398	1,425
Non-current assets	34,620	35,894
Current liabilities	(15,941)	(13,324)
Non-current liabilities	(6,501)	(7,198)
Total equity	12,576	16,797

Summarized Income Statement for the year ended December 31, 2020:

	U.S. $ 000's	
	Sanad	AHC
Sales revenue	63,139	688
Cost of sale	(60,625)	(1,915)
Loss from investment properties	(40)	-
General and administrative expenses	(3,839)	(163)
Depreciation of property, plant and equipment	(887)	(1,318)
Provision for expected credit losses	(2,891)	(305)
Finance costs	(4,218)	(760)
Share of associates' results of operations	(1,095)	-
Other revenues (expenses), net	1,120	(448)
Loss for the year before income tax	(9,336)	(4,221)
Income tax expense	(319)	-
Loss for the year	(9,655)	(4,221)
Other comprehensive income items	-	-
Net comprehensive income for the year	(9,655)	(4,221)

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

	U.S. $ 000's	
	Sanad	AHC
Sales revenue	116,849	4,601
Cost of sale	(110,375)	(3,740)
Gain from investment properties	130	-
General and administrative expenses	(4,596)	(188)
Depreciation of property, plant and equipment	(1,029)	(1,480)
Provision for expected credit losses	(370)	(50)
Finance costs	(3,464)	(940)
Share of associates' results of operations	862	-
Other revenues, net	1,475	31
Loss for the year before income tax	(518)	(1,766)
Income tax expense	(448)	-
Loss for the year	(966)	(1,766)
Other comprehensive income items	-	-
Net comprehensive income for the year	(966)	(1,766)
Attributable to shareholders	(936)	(1,766)
Attributable to non-controlling interests	(30)	-

Summarized Cash flow information for year ended December 31, 2020:

	U.S. $ 000's	
	Sanad	AHC
Operating activities	4,976	(1,208)
Investing activities	2,230	(44)
Financing activities	(779)	1,005
Increase (decrease) in cash and cash equivalents	6,427	(247)

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

	U.S. $ 000's	
	Sanad	AHC
Operating activities	(126)	109
Investing activities	(6,539)	(14)
Financing activities	11,171	(199)
Increase (decrease) in cash and cash equivalents	4,506	(104)

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 in which the 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

2020	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
	U.S. $ 000's							
Cost								
As at January 1, 2020	19,923	82,724	95,042	2,650	758	18,528	6,691	226,316
Additions	-	321	301	49	-	225	62	958
Transferred to investment properties	(4,315)	(1,355)	-	-	-	-	-	(5,670)
Net transferred from/ to projects in progress	(2,908)	(256)	-	-	2,231	616	-	(317)
Disposals	(1,301)	(2,668)	(605)	(604)	-	(264)	(15)	(5,457)
Foreign currency translation	286	519	-	-	-	-	-	805
As at December 31, 2020	11,685	79,285	94,738	2,095	2,989	19,105	6,738	216,635
Accumulated depreciation and impairment								
As at January 1, 2020	526	19,988	42,327	610	8	7,802	4,060	75,321
Depreciation charged for the year	-	2,310	9,398	389	127	1,253	718	14,195
Transferred to investment properties	-	(91)	-	-	-	-	-	(91)
Disposals	-	(916)	(205)	(339)	-	(208)	(14)	(1,682)
Impairment provision	-	-	-	-	-	29	6	35
Foreign currency translation	-	18	-	-	-	-	-	18
As at December 31, 2020	526	21,309	51,520	660	135	8,876	4,770	87,796
Net carrying amount								
As at December 31, 2020	11,159	57,976	43,218	1,435	2,854	10,229	1,968	128,839

- Property, plant and equipment include an amount of U.S. $ 49,887,000 mortgaged to local and regional banks as collaterals against loans and credit facilities granted to PIF (note 22).
- During 2020, U.S. $ 10,342,000 of depreciation expense have been allocated to operating expenses.

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
	U.S. $ 000's							
Cost								
As at January 1, 2019	22,322	82,992	95,525	-	-	18,139	6,666	225,644
Impact of IFRS 16 adoption	-	-	-	1,712	-	-	-	1,712
Transfers resulting from IFRS 16 adoption	-	-	(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
As at December 31, 2019	19,923	82,724	95,042	2,650	758	18,528	6,691	226,316
Accumulated depreciation and impairment								
As at January 1, 2019	526	17,684	33,471	-	-	6,566	3,228	61,475
Transfers resulting from IFRS 16 adoption	-	-	(458)	458	-	-	-	-
Depreciation charged 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
As at December 31, 2019	526	19,988	42,327	610	8	7,802	4,060	75,321
Net carrying amount								
As 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 granted to PIF (note 22).
- During 2019, U.S. $ 9,779,000 of depreciation expense have been allocated to operating expenses.

7. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	55,418	68,761
Additions	546	2,113
Investment properties sold	(1,952)	(13,028)
Transferred from property, plant and equipment	5,579	2,389
Net transferred to properties ready for sale	(19,125)	(320)
Transferred to assets held for sale	-	(4,659)
Change in fair value of investment properties	691	162
Balance, end of year	41,157	55,418

Investment properties include the following:

	U.S. $ 000's	
	2020	2019
Land lots (A)	35,637	51,497
Buildings (B)	5,520	3,921
	41,157	55,418

(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. $ 386,000 and U.S. $ 366,000 for the years of 2020 and 2019, respectively.

An amount of U.S. $ 8,876,000 of investment properties was mortgaged to regional and local banks as collateral against loans granted to PIF (note 22).

During the years of 2020 and 2019, PIF has sold part of its investment properties resulting in a gain of U.S. $ 76,000 and U.S. $ 668,000 respectively, which was recognized in the consolidated income statement.

8. Projects in progress

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	45,752	43,485
Additions	7,446	23,202
Transferred to properties ready for sale	-	(11,456)
Projects in progress sold	(12,044)	(7,909)
Transferred from (to) property, plant and equipment	317	(770)
Transferred to assets held for sale	-	(671)
Impairment of projects in progress	(209)	(129)
Balance, end of year	41,262	45,752

Total expected costs to complete these projects amounted to U.S. $ 92,128,000.

Following is a breakdown of the projects in progress:

	U.S. $ 000's	
	2020	2019
Jerusalem Commercial Center	17,575	15,055
Ersal Center development	16,457	16,457
Cement grinding mill project	4,293	1,377
Solar panels systems over public schools' rooftops	890	2,001
Beit Hanina project	-	5,057
Solar panels fields	-	3,384
Others	2,047	2,421
	41,262	45,752

9. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2020	2019	2020	2019
	%	%	U.S. $ 000's	
Wataniya Palestine Mobile Telecommunications Company (Listed)	39.67	39.56	50,416	47,660
Arab Islamic Bank (Listed)	35.06	35.06	40,544	39,440
Specialized Arab Hospital Group	27.44	27.44	34,005	31,066
Mada Al-Arab Company	30	30	7,515	5,916
Palestine Power Generation Company	40.31	40.31	7,306	7,216
Al Naya Palestinian Co. for Construction Materials	49	49	4,152	5,168
Palestine Tourism Investment Company	28.25	28.25	3,819	4,473
Palestine Ijara Company – LTD	33.33	33.33	3,533	3,604
Al-Nokhba for Concrete Products	-	30	-	4,051
Others	20-50	20-50	9,314	10,355
			160,604	158,949

- The market value of PIF's investments listed in Palestine Exchange as at December 31, 2020 amounted to U.S. $ 145,807,000.
- PIF's Investment in Arab Islamic Bank includes 15,374,000 shares with a book value of U.S. $ 20,186,000 mortgaged to regional and local banks as collateral against loans granted to PIF (note 22).
- During 2020, Sanad (a subsidiary) sold its investment in Al Nukhbeh for Concrete Products, which led to losing its controlling interest in Al Nukhbeh and accordingly, the investment was eliminated from investments in associates.
- During 2020 and 2019, some of PIF's subsidiaries recorded impairment on their investments in some associates in an amount of U.S. $ 94,000 and U.S. $ 554,000, respectively, that were recognized in the consolidated income statement.
- During 2019, Massader (a subsidiary) purchased shares in Mada Al-Arab Company (Mada). PIF's ownership percentage in Mada's capital amounted to 30% Mada operates in the telecommunications sector. During 2020, Massader has made payments to Mada's capital in an amount of U.S. $ 1,000,000.
- During 2019, Amaar Jerusalem (a subsidiary) sold its investment in Hospitality Holy Company resulting in a gain of U.S. $ 775,000 that was 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, Sanad (a subsidiary) sold some of its investments in associates resulting in a loss of U.S. $ 87,000, recognized in the consolidated income statement.

- The following schedules summarize the financial information related to PIF's key investments in associates:

December 31, 2020	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital Group	Mada Al- Arab Company	Palestine Power Generation Company	Al Naya Palestinian Co. for Construction Materials	Palestine Tourism Investment Company	Palestine Ijara Company
	U.S. $ 000's							
Associates' Statement of Financial Position:								
Non-current assets	182,237	825,366	96,260	7,800	14,900	4,543	28,312	6,685
Current assets	47,768	731,682	91,429	7,923	1,754	9,004	468	18,279
Non-current liabilities	(70,947)	(77,584)	(17,787)	(3,713)	(269)	(3,606)	(7,956)	(9,345)
Current liabilities	(55,473)	(1,359,221)	(74,742)	(6,654)	(500)	(7,973)	(1,450)	(5,020)
Non-controlling interests	-	-	(13,942)	-	-	-	-	-
Equity holders of the associate	103,585	120,243	81,218	5,356	15,885	1,968	19,374	10,599
PIF's ownership	41,097	42,161	22,286	1,607	6,403	964	5,473	3,533
Adjustments	9,319	(1,617)	11,719	5,908	903	3,188	(1,654)	-
Carrying amount of investment	50,416	40,544	34,005	7,515	7,306	4,152	3,819	3,533
Revenues and results of operations:								
Revenues	101,601	46,927	53,640	8,409	25	11,500	776	2,338
Results of operations	7,541	8,014	8,263	2,824	(523)	(1,984)	(2,316)	(213)
PIF's share of results of operations	2,909	2,636	2,261	847	(211)	(1,015)	(654)	(71)
PIF's share of other comprehensive income items	-	(130)	806	-	-	-	-	-
Other information:								
Dividends from associates	-	1,403	-	264	-	-	-	-
Effect of associate's purchase of non-controlling interests	-	-	(127)	-	-	-	-	-

- During 2020, PIF's share of other associates' results of operations amounted to a loss of U.S. $ 275,000. Additionally, PIF's share of other associates' dividends amounted to U.S. $ 13,000 for the year 2020.

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

10. Investments in joint ventures

	U.S. $ 000's	
	2020	2019
Convention Palace Company (A)	1,556	2,110
New Capitol Hotel (B)	2,861	4,165
	4,417	6,275

(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 (Palestine). The objective of CPC is to operate the Convention Palace in Bethlehem. During 2020 and 2019, PIF recorded impairment losses on its investment in CPC in an amount of U.S. $ 341,000 and U.S. $ 594,000 recognized in the consolidated income statement.

The following schedule summarizes the financial information related to PIF's investments in Convention Palace Company:

	U.S. $ 000's	
	Convention Palace Company	
	2020	2019
Statement of financial position of joint venture		
Non-current assets	8,048	9,316
Current assets	289	597
Non-current liabilities	(177)	(1,102)
Current liabilities	(3,248)	(3,474)
Equity attributable to venture's shareholders	4,912	5,337
PIF's ownership	2,456	2,669
Adjustments	(900)	(559)
Carrying amount of the investment	1,556	2,110
Revenues and results of operations		
Revenues	(177)	823
Results of operations	(427)	(242)
PIF's share of results of operations	(213)	(121)

(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. 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	
	2020	2019
Statement of financial position of joint venture		
Non-current assets	3,342	3,603
Current assets	1,624	2,442
Non-current liabilities	(9)	(21)
Current liabilities	(1,473)	(1,736)
Equity attributable to venture's shareholders	3,484	4,288
PIF's ownership	1,742	2,144
Adjustments	1,119	2,021
Carrying amount of investment	2,861	4,165
Revenues and results of operations		
Revenues	415	2,079
Results of operations	(581)	133
PIF's share of results of operations	(288)	67
PIF's share of other comprehensive income items	(3)	2

11. Investments in financial securities

	U.S. $ 000's	
	2020	2019
Financial assets at FVOCI (A)	95,396	98,804
Financial assets at amortized cost (B)	4,965	7,315
	100,361	106,119
Financial assets at FVTPL – current (C)	162,740	151,382
	263,101	257,501

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

	U.S. $ 000's	
	2020	2019
Quoted shares in financial markets	74,078	77,018
Unquoted shares	21,318	21,786
	95,396	98,804

Financial assets at FVOCI as at December 31, 2020 include shares with a book value of U.S. $ 41,722,000 mortgaged to local and regional banks as a collateral for loans granted to PIF (note 22).

Movement on the fair value reserve was as follows:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	1,782	4,999
Net loss from valuation of financial assets at FVOCI	(3,477)	(2,381)
Change in fair value of cash flow hedge	(420)	(668)
Share of associates' other comprehensive income items	(134)	(66)
Loss (gain) from sale of financial assets at FVOCI recognized in retained earnings	48	(102)
Balance, end of year	(2,201)	1,782

Financial assets at FVOCI sold during the year amounted to U.S. $ 83,000. 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	2020	2019
Unquoted national debt instruments	Un-rated	5,000	7,410
Provision for expected credit losses		(35)	(95)
		4,965	7,315

Interest on the financial assets at amortized cost amounted to 5% with a maturity of one year after the date of the consolidated financial statements.

During 2020, PIF sold its investments in unquoted national debt instruments for U.S. $ 2,434,000, as the issuing company has exercised its right of early redemption, this resulted in gain of U.S. $ 24,000 recognized in the consolidated income statement.

During 2019, PIF sold its investments in quoted debt instruments with an amount of U.S. $ 4,122,000 to finance other investment activities. This resulted in a gain of U.S. $ 66,000 recognized in the consolidated income statement.

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, 2020	7,410	-	-	7,410
Sale of financial assets at amortized cost	(2,410)	-	-	(2,410)
As at December 31, 2020	5,000	-	-	5,000

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, 2020	95	-	-	95
Recovery of ECL provision during the year	(60)	-	-	(60)
As at December 31, 2020	35	-	-	35

(C) Financial assets at FVTPL include the following:

	U.S. $ 000's	
	2020	2019
Quoted shares in financial markets	115,991	98,937
Unquoted investment portfolios	45,887	51,633
Unquoted shares	862	812
	162,740	151,382

As at December 31, 2020, financial assets at FVTPL include shares with a book value of U.S. $ 5,974,000 mortgaged to a regional bank as collateral for loans granted to PIF (note 22).

12. Other assets

	U.S. $ 000's	
	2020	2019
Prepayment on investment (A)	45,800	45,800
Granted loans (B)	22,167	18,263
	67,967	64,063

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:

			U.S. $ 000's	
	Interest rate (%)	Settlement	2020	2019
Palestinian microfinance institutions	3.5 – 4.5	2021 - 2025	15,662	10,057
Palestine Development Fund	1	2017 - 2023	2,729	3,154
Finance lease companies	3.5 – 3.8	2021 - 2023	2,113	3,259
First Trading Centre	1.5 + LIBOR	2015	1,100	1,100
Latin Patriarch in Jerusalem	1	2020 – 2022	450	450
Al Mashtal Tourism Investment Company	5	2017	406	406
Finance for Jobs	8	2022	363	-
Others	1 – 8.78	2020 - 2024	2,439	2,185
			25,262	20,611
Accrued interest on loans			642	563
			25,904	21,174
Provision for expected credit losses *			(3,737)	(2,911)
			22,167	18,263

Movement on gross granted loans during 2020 and 2019 was as follows:

2020	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
As at January 1, 2020	16,405	2,028	2,178	20,611
Loans granted during the year	9,363	-	431	9,794
Collections during the year	(4,951)	-	(209)	(5,160)
Transfers between stages	-	(1,334)	1,334	-
Currency variance	-	-	17	17
As at December 31, 2020	20,817	694	3,751	25,262

2019	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
As at January 1, 2019	11,431	1,685	4,143	17,259
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	2,028	2,178	20,611

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

2020	Stage (1)	Stage (2)	Stage (3)	Total
		U.S. $ 000's		
As at January 1, 2020	258	177	2,476	2,911
Transfers between stages	-	(159)	159	-
Net remeasurement of ECL provision during the year	240	-	569	809
Currency variance	-	-	17	17
As at December 31, 2020	498	18	3,221	3,737

2019	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)	-	-
Net remeasurement of ECL provision during the year	(27)	145	384	502
Transferred to investments in associates	-	-	(1,816)	(1,816)
Currency variance	-	-	19	19
As at December 31, 2019	258	177	2,476	2,911

ECL 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.

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, 2020.

13. 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	
	2020	2019
Balance, beginning of year	22,404	11,725
Additions	1,270	233
Net transferred from investment properties	19,125	320
Transferred from projects in progress	-	11,456
Residential units sold	(13,537)	(1,330)
Balance, end of year	29,262	22,404

Properties ready for sale include properties with a carrying amount of U.S. $ 7,561,000 that are mortgaged to a regional bank as collateral on loans granted to PIF (note 22).

14. Accounts receivable

	U.S. $ 000's	
	2020	2019
Checks under collection	80,904	78,691
Trade receivables	54,405	44,405
Cap Holding Company	11,305	11,305
Others	880	859
	147,494	135,260
Provision for expected credit losses	(27,586)	(23,003)
	119,908	112,257

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

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	23,003	22,107
Net remeasurement of ECL provision during the year	3,985	359
Written-off during the year	-	(111)
Currency variance	598	648
Balance, end of year	27,586	23,003

Aging analysis of the unimpaired accounts receivable as at December 31, 2020 and 2019 is as follows:

	U.S. $ 000's				
			Past due		
2020	Total	Not past due	< 90 days	91-180 days	> 181 days
Accounts receivable	147,494	80,525	20,140	8,308	38,521
Provision for expected credit losses	(27,586)	(1,363)	(1,505)	(382)	(24,336)
	119,908	79,162	18,635	7,926	14,185
2019					
Accounts receivable	135,260	83,296	18,359	2,690	30,915
Provision for expected credit losses	(23,003)	(1,257)	(346)	(520)	(20,880)
	112,257	82,039	18,013	2,170	10,035

The subsidiaries' managements believe that the total 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. $ 23,962,840 as at December 31, 2020.

15. Other current assets

	U.S. $ 000's	
	2020	2019
Due from Value Added Tax department	15,656	15,596
Receivables from sale of associates	4,734	-
Advances to suppliers	3,722	4,017
Contributions receivable*	3,074	3,124
Accrued revenues	1,738	741
Inventory	1,237	1,442
Dividends receivable	652	635
Prepaid expenses	459	439
Due from employees	181	122
Due from brokers	57	83
Others	5,193	8,236
	36,703	34,435
Provision for expected credit losses	(3,727)	(3,811)
	32,976	30,624

* This item represents contributions receivable from donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. Furthermore, during 2019, Massader (a subsidiary) received a grant to finance solar PV systems project over the public schools' rooftops (note 26).

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

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	3,811	3,374
Net remeasurement of ECL provision during the year	(110)	390
Written-off during the year	(18)	-
Currency variances	44	47
Balance, end of year	3,727	3,811

16. Assets held for sale

Assets held for sale represents lands, projects in progress, and heavy equipment that PIF intends to sell during the upcoming year in its current condition as follows:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	8,982	-
Additions	-	2,725
Transferred from investment properties	-	4,659
Transferred from property, plant and equipment	-	1,079
Transferred from projects in progress	-	671
Sold assets	(7,268)	-
Impairment provision	(411)	(152)
Balance, end of year	1,303	8,982

Assets held for sale are fully mortgaged to a regional bank as collateral on loans granted to PIF (note 22).

17. Cash and deposits at banks

	U.S. $ 000's	
	2020	2019
Cash on hand and current accounts at banks	20,139	22,595
Term deposits at banks	23,344	38,907
	43,483	61,502

The average interest rate during the year was 3.10%(2019: 2.83%) on U.S. $ deposits and 4.82%(2019: 4.82%) on JD deposits.

Cash and cash equivalents include restricted cash of U.S. $ 14,869,000 and U.S. $ 11,217,000 as at December 31, 2020 and 2019, respectively, as collateral against certain banks facilities.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following as at December 31, 2020 and 2019:

	U.S. $ 000's	
	2020	2019
Cash on hand and current accounts at banks	20,139	22,595
Term deposits at banks	23,344	38,907
	43,483	61,502
Credit facilities – overdrafts (note 24)	(27,615)	(36,099)
Deposits maturing in more than 3 months	(3,250)	(6,541)
Restricted cash	(14,869)	(11,217)
	(2,251)	7,645

18. 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.

19. 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	
	2020	2019
Receivables on returned lands	31,206	26,680
Receivables from operational services	45,497	30,834
Others	422	304
	77,125	57,818

The movement on the shareholder's current account during 2020 and 2019 was as follows:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	57,818	42,278
Distributed dividends	(17,000)	(15,000)
Receivables from operational services for the year	14,663	15,236
Properties returned to Ministry of Finance during the year	4,526	-
Payments to Ministry of Finance	17,000	15,000
Others	118	304
Balance, end of year	77,125	57,818

20. 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 and covering any fluctuations or risks that PIF may face in the future. During 2011, PIF started to support several small and medium sized projects following the decision of the Board of Directors.

The Board of Directors decided in its meeting held on June 8, 2020, the distribution of U.S. $ 7 million dividends from the voluntary reserve (note 21). Later on, the Board of Directors decided to transfer an amount of U.S. $ 20 million from the voluntary reserve to retained earnings.

21. Distributed dividends

During the year, dividends in an amount of U.S. $ 7 million were distributed from the voluntary reserve and paid to the shareholder based on Board of Directors' decision in its meeting held on June 8, 2020.

Furthermore, the General Assembly approved in its meeting held on June 10, 2020 the distribution of U.S. $ 10 million dividends from retained earnings, which have been paid during the year.

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 2019.

22. Long-term loans and lease liabilities

	U.S. $ 000's	
	2020	2019
Long-term loans	153,772	150,232
Lease liabilities	1,557	2,139
Current portion of long-term loans (note 24)	(43,301)	(35,825)
Current portion of lease liabilities (note 24)	(334)	(463)
	111,694	116,083

During 2020, PIF signed a long-term loan agreement with a local bank in an amount of U.S. $ 10 million to finance PIF's expected projects for the years from 2020 to 2023. The loan has an annual interest rate of 6 months LIBOR plus 1.75%, with a floor of 5% and a ceiling of 7%. The loan is to be settled through semi-annual payments with a grace period of one and a half years where the last installment is to be settled during 2023. During the year, PIF has withdrawn the full loan and the outstanding balance as at December 31, 2020 amounted to U.S. $ 10 million.

During 2020, Sanad Trading and Marketing Co. (a subsidiary of Sanad for Construction Resources) signed a lease purchase agreement with a local Islamic bank in an amount of U.S. $ 4 million. The lease has an annual declining profit of annual AIB prime plus 2.75%, with a floor of 5.5% and a ceiling of 10%. The loan is to be settled in 90 months period, including a grace period of 6 months. The outstanding balance of the loan was U.S. $ 4 million as at December 31, 2020.

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 following 6 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 is to be settled during 2025. During 2019, PIF has withdrawn the full loan and the outstanding balance as at December 31, 2020 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 is to be settled during 2024. During the year, PIF has settled an amount of U.S. $ 5 million. The outstanding balance of the loan as at December 31, 2020 amounted to U.S. $ 35 million.

During 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 2020, PIF has withdrawn an amount of U.S. $ 9.5 million and settled an amount of U.S. $ 2 million, accordingly the outstanding balance of the loan as at December 31, 2020 amounted to U.S. $ 24 million.

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%, with a floor of 4.25%and a ceiling of 7% The loan is to be settled through semi-annual payments with a grace period of one year where the last installment is to be settled during 2023. During 2020, Aswaq has settled an amount of U.S. $ 4 million. The outstanding balance of the loan as at December 31, 2020 amounted to U.S. $ 12 million.

Sanad Construction Resources (a subsidiary) and some of its subsidiaries signed agreements with regional and local banks during previous years 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) with a floor of 3.5%and a ceiling of 5.35% These loans are to be settled within a period of 2 to 3 years. The outstanding balance of these loans as at December 31, 2020 amounted to U.S. $ 17 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 5 years. The outstanding balance of these loans as at December 31, 2020 was approximately U.S. $ 22 million.

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

The following table represents the mortgaged assets as at December 31, 2020:

Items	Book value of collaterals U.S. $ 000's	Note
Property, plant and equipment	49,887	6
Investment properties	8,876	7
Investments in associates	20,186	9
Financial assets at FVOCI	41,722	11
Financial assets at FVTPL	5,974	11
Properties ready for sale	7,561	13
Assets held for sale	1,303	16
Investments in subsidiaries	2,895	
Total	138,404	

The maturities of loans and lease liabilities are as follows:

	U.S. $ 000's
Matures in 2021	43,635
2022	39,788
2023	36,966
2024	17,560
Thereafter	17,380
	155,329

23. Deferred tax liabilities

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

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	2,234	2,909
Additions	125	36
Amortization of deferred tax liabilities	(716)	(711)
Balance, end of year	1,643	2,234

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

	U.S. $ 000's	
	2020	2019
Current portion of long-term loans (note 22)	43,301	35,825
Current portion of lease liabilities (note 22)	334	463
Overdrafts *	27,615	36,099
	71,250	72,387

* During previous years, Sanad Trading and Marketing Co. (a subsidiary of Sanad Construction Resources) signed several credit facilities agreements with local and regional banks in U.S. $ and in ILS to finance its operational activities. The ILS credit facilities ceiling amounted to ILS 85 million (equivalent to U.S. $ 26.4 million), where the U.S. $ credit facilities ceiling amounted to U.S. $ 10.3 million. The ILS facilities are subject to a declining interest rate ranging from (1.65%- 3.9%) plus ILS Prime, with a floor of 3.25% and a ceiling of 15%, where the U.S. $ facilities are subject to a declining interest rate of (2% + 6-months LIBOR) with a floor of 3.5% and a ceiling of 7%. The facilities are repaid within different 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 facilities amount, in addition to Sanad Construction Resources' (subsidiary) guarantee and mortgaging assets held for sale in an amount of U.S. $ 1,303,000 as a collateral (note 16 and note 22). The utilized balance of these facilities as at December 31, 2020 was U.S. $ 27,121,000.

In addition, one of PIF's subsidiaries signed credit facilities agreement to finance its operational activities. The utilized balance as at December 31, 2020 was U.S. $ 494,000.

25. Accounts Payable

	U.S. $ 000's	
	2020	2019
Trade payables	19,337	36,401
Properties sales advances	482	744
Contractors payables	197	922
Others	67	39
	20,083	38,106

26. Provisions and other liabilities

	U.S. $ 000's	
	2020	2019
Postponed checks	10,804	4,567
Temporarily restricted contributions *	6,353	6,420
Accrued expenses	5,207	5,752
Provision for employees' indemnity **	3,667	2,899
Forward currency contracts	2,383	903
Interest rates swaps	1,635	1,215
Employees' income tax payable	1,216	1,027
ECL on guarantees ***	712	634
Leasehold improvement taxes	281	261
Due to brokers	172	221
Bonuses provision	168	152
Others	16,148	12,487
	48,746	36,538

* 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 2020 and 2019:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	6,420	4,373
Additions	-	2,046
Written-off during the year	(46)	-
Currency variances	(21)	1
Balance, end of year	6,353	6,420

** Following is the movement on provision for employees' indemnity during the years of 2020 and 2019:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	2,899	2,872
Additions	2,285	916
Payments during the year	(1,559)	(944)
Currency variances	42	55
Balance, end of year	3,667	2,899

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.

*** 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, 2020	126	508	-	634
Net remeasurement of ECL provision during the year	78	-	-	78
As at December 31, 2020	204	508	-	712

27. Provision for income tax

The taxable income of PIF and its subsidiaries is subject to income tax at the corporate tax rate of 15% Following is the movement on the provision for income tax during 2020 and 2019:

	U.S. $ 000's	
	2020	2019
Balance, beginning of year	749	219
Additions during the year	1,718	845
Amortization of deferred tax liabilities (note 23)	716	711
Payments during the year	(437)	(633)
Prior years' tax, net	-	19
Disposal of a subsidiary	-	24
Currency variances	(91)	(436)
Balance, end of year	2,655	749

PIF has not reached final settlements with the Income Tax Department for the results of its operations from 2015 to 2019. 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 2019, 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	
	2020	2019
Additions during the year	1,718	845
Deferred tax liabilities (note 23)	125	36
Prior years' tax, net	-	19
	1,843	900

28. Operating revenues

	U.S. $ 000's			
	2020			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	14,663	-	(12,061)	2,602
Trade and transportation	63,140	(55,167)	(5,441)	2,532
Real estate	27,506	(20,619)	(596)	6,291
Energy	7,722	(7,311)	-	411
Tourism	915	(443)	(1,993)	(1,521)
	113,946	(83,540)	(20,091)	10,315

	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

All above revenues are subject to IFRS (15) – "Revenues from contracts with customers" except for rental revenues which are accounted for in accordance with IFRS (16) – "Leases".

Following are the details of revenues from contracts with customers and rentals:

	U.S. $ 000's	
	2020	2019
Revenues from contracts with customers: According to time of recognition		
At point in time	98,286	131,550
Over a period of time	15,144	18,480
	113,430	150,030
Rental revenues	516	987
Total	113,946	151,017

29. Gain from investments in financial assets

	U.S. $ 000's	
	2020	2019
Gain on sale and revaluation of financial assets at FVTPL	13,219	21,012
Dividends income from financial assets at FVOCI	6,212	6,848
Dividends income from financial assets at FVTPL	5,184	4,419
Gain from sale of investments at amortized cost (note 11)	24	66
Interest on bonds	294	411
	24,933	32,756

30. Interest income

	U.S. $ 000's	
	2020	2019
Interest on deposits with banks	989	2,025
Interest on granted loans	506	489
	1,495	2,514

31. Investment expenses

	U.S. $ 000's	
	2020	2019
Employees' salaries, wages and benefits	1,738	1,326
Professional fees	245	592
Travel and transportation	3	68
Others	29	49
	2,015	2,035

32. General and administrative expenses

	U.S. $ 000's 2020	U.S. $ 000's 2019
Employees' salaries, wages and benefits	8,307	8,407
Professional fees	1,618	2,004
Fees and subscriptions	529	517
Board of Directors bonuses	257	270
Insurance	199	260
Travel and transportation	175	391
Telephone and postage	163	202
Maintenance	160	273
Printing and stationery	66	80
Hospitality	54	78
Marketing	53	170
Rents	36	13
Others	419	589
	12,036	13,254

33. Other revenues (expenses), net

	U.S. $ 000's 2020	U.S. $ 000's 2019
Gain from currency variances	2,466	4,826
ECL – simplified approach (notes 14 and 15)	(3,875)	(749)
Assets impairment losses (notes 6, 8, 9, 10 and 16)	(1,090)	(1,429)
ECL – general approach (notes 11, 12 and 26)	(827)	(691)
(Loss) Gain from sale of property, plant and equipment	(218)	48
Others	(432)	(181)
	(3,976)	1,824

34. Fair value

Fair value measurement

PIF did not make any transfers between the levels during the year 2020 and 2019. The following table provides the fair value measurement hierarchy of PIF's assets and liabilities as at December 31, 2020:

	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, 2020	115,991	31,419	15,330
Financial assets at FVOCI	December 31, 2020	74,078	10,696	10,622
Investment properties	December 31, 2020	-	-	41,157
Assets held for sale	December 31, 2020	-	-	1,303
Liabilities measured at fair value:				
Interest rates swaps	December 31, 2020	-	-	1,635
Forward currency contracts	December 31, 2020	-	2,383	-

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
Assets held for sale	December 31, 2019	-	-	8,982
Liabilities measured at fair value:				
Interest rates swaps	December 31, 2019	-	-	1,215
Forward currency contracts	December 31, 2019	-	903	-

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	Assets held for sale	Interest rates swaps	Total
			U.S. $ 000's			
Balance, January 1, 2020	15,818	10,674	55,418	8,982	(1,215)	89,677
Net movement during the year	(622)	(82)	(14,952)	(7,268)	-	(22,924)
Change in fair value	134	30	691	(411)	(420)	24
Balance, December 31, 2020	15,330	10,622	41,157	1,303	(1,635)	66,777

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
	%	U.S. $ 000's
2020		
Fair value per meter square	+ 5	1,782
Fair value per meter square	- 5	(1,782)
2019		
Fair value per meter square	+ 5	2,575
Fair value per meter square	- 5	(2,575)

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
	%	U.S. $ 000's
2020		
Discounted rate	+ 5	(467)
Growth rate	+ 5	52
2019		
Discounted rate	+ 5	(457)
Growth rate	+ 5	51

In respect of financial derivatives, fair value is determined using discounted cash flows method (DCF) and appropriate valuation methods, the following table represents financial derivatives as at December 31, 2020 and 2019:

	Positive fair value	Negative fair value	Par value	Matures in one year	Matures in more than one year
	U.S. $ 000's				
2020					
Forward currency contracts	-	1,635	25,320	25,320	-
Interest rates swap contracts	-	2,383	60,000	16,000	44,000
	-	4,018	85,320	41,320	44,000
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

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 consolidated financial statements as at December 31, 2020 and 2019:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial assets				
Granted loans	22,167	18,263	22,167	18,263
Investments in securities	263,101	257,501	263,101	257,596
Accounts receivable	119,908	112,257	119,908	112,257
Other financial assets	22,365	18,282	22,365	18,282
Cash and deposits at banks	43,483	61,502	43,483	61,502
	471,024	467,805	471,024	467,900
Financial liabilities				
Accounts payable	19,534	37,363	19,534	37,363
Loans, lease liabilities and credit facilities	182,944	188,470	182,944	188,470
Other financial liabilities	13,576	15,034	13,576	15,034
	216,054	240,867	216,054	240,867

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 determined 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.

35. 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	
	2020	2019
Shareholder's current account	77,125	57,818
Granted loans to associates and related accrued interest *	4,776	3,497
Accounts receivable (associates)	2,362	6,560
Other current assets (associates)	-	5,928
Cash and deposits at banks (associate)	6,328	8,502
Long-term loans and credit facilities (associate)	16,472	17,932
Provisions and other liabilities (associates)	192	289
Accrued Board of Directors bonuses	150	152

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

	U.S. $ 000's	
	2020	2019
Operational services revenues with the shareholder	14,663	15,236
Sales revenues (associates)	181	8,275
Sales revenues (non-controlling interests)	351	-
Gain on sale of property, plant and equipment (associates)	715	-
Interest on granted loans to associates	118	133
Interest on deposits with associates	216	270

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

	U.S. $ 000's	
	2020	2019
Board of Directors bonuses	257	270
Key management's share of salaries and related benefits	2,242	2,888
Key management's share of employees' indemnity	491	377

* ECL provision on granted loans to associates amounted to U.S. $ 535,000 and U.S. $ 44,000 as at December 31, 2020 and 2019, respectively.

Furthermore, PIF is considered as a guarantor for granted loans to some associates, the value of the guarantees amounted to U.S. $ 32,717,000 and U.S. $ 35,613,000 as at December 31, 2020 and 2019, respectively. The ECL provision on these guarantees amounted to U.S. $ 712,000 and U.S. $ 634,000 as at December 31, 2020 and 2019, respectively.

36. 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 finance 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, 2020	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
	U.S. $ 000's			
Investments in securities	4,965	162,740	95,396	263,101
Granted loans	22,167	-	-	22,167
Accounts receivable	119,908	-	-	119,908
Cash and deposits at banks	43,483	-	-	43,483
Other financial assets	22,365	-	-	22,365
	212,888	162,740	95,396	471,024

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	112,257	-	-	112,257
Cash and deposits at banks	61,502	-	-	61,502
Other financial assets	18,282	-	-	18,282
	217,619	151,382	98,804	467,805

All financial liabilities have been classified at amortized cost as at December 31, 2020 and 2019 except for forward currency contracts which have been classified as financial liabilities at fair value through profit or loss and interest rates swaps which have been classified as financial liabilities at fair value through other comprehensive income.

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, 2020 and 2019 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 subsidiaries' profit for one year, based on assets and liabilities with floating interest rates at December 31, 2020.

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

2020	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. $	+10	(8)
Israeli Shekel	+10	(3)

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)

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
2020			
Israeli Shekel	10+	3,990	270
Other currencies	10+	42	-
2019			
Israeli Shekel	10+	4,250	99
Other currencies	10+	(227)	-

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:

2020	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	7,354	5,825
Shares listed in other markets	+10	54	5,774
Shares and portfolios not listed	+10	2,132	4,675
2019			
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

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 (11), (12) and (14). Details and distribution of these exposures based on staging and guarantees are detailed in the same notes.

With respect to credit risk arising from other financial assets of PIF, including cash and deposits at banks, and other financial assets, PIF's financial and investing decisions are made only for approved parties. These exposures have been classified as stage (1) in accordance with IFRS (9). PIF's exposure to credit risk arises from default of the counterparty, with a maximum exposure equals to the carrying amount of these financial assets.

Liquidity risk:

PIF and its subsidiaries manage liquidity 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, 2020 and December 31, 2019, 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, 2020					
Long-term loans, lease liabilities and credit facilities	1,065	76,453	118,491	3,475	199,484
Accounts payable	19,534	-	-	-	19,534
Other financial liabilities	7,083	6,493	-	-	13,576
	27,682	82,946	118,491	3,475	232,594
December 31, 2019					
Long-term loans, lease liabilities and credit facilities	13,155	68,140	127,897	720	209,912
Accounts payable	37,363	-	-	-	37,363
Other financial liabilities	10,393	4,641	-	-	15,034
	60,911	72,781	127,897	720	262,309

37. 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 2020 and 2019.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interests with a total of U.S. $ 678,208,000 and U.S. $ 708,625,000 as at December 31, 2020 and 2019, respectively.

38. 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, 2020:

	U.S. $ 000's						
	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	14,663	63,140	27,506	915	7,722	-	113,946
Inter-segment revenues (eliminated)	-	-	681	-	-	(681)	-
Total revenues	14,663	63,140	28,187	915	7,722	(681)	113,946
Results of operations							
Profit (loss) before tax	22,784	(9,283)	4,714	(7,832)	62	-	10,445
Other information							
Depreciation of property, plant and equipment	9,787	2,075	483	1,883	253	(286)	14,195
Capital expenditures	529	1,070	5,534	46	3,041	-	10,220
Interest revenues	1,037	-	458	-	-	-	1,495
Finance costs	5,382	4,226	53	671	93	(61)	10,364
Investments in associates and joint ventures	186,070	5,123	5,407	5,375	14,821	(51,775)	165,021
Share of associates' results of operations	7,661	(1,095)	(121)	(654)	636	-	6,427
Share of joint ventures' results of operations	-	-	(501)	-	-	-	(501)

The following table presents segments' assets and liabilities as at December 31, 2020:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segments' assets	712,036	174,759	200,049	55,786	40,035	(248,386)	934,279
Segments' liabilities	286,720	85,588	24,977	66,109	4,929	(212,252)	256,071

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, 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	177,749	11,848	5,518	6,583	14,460	(50,934)	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 at December 31, 2019:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segments' assets	768,780	201,556	158,790	57,306	40,099	(251,809)	974,722
Segments' liabilities	301,774	115,322	10,845	55,716	6,947	(224,507)	266,097

39. 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. $ 17,119,000 as at December 31, 2020. 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. In July 2020, 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 in the amount of CHF 244,000 (U.S. $ 276,000) and CHF 1,662,000 (U.S. $1,882,000), respectively. Subsequently, CAP Holding paid these amounts.

  Later CAP filed an appeal against the Award with the Swiss Federal Supreme Court (Appeal) against the Palestinian Authority (PA) regarding the license to operate the hotel. The Swiss Federal Tribunal ordered the Arbitral Tribunal to re-assess CAP's claim for the hotel license valid through 2028. The arbitral tribunal issued its final award (the Award) in July 2020 and ordered the PA to amend the term of all licenses and permits necessary in order to operate the hotel until September 13, 2028. Moreover, the arbitral tribunal ordered the Company and the PA, jointly and severally, to reimburse CAP for the arbitration costs and other legal fees in the amount of CHF 108,000 (U.S. $ 122,000) and CHF 367,000 (U.S. $ 416,000), respectively.

  During 2018, the Company filed a request for arbitration against CAP with the Swiss Chambers' Arbitration Institution, 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 counterclaims. The legal procedures will be completed in the arbitration sessions which are currently scheduled from October 4 through 6, 2021.

- 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. $ 7,667,000 as at December 31, 2020.

40. Prior year restatement

Prior year's consolidated financial statements have been restated retrospectively to correct an error relevant to one of the inputs used to study the impairment of goodwill.

- The effect of the amendments on the consolidated statement of financial position as at January 1, 2019:

	U.S. $ 000's		
	Before restatement	Restatement	After restatement
Goodwill	25,244	(25,244)	-
Retained earnings	8,827	(19,703)	(10,876)
Statutory reserve	102,286	(2,463)	99,823
Voluntary reserve	37,864	(2,463)	35,401
Non-controlling interests	17,224	(615)	16,609

- The effect of the amendments on the consolidated statement of financial position as at December 31, 2019:

	U.S. $ 000's		
	Before restatement	Restatement	After restatement
Goodwill	25,244	(25,244)	-
Retained earnings	9,431	(19,703)	(10,272)
Statutory reserve	104,810	(2,463)	102,347
Voluntary reserve	40,388	(2,463)	37,925
Non-controlling interests	9,284	(615)	8,669

- The amendments had no effect on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year 2019.

In addition, some comparative figures of the balance sheet and income statement for 2019 have been reclassified to conform to the current year presentation for the year ended December 31, 2020. These reclassifications had no effect on the net income and equity of prior years.

41. Coronavirus risk effects (Covid-19)

As a result of the continued effect of the Coronavirus (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; PIF's investments and operating activities of its subsidiaries were affected by these events, which negatively impacted the results of operations for this year compared to the previous year.

Management believes that the impact of the Coronavirus (Covid-19) is summarized as follows:

- The tourism sector has been witnessing a complete shutdown since the beginning of March 2020, considering that companies operating in this sector continued to incur fixed and current expenses, PIF has agreed to cease some of its operating activities in light of the accumulated losses during the previous years and the effects of the Corona pandemic.

- Decrease in the closing prices of local and international stock markets, led to the recognition of revaluation losses for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- Decline in some subsidiaries' sales revenues compared to budgeted sales for the period as a result of deteriorating economic conditions in general and a decrease in the consumer's purchasing power.
- Difficulties in collecting some of the customers' receivables by the subsidiaries and increase in the number of bounced checks, which was reflected in the liquidity of the subsidiaries and their cash flows for the upcoming periods, this also affected the calculation of provision for expected credit losses.

The extent of the impact of Coronavirus pandemic on PIF's results of operations and liquidity is still ongoing. The management is monitoring the impact of the Coronavirus pandemic on PIF and its subsidiaries operating in various sectors, in addition to the impact on the Palestinian economy in which PIF operates.

PIF is still working on evaluating the extent and duration of such impacts that could result from these global and local conditions, which depends on future developments that cannot be predicted accurately at the present time, noting that these developments could impact PIF's future financial results, cash flows and financial condition.

42. Subsequent events

During 2021, PIF sold 50% of its investment in Jericho Cement Industry Company (a subsidiary of Sanad). PIF's share of ownership became 50% after the sale, thus PIF lost control of the company. Management believes that they still have the power to participate in the financial and operating policy decisions through representation in the board of directors. As a result, subsequent to the consolidated financial statements date, the remaining investment has been classified as a joint venture.

In addition, the Gaza Strip was exposed to war in 2021, which affected various economic activities in Gaza strip, in addition to partial or complete destruction of many real estate. Management is currently assessing the impact of this event on the consolidated financial statements.

43. 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.

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