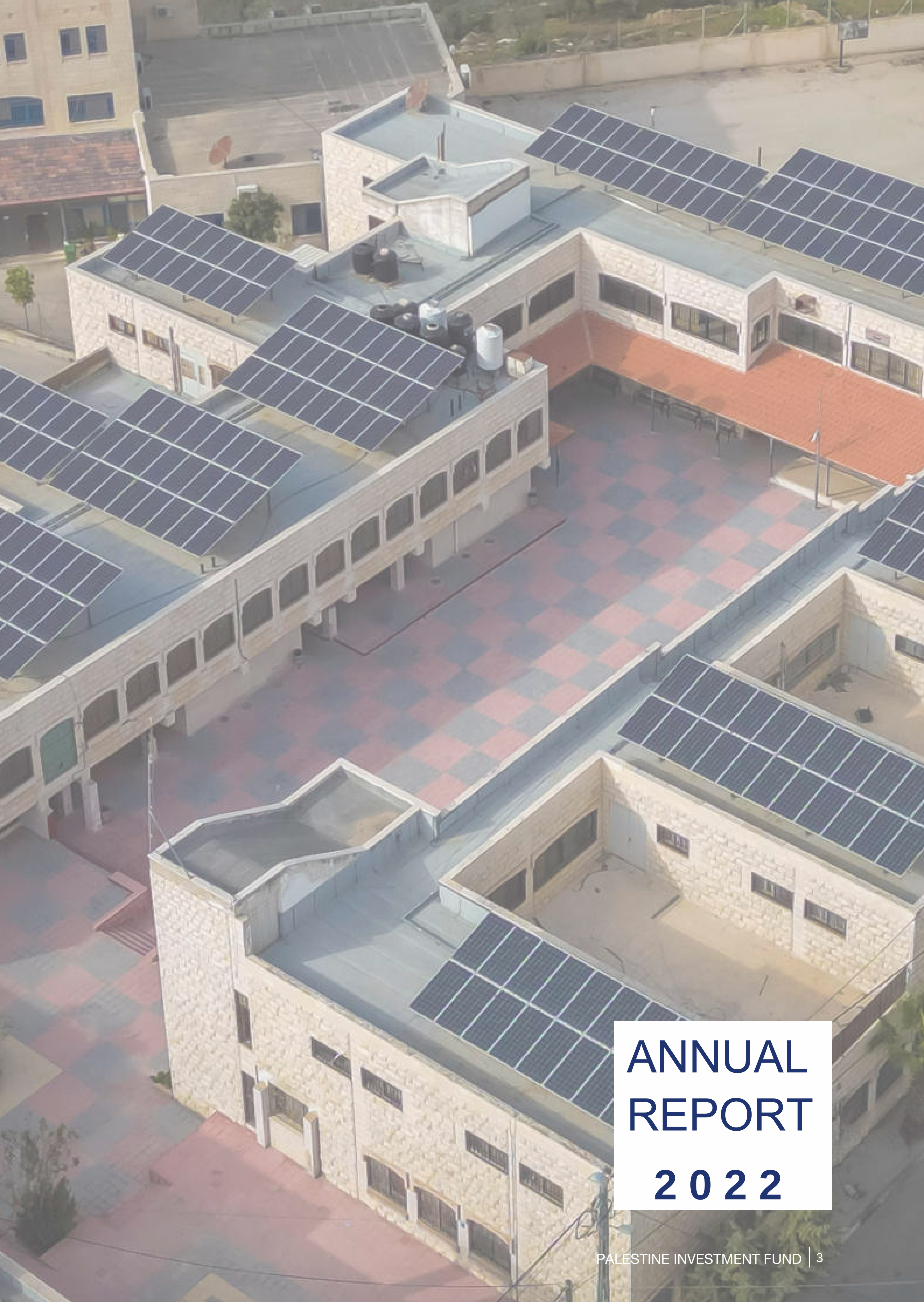
صندوق الاستثمار الفلسطيني
Palestine Investment Fund
Investing for Impact

ANNUAL REPORT 2022



ANNUAL REPORT 2022

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Message from the President of the State of Palestine

Ladies and gentlemen,

The Palestinian Investment Fund has laid a strong foundation for an independent and productive national economy in the blessed land of Palestine. The remarkable achievements of the PIF can be attributed to its impactful investment strategy, which prioritizes core sectors that directly benefit our citizens and yield sustainable outcomes year after year.

PIF's implementation of various strategic projects has indeed marked a significant leap forward in several sectors, including conventional and renewable energy, healthcare, telecommunications, the digital economy, entrepreneurship, and industry, among others.

These projects have had a positive impact on key national economic indicators, such as job creation, the support and continuity of many enterprises, and a reduction in the importation of essential commodities and services. Furthermore, PIF has generated substantial returns around $1.1 billion as dividends since the inception of the Palestinian Investment Fund, contributing to the state treasury.

I would like to express my sincere gratitude and utmost respect to the Palestine Investment Fund, its esteemed Chairman, esteemed members of the Board of Directors and the General Assembly, as well as its dedicated executive management and hardworking employees. Their unwavering efforts are significantly contributing to the establishment of our independent Palestinian State and its capital, Al-Quds Al-Sharif.

Thank you, and may peace and prosperity prevail in Palestine.

Mahmoud Abbas

The President of the State of Palestine

Chairman’s Message

On behalf of the esteemed Board of Directors, I would like to extend warm greetings to our esteemed Palestinian people. It is with great pleasure that we present the Palestine Investment Fund's Annual Report for the year 2022. This comprehensive report serves as a testament to the remarkable achievements of the previous year and provides an insightful overview of the progress made in our vital projects and programs. These initiatives have been successfully undertaken through fruitful collaborations with esteemed local, Arab, and international investment institutions.

Ladies and Gentlemen,

As the Palestine Investment Fund (PIF), we remain steadfast in our unwavering commitment to making a tangible and significant contribution to our national economy. Our guiding principle, encapsulated in our slogan "Investing for Impact," forms the foundation of all our endeavors and investments. It serves as our compass, driving us to achieve concrete and visible outcomes that directly enhance the wellbeing of the Palestinian people.

Our commitment includes vital aspects such as job creation, reducing dependence on imported goods, promoting the growth of local industries, and empowering small and medium-sized enterprises (SMEs). Aligned with our impact investment strategy, the Palestine Investment Fund strategically directs its projects and investments toward crucial productive sectors. These sectors include energy, healthcare, industry, real estate development, telecommunications and digital economy, and entrepreneurship.

Economic Development Metrics

Over the past year, PIF has achieved outstanding progresses in fostering economic development. We are pleased to report that our efforts have resulted in the creation of over 3,425 employment opportunities, demonstrating our commitment to driving job growth and economic prosperity. This remarkable feat comprises 2,650 direct job openings and 775 indirect positions across diverse sectors of the economy.

In parallel, we are pleased to have supported approximately 1,087 small and medium enterprises (SMEs) in 2022 through our comprehensive programs and strategic investments.

Underscoring our steadfast dedication, PIF has channelled substantial investments into projects and programs located in Jerusalem and the critically important Area C. The total investment in these areas is around $90 million.

By the end of 2022, PIF successfully secured an impressive sum of nearly $1.2 billion in investment commitments since inception, further validating our position as a leading investment institution.

Highlights of 2022

In the year 2022, PIF accomplished a series of notable milestones. Our ongoing projects exhibited tangible progress in their implementation, while we also successfully launched new initiatives and programs that align with our overarching objectives. These achievements underscore our dedication to driving sustainable economic growth and creating a prosperous future for the Palestinian people.

- Construction of Al-Rabyeh Animal Feed Factory in Hebron is making steady progress, as production machinery and storage silos have been successfully installed. The factory is on track to commence operations in 2023.

- Significant progress has been accomplished in the construction and installation of solar panels at the "Noor Rammon" Solar PV Plant, which is anticipated to be operational in the first half of 2023 with a production capacity of 4 megawatts

- An initial agreement was reached with the Egyptian Natural Gas Holding Company (EGAS) to partner in the consortium for the development of the Palestinian natural gas field located offshore Gaza "Gaza Marine."

- The launch of the Jerusalem Green and Sustainable Energy Grant Program, with a total of 2.4 million euros, based on the principle of matching grants.

- The launch of the first phase of the Gaza Grant Facility, which aims to support SMEs through the provision of matching grants. These grants will contribute to the financing of expansion plans, the development of business activities, the increase in productivity.

- "Mada Al Arab" Internet Services Company launched the Fiber Optic Network (Fiber) after signing multiple agreements with the Ministry of Communications and Information Technology, electricity distribution companies, and municipalities to leverage their infrastructure.

- Installation of photovoltaic (PV) solar energy systems on the rooftops of 150 government schools by the end of 2022, as part of the Solar Energy on School Rooftops Program, which is a component of the "Noor Palestine" Solar Energy Program.

- Provide $10 million through the "Ibda'" program to finance SMEs through Microfinance and leasing institutions, contributing to the financing of over 600 projects.

- Employment of 450 young men and women in specialized positions through PIF's participation in the Development Impact Bonds Program, together with international and local institutions. In addition, approximately one thousand Palestinian young professionals have received training through specialized training programs.

- Regarding Corporate Social Responsibility (CSR), PIF supported 86 local community-based institutions and charitable initiatives. This included providing sustainable grants, such as assisting in the funding of the Professional Development Career Center in partnership with Al-Quds University. The center aims to equip graduates with the necessary skills for successful entry into the job market.

Prominent Projects of 2022

In addition to these achievements, PIF is actively engaged in implementing a range of projects and programs in partnership with local, Arab, and international institutions. These initiatives had a positive impact on a variety of economic sectors. Among these initiatives are the followings:

Solar Energy Program on School Rooftops

By the end of 2022, PIF has successfully installed solar energy systems on the rooftops of 150 public schools across all governorates. Using solar power is expected to reduce the annual electricity bills of participating schools by a total of 3 million NIS and contribute to improving the environmental quality by utilizing clean energy.

This project is part of the PIF's efforts to develop and empower the education sector in collaboration with the Ministry of Education and Electricity Distribution Companies.

Approximately, 320 public schools are set to operate with solar energy, with the aim of generating 21 megawatts of electricity through solar power.

Al-Rabiyeh Animal Feed Factory

As part of its ongoing efforts to implement specialized local production projects, particularly in the food manufacturing sector, PIF has completed the construction of the Al-Rabiya Animal Feed and Grain Factory in the Hebron Governorate.

The factory, scheduled to commence operations in 2023, will have an annual production capacity of 40,000 tons, expandable, and will include six-grain silos with a storage capacity of up to 20,000 tons. This project aims to provide a domestic alternative to imported products, create new job opportunities, and reduce the import bill.

Pal-Ox Medical Oxygen Production Plant

Realizing the importance of supporting local investments, PIF is collaborating with the Arab Medical Complex Company to establish the Pal-Ox plant to produce medical liquid oxygen used in hospitals and healthcare centers.

The plant's production capacity will be approximately 600 cubic meters per hour, and it will be in the Jericho Agro-industrial Park. This project will contribute to reducing the cost of importing this essential substance.

Mada Al-Arab Internet Company

Palestine Investment Fund takes pride in its investment in "Mada Al-Arab" Internet Company as a strategic investment to develop the telecommunications sector and digital transformation in Palestine. Mada Al-Arab obtained a license to operate a fiber-optic network (fiber) and has started providing Fiber-To-Home service in Palestinian cities in cooperation with electricity distribution companies and municipalities. The fiber service represents a qualitative leap in the communications and internet sectors. PIF has consistently prioritized developing the telecommunications infrastructure to provide high-speed internet services in Palestine.

Jerusalem Grants Program for Green Energy and Sustainability

PIF and the European Union have introduced the Jerusalem Grants Program for Green Energy. The purpose of the program is to provide matching grants to initiatives in a variety of entities that demonstrate their ability to use financing in a manner that serves their business interests while emphasizing the use of environmentally friendly equipment and apparatus. This program is part of the PIF's support to Jerusalem's economy and contribution to its resilience.

Gaza Financing Program

To support our people in the Gaza Strip and contribute to the continuity of SMEs, which represent most businesses in Gaza, PIF introduced the first phase of the Gaza Financing Program to provide participatory grants for small and medium-sized projects. These financial (matching) grants will contribute to the implementation of expansion plans, the growth of business activities, and the increase in productivity, thereby fostering the creation of long-term employment opportunities. This phase targets SMEs operating in diverse sectors, including industry, services, commerce, information technology, crafts, education, and healthcare.

PIF launched the first phase of the Gaza Financing Program to provide direct funding for small and medium-sized enterprises (SMEs). This phase targets SMEs operating in diverse sectors, including industry, services, trade, information technology, crafts, education, and healthcare.

Financial Results

According to the consolidated financial statements audited by Price Waterhouse Coopers, PIF achieved positive financial results last year, with a pre-tax profit of $36.7 million and net profit of $35.2 million. By the end of 2022, the cumulative dividends (since inception) transferred to the state treasury reached approximately $1.1 billion.

Ladies and Gentlemen,

With that, I would like to express my heartfelt gratitude to our political leadership, represented by His Excellency President Mahmoud Abbas, President of the State of Palestine, for his guidance and support to PIF and its strategic projects. I extend my thanks to the Palestinian government and all our national institutions for their support of PIF and for enabling it to fulfil its entrusted role.

I also express my gratitude to our partnering institutions from the Palestinian private sector, Arab and international institutions for their contributions to the success of PIF's initiatives and programs in various sectors.

I would also like to thank the members of the Board of Directors and the General Assembly for their efforts in shaping PIF’s policies and strategies and ensuring their successful implementation. I would like to extend my thanks to the executive management and the entire staff for their diligent work in achieving PIF goals and mission, promoting impact investment, and contributing to the building of an independent and thriving national economy, as the foundation of our independent Palestinian State with Jerusalem as its capital.

Yours sincerely,

Dr. Mohammad Mustafa

Chairman of the Board of Directors

"PIF demonstrated its robust commitment by channeling significant investments into projects and programs in Jerusalem and Area C, with around $90 million of total investments. Furthermore, the PIF's strong reputation and compelling value proposition led to the attraction of substantial domestic and international investments around $1.2 billion by the end of 2022 since inception, to implement a total investment program of $2.1 billion."

Dr. Mohammad Mustafa
Chairman

About Palestine Investment Fund

Palestine Investment Fund

The Palestine Investment Fund aims to achieve a positive impact on key economic indicators by strategically investing in emerging and vital sectors.

Established in 2003, PIF is a public Shareholders' company registered within the Ministry of National Economy. PIF invests in strategic sectors such as traditional and renewable energy, healthcare, telecommunications and digital economy, industry, trade and agriculture, real estate, and tourism, as well as the community investment portfolio.

Vision

Contributing to the establishment of a sovereign and prosperous Palestinian state supported by an innovative and integrated economy and a thriving private sector.

Mission

Strengthening 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 adopts an investment strategy designed to have a positive impact on key national economic indicators through the implementation of strategic projects in vital sectors. PIF identifies a set of specific and measurable development KPIs, including job creation, contribution to the gross domestic product (GDP), reduction of imports of products and services, enhancement of the competitiveness of national products, support for small and medium-sized enterprises, localization of investment, and attracting direct foreign investments.

In addition to obtaining a reasonable return on investment that meets the expectations of its shareholder and funding development projects, PIF conducts its investment activities with sound governance and institutional oversight. Furthermore, PIF relies on a strategy aimed at nationalizing investments within Palestine, such as the implementation of investment projects and programs within Palestine, with a view to activating the national economy, stimulating the Palestinian private sector, developing various sectors, and create employment opportunities for our people.

PIF prioritizes its investments in sectors with high added value to the GDP, such as traditional and renewable energy, healthcare, agriculture, industry, technology, and education.

PIF implements its investment programs and projects through two investment arms

أسواق الإستثمارية
ASWAQ INVESTMENTS
a PIF Company

Aswaq Investment Portfolios Company

Aswaq manages PIF's portfolio in the Capital Markets sector, as well as investments in listed companies in both the local and international markets across various sectors such as healthcare, telecommunications, industry, and banking. Its main objectives are to achieve the desired financial impact to meet the expectations of shareholder and finance long-term development projects

عمار
AMAAR GROUP
a PIF company

Amaar Real Estate and Tourism Development Company

Amaar manages PIF's portfolio in the real estate, tourism, infrastructure, logistics, and strategic resources sectors, including Jerusalem-based initiatives. It also includes the subsidiary company, "Masaader," which focuses on investment in both traditional and renewable energy. In addition to financial returns, Amaar's primary objective is to create a positive impact on the targeted sectors.

Partnership Philosophy

Palestine Investment Fund is committed to attracting and encouraging local, Arab, and international partners to contribute to the implementation of its projects. Through this approach, PIF aims to stimulate the private sector and foster collaboration, focusing on cooperation rather than acquisition and competition. Additionally, it strives to attract foreign investments in Palestine.

Based on this partnership philosophy, PIF takes the initiative to launch projects, while bearing the costs of initiation, considering risks, and developing clear plans. It brings these projects and investments to advanced stages, alleviating risks for potential investors and overcoming challenges related to the unique situation in Palestine. And then, PIF actively seeks to attack local, Arab, and international partners to invest in these projects.

More Than 120 Partners

collaborating in different sectors within the PIF Portfolio

Key Indicators of PIF’s Impact Investment 2006-2022

Size of Investment Program

$ 2.1 Billion

$ 1.2 Billion through Partners

$ 870.3 Million From PIF

Benefited SMEs

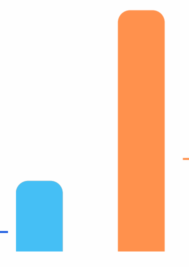
14,156

SMEs benefited from PIF's Investments and Programs

PIF’s Contribution to the GDP

$ 3 Billion

Job Opportunities Created (2022)

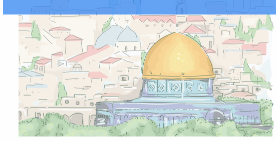


Direct 2,650

Indirect 775

3,425

Size of Investment in Jerusalem and area “C”



$ 90 Million

Size of PIF’s Assets

$ 960.7 Million

(Till the end of 2022)

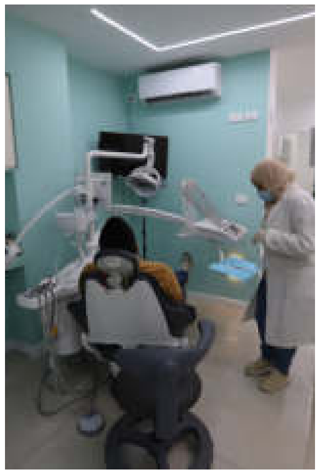
Amounts paid to the shareholder

$ 1.11 Billion

(Till the end of 2022 since inception)

More than 70 projects in 7 sectors



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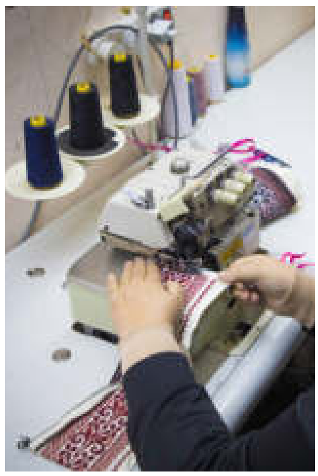

Governance

PIF adheres to a range of policies and laws that govern its activities, with the PIF's by-laws and the Companies' Law being the fundamental regulations. Furthermore, the fund works according to a set of business' policies that fosters better governance and are built on principles of integrity and transparency. These policies are developed according to the international best practices in the field. Accordingly, PIF works according to a set of guidelines, manuals, and business processes that work as a reference for implementing its various operations. These guidelines are periodically reviewed and updated. Some of these policies include:

- Governance Manual
- Investment Manual
- Procurements Manual
- Legal Procedures Manual
- Human Resources Manual
- Communications and Public Relations Manual
- Social Responsibility Manual

Internal Audit

PIF and its subsidiaries adhere to a robust internal control system operating at the highest professional standards, with the objective of ensuring the efficacy of governance systems and operations within the PIF. This is accomplished through the establishment of an independent internal audit department, reporting directly to the Audit Committee of the Board of Directors, and working in collaboration with a distinguished global auditing firm. Currently, the PIF's internal audit department collaborates with Deloitte, a recognized leader in the auditing field.

External Audit

The financial statements of PIF are subject to an independent external audit, ensuring their accuracy and reliability. The external auditor, currently selected as Price Waterhouse Coopers (PwC), a globally recognized auditing firm, provides an independent opinion on the financial statements prepared by the executive management. These financial statements adhere to International Financial Reporting Standards (IFRS) and are published alongside a signed opinion report from the independent auditor on the PIF's official website as part of the annual report, after its approval from PIF's General Assembly.

State Audit and Administrative Control Bureau

PIF places great emphasis on fostering a constructive relationship with the State Audit and Administrative Control Bureau. This collaboration is aimed at upholding transparency standards within the PIF's operations and internal systems while ensuring that the audit and internal control systems are designed in accordance with professional and objective standards.

The Board of Directors

PIF is overseen by a Board of Directors consisting of 9 members with expertise in various fields. The President of the State of Palestine appoints the Board's Chairman and members. The Board is responsible for formulating the strategic directions guiding the operations of PIF

Dr. Mohammad Mustafa

Chairman

Dr. Mohammad Mustafa, the current Chairman of the Palestine Investment Fund (PIF), brings a wealth of experience and expertise to his role. He previously served as the Deputy Prime Minister in the 15th Palestinian Government and held the position of Deputy Prime Minister for Economic Affairs and Minister of the National Economy in the 16th Palestinian Government.

Prior to his appointment as Chairman, Dr. Mustafa served as the CEO of PIF, where he played a vital role in transforming the PIF into a prominent economic institution in Palestine, achieving remarkable financial outcomes.

Under his leadership, Dr. Mustafa spearheaded the establishment of several prominent Palestinian companies across vital and strategic sectors, including telecommunications, real estate, energy, SMEs, construction, hospitality, tourism, and infrastructure. His extensive background includes working at the World Bank in Washington, serving as an Economic and Investment Reform Advisor in Kuwait and Saudi Arabia, holding the position of CEO at Paltel, and instructing at George Washington University.

Dr. Mohammad Nasr

Dr. Nasr is an esteemed academic and holds the position of Associate Professor of Economy at Birzeit University. He has a strong background in economic research and policy, having previously served as the Chairman of the Board of Trustees at the Palestine Economic Policy Research Institute, MAS. Dr. Nasr's educational achievements include a Ph.D. and M.A. in Economy from Ohio State University, as well as an M.A. in Business Administration from Wayne State University.

Mr. Maher Al Masri

He currently holds the position of Chairman of the Board of Directors of the Palestine Islamic Bank. He has previously served as Minister of the National Economy and Chairman of the Board of Directors in several economic institutions and bodies, including Chairman of the Palestine Capital Market Authority and Chairman of the Palestine Stock Exchange. He holds a master's degree in economics and is a graduate of the American University of Beirut.

Mr. Mohammad Abu Ramadan

Businessman, he holds currently the position of Chairman of the board of Ooredoo Palestine, representing PIF. Mr. Abu Ramadan is the former Minister of Planning and Administrative Development. He is also a member of the board of directors of several companies and economic institutions. He holds a bachelor’s degree in business administration from Syracuse University.

Mrs. Lana Abu Hijleh

Mrs. Abu Hijleh is one of the Palestinian experts in the field of local and international development, and civil society, and serves as the Chairwoman of the Board of Directors of Amaar Company, representing the Palestinian Investment Fund. She has previously held the position of Assistant Resident Representative of the United Nations Development Programme in Palestine for several years. Since 2003, she has been the head of Global Communities in the West Bank and Gaza Strip. She is also a board member of several institutions and bodies in Palestine.

Dr. Atef Alawneh

Dr. Alawneh holds a Ph.D. degree in Public Finance and Banking from the Ludwig Maximilian University of Munich and a master's degree in Economics and Political Science from the same university. He has previously held various positions, including Professor of Economics at several national universities, Head of the Open University of Jerusalem branch, Deputy Minister of Finance, Founder and General Director of the Palestinian Capital Market Authority, and Chairman of the Arab Islamic Bank.

Mr. Iyad Joudeh

Mr. Judah is the founder and General Manager of Development Solutions Consulting, a specialized consultancy company in the field of economic development. He possesses over 30 years of diverse experience in private-sector development and business strategies. Mr. Judah has previously served as a board member of the Palestinian Monetary Authority and is currently a member of the Board of Trustees of Birzeit University.

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 an M.A. in Commercial Law from the Law Institute-Birzeit University.

Mr. Tamer Bazzari

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

Board Committees

The Board of Directors establishes four permanent committees in accordance with the bylaws and governance guidelines. These committees are comprised of board members and are as follows:

1 Investment Committee

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

Committee Members

- Dr. Mohammad Mustafa – Chairman
- Dr. Mohammad Nasr – Member
- Dr. Maher Al Masri – Member

2 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.

Committee Members

- Mr. Tamer Bazzari – Chairman
- Mr. Maher Al Masri – Member
- Dr. Atef Alawneh – Member

3 Governance and Nominations 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.

Committee Members

- Dr. Mohammad Mustafa – Chairman
- Dr. Mohammad Nasr – Member
- Dr. Atef Alawneh – Member

4 Human Resources Committee

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

Committee Members

- Mrs. Lana Abu Hijleh – Chairwoman
- Mr. Mohammad Abu Ramadan
- Mr. Iyad Joudeh

General Assembly

The General Assembly is composed of a number of prominent Palestinian professionals, including the Board of Directors. The composition of the General Assembly represents diverse sectors and specializations, including public and private institutions, civil society, and individual stakeholders. The General Assembly convenes annually in the presence of the company's Controller, and its members are appointed by a decree from the President of the State of Palestine.

The Authorities of the General Assembly

1	Discussion and approval of the annual report prepared by the Board of Directors
2	Discussion and approval the auditor's report
3	Discussion and approval of the Board of Directors’ recommendations on dividends distribution
4	Discharge the members of the Board of Directors
5	Appoint the external auditor

Members of the General Assembly

Chairman and members of PIF’s Board of Directors	Eng. Mazen Karam
Chairman of the Private Sector Coordination Council	Dr. Basheer Zuhair Al Rais
Representative of the Court of the Presidency	Eng. Mazen Sinokrot
Representative of the Board of Directors of the Women’s Business Forum	Mr. Alaa’ Alaa’ El Deen
Dr. Ola Awad	Mrs. Rola Al Shonnar
Mr. Ahed Bseiso	Mr. Nassar Ali Nassar
Mrs. Hind Khoury	Dr. Samah Abu Oun Hamad
Mr. Abdulkader Alhusseini	Dr. Suheil Sultan
Dr. Safa' Nasr Al Deen	Mrs. Inas Abu Laban
Dr. Ziad Al Bandak	Dr. Dawood Al Qawassmi

The Executive Management

PIF General Manager

- PIF General Manager is appointed by the President of the State of Palestine, upon the recommendation of the PIF's Board of Directors
- The General Manager manages the operations of the holding company and reports performance to the board of directors
- The General Manager supports the Board of Directors in developing PIF's annual plans and evaluating the performance of its subsidiaries

Mr. 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 formed and headed 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 of experience in investments, real estate, banking and financial institutions, industry, hospitality, non-profit organizations, governmental institutions, and health care providers. 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.

Subsidiaries Directors

Eng. Jamal Barahmeh	Mr. Shadi Al-Khatib	Mr. Azem Bishara
CEO of Amaar	CEO of Aswaq	CEO of Massader

Executive Management

Mr. Ashraf Ibrahim	Chief Financial Officer
Mr. Michael Hajal	Chief Investment Officer
Mr. Abdul Hamid Al-Abwa	Chief Audit Executive
Mr. Awad Daibes	Chief Officer Communications and Public Relations
Mr. Firas Mahmoud	Director of the Department of HR and Administrative Affairs
Mr. Nader Eid	Director of Information Technology Department

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IMPACT INVESTMENT IN ECONOMIC SECTORS

Energy Sector

Number of Solar Panels

55,000
solar panels

Installed as part of "Noor Palestine" projects by the end of 2022

Production Capacity

23
MW

Under the "Noor Palestine" program until the end of 2022

Energy plays a crucial role in driving and advancing various economic sectors. With Palestine importing more than 90% of the annual electricity needs, the significance of developing this sector becomes evident. To address this, the PIF executes an investment program through Masaader, focusing on both conventional and renewable energy sources. This program encompasses essential projects aimed at increasing energy security, reducing the reliance on imported electricity, and promoting the growth of key economic sectors dependent on the energy sector.

Energy Sector

2022 Accomplishments

1. Successful installation of solar energy systems on the rooftops of 70 government schools, the total number of schools has reached approximately 150 schools

2. The construction works of the "Noor Rammon" Solar PV Plant have been completed, and the installation of solar panels is nearing completion.

3. Civil works and land preparation have commenced for the "Noor Al-Shamal" Solar PV Plant project in the Tulkarm Governorate

4. The Palestinian government has approved the initial agreement for the entry of an Egyptian consortium led by the Egyptian Natural Gas Holding Company (EGAS) as a partner in the Gaza Marine gas field development alliance.

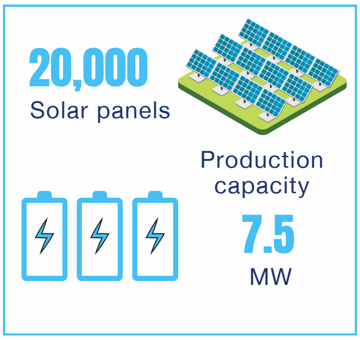
120 specialized job opportunities were created in the construction of solar PV plants

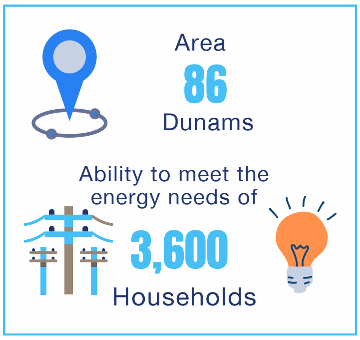
SUCCESS STORIES

Energy Sector

"Noor Jericho" Solar PV Plant

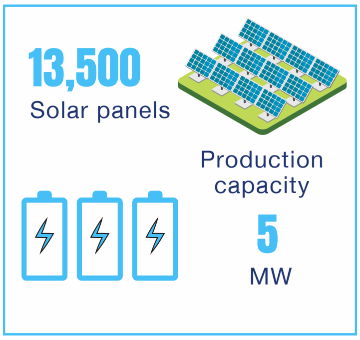
After the successful establishment and operation of the "Noor Palestine" Solar PV Plant by PIF through Massader, and its connection to the grid of the Jerusalem District Electricity Company, the plant was sold to Birzeit Pharmaceuticals Company, Arab Consulting Hospital, and The National Bank. The purpose of the sale is to invest in renewable energy sources by the buyers, using it to meet their electricity needs.

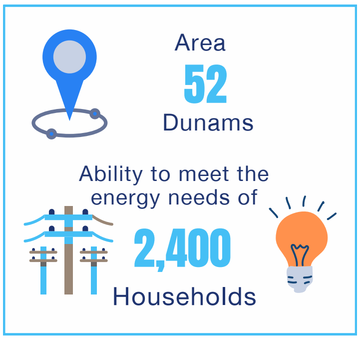




"Noor Jenin" Solar PV Plant

PIF has successfully completed the construction, operation, and connection of the "Noor Jenin" Solar PV Plant to the electricity grid owned by the North Electricity Distribution Company. The station has been sold to the North Electricity Company, ensuring direct benefits for the municipalities within the company's concession area. This strategic move aims to enhance the local energy infrastructure, improve electricity distribution, and provide a reliable power supply to the communities in the region.





Energy Sector

Projects under Implementation

Energy Sector

"Noor Palestine" Solar Energy Program

PIF launched the "Noor Palestine" Solar Energy Program in an effort to generate 200 megawatts of electricity, which is roughly equivalent to 14% of the current electricity demand. The initiative comprises a number of solar energy projects, such as solar PV plants and the solar energy program for government school rooftops in various governorates across the country.

The Solar Energy Program on the rooftops of public schools

This program aims to utilize the rooftops of approximately 320 government schools to generate 21 megawatts of solar electricity. This program is implemented in partnership with the Ministry of Education, the Jerusalem District Electricity Company, the Northern Electricity Distribution Company, and the Hebron Electricity Distribution Company. The estimated investment for the program is around $26 million, and it is expected to contribute to reducing the annual electricity bill for the participating schools by a total of 3 million Shekels upon its completion.

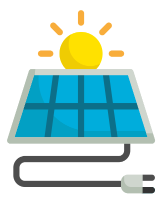
PIF has successfully attracted international institutions to finance this program, such as the European Investment Bank (EIB), which contributed 43% of the total financing, the International Finance Corporation (IFC) with 50%, and a grant from the World Bank Group of $2 million, which accounts for 7%. During the year 2022, solar energy PV systems were installed on the rooftops of 70 schools, increasing the total number of schools equipped with solar energy systems to 150 across various governorates since the program's inception.

"Noor Rammon" Solar PV Plant

PIF is partnering with the Jerusalem District Electricity Company to establish a solar PV plant near Rammon in the Ramallah and Al-Bireh Governorate. The plant will have a production capacity of 4 megawatts, covering the consumption of 1,900 households. Construction work is 70% complete, and the station is expected to be fully operational in the first half of the year 2023. The Jerusalem District Electricity Company will utilize the electricity generated by the station for 25 years.

"Noor Al-Shamal" Solar PV Plant

Construction and land leveling works have commenced for the "Noor Al-Shamal" Solar PV Plant near the town of Beit Lid in Tulkarm Governorate. The project is being carried out in partnership with the Northern Electricity Distribution Company. The plant will be built on a 55 Dunum area and will have an initial capacity of 5.2 megawatts. Its purpose is to provide Northern Electricity Distribution Company with a renewable source of electricity that meets a portion of the beneficiaries' needs. This project is part of the joint efforts of both parties to establish solar energy projects with a target capacity of 20 megawatts.



"Gaza Marine" Offshore Natural Gas Field

The "Gaza Marine" natural gas field is a significant natural resource located in the Palestinian coastal areas. With reserves estimated at 1 trillion cubic feet of natural gas, equivalent to approximately 31 billion cubic meters, its development has significant potential for Palestine's energy sector. Discovered by British Gas (BG) in 1999, the field holds strategic importance in contributing to energy self-sufficiency and reducing dependence on imported energy sources. The estimated cost of developing the field is around $1 billion, making it a significant investment for Palestine's energy future.

Within the framework of ongoing endeavors to initiate the development of the Gaza Marine gas field, the consortium of licensed development companies reported favorable advancements in their negotiations with the Egyptian Natural Gas Holding Company (EGAS). These deliberations were instigated after the signing of a memorandum of understanding (MoU) between PIF, Consolidated Contractors Oil & Gas (CCOG), and EGAS. The MoU signing ceremony took place on February 21, 2021, under the auspices of the Palestinian President and the Egyptian Minister of Petroleum and Mineral Resources, accompanied by EGAS representatives.

The fruitful discussions culminated in the execution of an initial framework agreement, facilitating the inclusion of an Egyptian consortium, led by EGAS, as an esteemed partner in the development consortium. Notably, the Palestinian government, following a diligent review by a ministerial committee, issued an official decree in October 2022, granting its approval of the initial agreement.

The HoT agreement incorporates the key principles for the entry of Egyptian companies led by EGAS into the development consortium. It outlines the initial technical and financial components of the project, jointly undertaken by Palestinian and Egyptian companies as a cross-border endeavor between Palestine and Egypt. The primary objective is to extract and process gas from the Palestinian offshore field, with transportation to the Sinai region in Egypt. (EGAS) has expressed its readiness to purchase the produced gas, ensuring economic viability and providing the required funding for project development. Concurrently, potential discussions would commence with Palestinian electricity generation companies in the West Bank and Gaza, exploring possibilities for supplying them with natural gas.

Furthermore, the agreement emphasizes the development consortium's commitment to fulfilling the financial obligations to the State of Palestine under the license agreement. It also highlights the intention of both governments to establish a bilateral agreement, facilitating the development process and coordinating regulatory and tax-related aspects between the two sister states.

The endorsement of the framework agreement by the Palestinian Cabinet has set the stage for advancing the talks on the development of the project. This includes addressing the required engineering, technical, financial, and legal aspects in detail to finalize the agreement. The discussions are currently underway, and upon completion, the detailed final agreement will be submitted to the Palestinian Cabinet for official approval.

Energy Sector

Jenin Power Plant

PIF holds a significant stake in the Palestine Power Generation Company, the entity responsible for developing the Jenin Power Plant. This power plant marks a significant milestone as the first electricity generation station in the West Bank. Jenin Power Plant is gas-fired, with an initial generation capacity of approximately 260 megawatts, and around 450 megawatts when completed.

The development of the power plant is being carried out by the Palestine Power Generation Company in partnership with a prominent group of Palestinian investors. These investors include the Palestine Investment and Development Company (PADICO), the Palestinian Telecommunications Company, the Arab Bank Group, the Palestine Electric Company, the Arab Palestinian Investment Company (APIC), the Bank of Palestine, the Bank of Jerusalem, and Cairo Amman Bank. The plant is expected to meet approximately 40% of the current electricity demand, with a total investment cost estimated at around $650 million.

Significant progress has been achieved in terms of design development and preparation for international tendering of construction and operational activities. Attention has also been given to addressing the issues related to the feeder gas pipeline for the power plant, including proposed routes and construction plans. Priority has been placed on utilizing gas extracted from the Gaza gas field to power the plant. Furthermore, ongoing discussions are taking place with all relevant stakeholders concerning matters such as electricity evacuation, transmission, purchase agreements, and other related aspects essential for the successful establishment of the plant.

Jerusalem District Electricity Company

PIF is one of the investors in JEDCO, a leading national provider of electricity to a wide range of areas in Palestine, including Jerusalem. JEDCO is expanding its operations and exploring alternative energy sources, including solar power, to meet the growing demand for electricity in the region.

Palestine Electricity Company (Gaza Power Plant)

As one of the co-founders of the Palestinian Electricity Company, which owns the Gaza power plant, PIF is actively working with the other partners to enhance the plant's capacity by transitioning it to operate on natural gas.

Health Sector

Size of Investment Portfolio

335 Million

Number of Beds

500

The healthcare sector has witnessed increased attention in recent years, primarily driven by the COVID-19 pandemic. However, the PIF has been actively investing in the Palestinian healthcare sector in collaboration with the private sector long before the outbreak. The PIF's primary goal with these investments is to contribute to the enhancement of healthcare services for Palestinian citizens and to foster overall sector development. The PIF's investment portfolio in healthcare primarily focuses on the Arab Specialized Medical Complex (ASMCC), which oversees and invests in multiple hospitals including the Arab Consulting Hospital in Al-Rihan, the Arab Specialized Hospital in Nablus, Ibn Sina Specialized Hospital in Jenin, and the upcoming Istishari Cancer Hospital.

Health Sector

2022 Accomplishments

1. Obtaining approvals and completing the designs mark the beginning of work at the Istishari Arab Hospital in Hebron
2. The construction work at the Istishari Cancer Hospital is progressing steadily

Specialized Medical Complex Company

The company was established in Nablus in 1998 and manages and invests in several leading hospitals in the Palestinian healthcare sector. These include the Arab Specialized Hospital in Nablus, the Arab Istishari Specialized Hospital in Al-Reehan, Ibn Sina Specialized Hospital in Jenin, the Istishari Cancer Hospital (under construction), and the Arab Consulting Hospital - Hebron (under construction).

Istishari Arab Hospital in Al-Reehan

The hospital is considered the largest investment in the Palestinian healthcare sector, with a total investment size of 75 million US dollars. It is located on a total area of 13,000 square meters in the Ramallah and Al-Bireh Governorate, where a fourteen-story building was constructed.

The hospital began operations in 2016 with an initial operational capacity of 100 beds, followed by a gradual increase in the number of beds. The total number of operating beds in the hospital reached 330 beds, half of which are specialized beds. The hospital provides high-quality healthcare services that have reduced the need to transfer patients for treatment outside the country, giving patients access to the services they require, whether diagnostic or therapeutic, within the country.

Health Sector

Arab Specialized Hospital

The Arab Medical Complex operates the Arab Specialized Hospital, a prominent hospital in Nablus, with a capacity of 112 beds. It includes departments for catheterization and heart surgery, general surgeries, orthopedics, neurology, neonatal and nursery services, emergency services, a specialized center for infertility and IVF, intensive care, endoscopy, obstetrics, radiology, pharmacy, medical laboratories, and specialized clinics. It spans 9 floors, covering an area of 6,500 square meters. Serving the entire Palestinian population, it particularly caters to the northern regions of Nablus, Tulkarm, Qalqilya, and Jenin

Ibn Sina Specialized Hospital

Ibn Sina Hospital is the first specialized hospital in Jenin Governorate. It was established in partnership with several investors. The hospital includes departments for emergency services, cardiology, intensive care unit, surgery, radiology, maternity ward, ophthalmology, medical laboratories, and outpatient clinics.

The hospital was inaugurated at the beginning of 2021 with a current capacity of 60 beds and a planned capacity of 200 beds. It was established in partnership between local investors and Arab Medical Complex, in which the PIF is one of the strategic investors.

NEW HOSPITALS

Energy Sector

Al Istishari Hospital for Cancer Treatment (under construction)

To provide our people with necessary healthcare services of the highest quality, the construction of the Consulting Cancer Hospital in Ramallah and Al-Bireh governorate has begun. As a first stage, the hospital will have a capacity of 170 beds and its main objective is to diagnose and treat all types of cancer, offering radiation, chemotherapy, biological, and hormonal therapies for both adults and children, as well as bone marrow transplantation. The facility will also include dedicated floors for palliative care and patients with complex cases, along with floors for outpatient clinics, emergency services for tumors, and a floor for scientific research, lectures, seminars, and educational meetings.

This hospital represents a significant advancement in healthcare services, fulfilling a substantial portion of the cancer patients' needs in Palestine. It will serve as a cornerstone for the existing healthcare services in this field.

Istishari Arab Hospital – Hebron

During the year 2022, the required approvals were obtained to commence the construction of the Arab Consulting Hospital in Hebron. This milestone was achieved through an agreement signed between the Arab Medical Complex Company and Palestine Polytechnic University. The hospital is estimated to have an investment size of 80 million dollars and a capacity of 400 beds. This project aligns with the expansion plans of the Arab Medical Complex's hospital network and reflects the PIF's vision to contribute to the provision of essential healthcare services for our people across all governorates of the country.

Health Sector

Telecommunications and Digital Economy Sectors

Recognizing the vital role telecommunications play in economic development, PIF prioritizes investment in this sector to positively impact related areas like technology and SMEs. Furthermore, the shift towards a digital economy has become a crucial requirement for Palestine's progress toward digital transformation.

Accordingly, PIF has launched and invests in several projects and investments aimed at advancing the telecommunications sector and improving its infrastructure throughout the country. These initiatives include the Palestine National Mobile Company "Ooredoo," Palestine Telecommunications Group, Mada Al-Arab Company, Ibtikar Fund, Capital MSA Fund, and Aljinan International Schools.

2022 Accomplishments

1. "Mada Al-Arab" company launches and operates a fiber optic network in several Palestinian cities
2. Ooredoo Palestine Company recorded a net profit of $16.64 million in the year 2022, marking a 24% growth compared to the previous year
3. Ooredoo Palestine Company achieves the gold position in the 2022 global Stevie Awards for the Fastest Growing Company category

ooredoo

1.4

Million Subscribers

مدى

Launching the Fiber Optics Network (Fiber)

SUCCESS STORIES

Telecommunications and Digital Economy Sectors

Ooredoo Palestine Mobile Company

Ooredoo Palestine was established through a partnership between the Ooredoo Group and the Palestine Investment Fund. The company commenced its commercial operations in the West Bank in 2009 and conducted its initial public offering in 2010. Its shares were listed on the Palestine Stock Exchange in 2011. Despite numerous challenges, Ooredoo Palestine successfully launched its commercial services in the Gaza Strip in 2017 and introduced 3G services in the West Bank in 2018. By the end of 2022, the company had accumulated approximately 1.4 million subscribers.

Ooredoo achieved strong financial results, with a net profit of around $16.64 million in 2022, representing a 24% increase compared to the previous year.

Net Profit in 2022

16.64

Million

24%

Growth Compared to 2021

Palestine Telecommunications Company (Paltel)

PIF is a founding partner in Palestine Telecommunications Company (PALTEL), one of the largest investors in the telecommunications and information technology sector, which is the most advanced and rapidly growing sector in the Palestinian infrastructure. The company provides various services, including fixed-line communications, internet services, and other value-added services. PALTEL achieved a net profit of 65.2 million Jordanian dinars in 2022.

Telecommunications and Digital Economy Sectors

Mada Al Arab Company for Telecommunications and Internet

"Mada Al-Arab" was founded in 2010 as an internet service provider, extending its coverage to all Palestinian regions in the West Bank and Gaza Strip. The company secured a long-term license and embarked on the construction and operation of a fiber optic network in collaboration with electricity distribution companies and local municipalities in Palestinian cities.

Fiber optics represents a groundbreaking advancement in telecommunications and internet technology, offering superior capabilities compared to traditional networks.

Ibtikar Fund

PIF is one of the investors in the Ibtikar Fund, which is an investment fund aimed at supporting Palestinian entrepreneurs by investing in early-stage emerging technology companies. With a fund size of around 10 million dollars, it has supported 26 Palestinian startups in the field of information technology.

MSA Capital Fund

PIF is considered one of the investors in this fund, which aims to invest in small and medium-sized startups in various sectors that provide technological services and solutions in developing countries, with a geographical focus on the Middle East region.

Aljinan International Schools

PIF cofounded Aljinan Schools as part of its efforts to develop the education sector. In Jenin Governorate, Aljinan stands out as a pioneering institution that prioritizes the teaching of technology, focusing on robotics, practical skills, and software. The school maintains high educational standards aligned with international benchmarks across all academic levels. Moreover, Aljinan employs progressive curricula that foster the development of linguistic and technological competencies, as well as personal skills among students.

Industry, Trade, and Agriculture

The Developed Agricultural Land Area in Al Dalyeh Farm

370

Dunums

Al Rabyeh Animal Feed Factory

Productivity

40

الربية
Al-Rabyeh

Thousand tons yearly

Industry, Trade, and Agricultural sectors play a major role in improving economic indicators through job creation, increasing domestic production and exports, and reducing reliance on imports. The industrial sector itself catalyzes economic development and has a ripple effect on various other economic sectors.

While the agricultural sector has faced significant setbacks in recent years due to occupation practices, violations and restricting access to land and water resources, PIF, in collaboration with its partners, has initiated a range of projects in this field. The objective is to revitalize and enhance Palestinian agricultural products, improve their quality, expand agricultural land, and support animal production and food industries.

Moreover, PIF's industrial portfolio includes several strategic projects, including investments in infrastructure and industrial production.

2022 Accomplishments

1. Al Rabyeh Animal Feed Factory is being constructed and equipped for operational launch in 2023
2. Construction has commenced on the first cement mill and packaging plant in Palestine, with a production capacity of approximately 1.13 million tons annually and a storage capacity of 16,000 tons.
3. The acquisition of a controlling stake in Polonez, a meat processing company in Turkey, by Siniora has had a positive impact on the overall net sales of Siniora Food Industries
4. Construction work is ongoing at the PalOx Factory to produce medical liquid oxygen, in preparation for its operational launch in 2023
5. Preparations are underway for the second phase of Jericho Agro-Industrial Park, covering 475 dunams

SUCCESS STORIES

Industry, Trade, and Agriculture

Arab Palestinian Investment Company – APIC

PIF is an investor in the Arab Palestinian Investment Company (APIC), which has investments in various sectors such as manufacturing, trade, distribution, and services in Palestine, Jordan, Saudi Arabia, the United Arab Emirates, Iraq, and Turkey through its subsidiary companies. APIC employs around 2,600 staff members. Based on audited data, the company reported a net profit of $30.6 million in 2022.

National Aluminum & profile company (NAPCO)

Nabco, the leading aluminium manufacturer in Palestine, is located in Nablus on a 40,000-square-meter site. It boasts advanced production lines and modern technologies, with a production capacity of over 6,000 tons per year, meeting global standards. With a strong infrastructure and a large production capacity, Nabco caters to the local market and regional markets. Their goal for 2023 is to double production capacity to 18,000 tons through the implementation of new production lines.

Siniora Company for Food Industries

PIF is a shareholer in Siniora Food Industries, a leading company in the regional meat industry. With factories in Palestine, Jordan, the UAE, and Turkey, Siniora is recognized as one of the pioneers in meat manufacturing since its establishment in Jerusalem in 1920.

The company experienced a remarkable 21% sales growth in the Jordanian market and a 12% growth in the Palestinian market. Additionally, sales in Gulf markets surged by 25%. The positive impact of Polonez, a meat manufacturing company in Turkey, on Siniora's overall net sales is evident. In 2022, Siniora achieved a net profit of around 5 million Jordanian dinars, employing a total of 1,634 individuals, including 276 employees in Palestine.

Industry, Trade, and Agriculture

Sanad Construction Resources Company

PIF established Sanad Construction Resources Company in 2016, which was listed on the Palestine Stock Exchange in early 2017. Sanad manages a diverse range of business, industrial, and investment activities, with a notable focus on cement trade and manufacturing. In addition, Sanad oversees various construction-related activities in Palestine, aiming to develop this vital sector, which forms a cornerstone of the national economy.

Birzeit Pharmaceutical Company

PIF is an investor in Birzeit Pharmaceuticals, a leading Palestinian company in pharmaceutical manufacturing. The company produces a wide range of medicines across 10 production lines and targets various customers in the local market, including the Ministry of Health and healthcare organizations. They also export to Eastern Europe and Algeria, with plans for further market expansion. The company employs 373 staff members

Al Dalyeh Company for Agricultural Investment

PIF invests in "Al Dalyeh" in partnership with the Sawafteh brothers, aiming to develop a total agricultural area of 500 dunums of land in area C within the Palestinian territories of Tubas and the Jordan Valley. So far, 370 Dunums of the project's land have been developed and cultivated with early seedless grapes and citrus fruits. Additionally, plastic houses have been constructed in a 65 Dunum area. The PIF's goal with this project is to enhance the resilience of farmers and their families on their lands in the C area and provide meaningful employment opportunities for them.

Projects under Implementation

Industry, Trade, and Agriculture

Jericho Agro-Industrial Park

PIF is a major contributor and partner in the project, along with Palestine Real Estate Investment Company (PRICO) and Sanabel Investment Company. The project aims to increase Palestinian exports and expand the access of Palestinian products to international markets. It will provide approximately 5,000 direct and at least 10,000 indirect job opportunities upon completion. The first phase has already been completed on a 140-dunum area with comprehensive infrastructure suitable for various industrial and agricultural projects. The second phase, covering an area of 475 dunums, will soon commence, with a development cost of approximately $15.5 million.

Al Rabyeh Animal Feed Company

The Al-Rabyeh Company was established in the Hebron Governorate at the end of 2018, in partnership with the PIF and the Palestinian Industrial Investment Company. The company is working on establishing a 15 Dunum industrial facility equipped with modern production lines that adhere to the highest standards. The factory's production capacity will reach 40,000 tons per year, with the potential to double this capacity in subsequent phases to reach 80,000 tons per year. This will reduce the import bill and provide a domestic alternative to imported products. The factory will also include six-grain silos with a storage capacity of 20,000 tons.

The project has provided 17,500 workdays and involved the participation of 23 Palestinian contractors and companies. It aims to fill the gap in local feed production in the southern West Bank and replace imported feeds. The completion of foundational work and the start of operations are planned for 2023.

Industry, Trade, and Agriculture

PalOx Factory for Medical Oxygen

This project aims to produce liquid oxygen used in hospitals and healthcare centers. It has a production capacity of approximately 600 cubic meters per hour and is in the Jericho Agro-Industrial Park. The project is being implemented by the Arab Medical Complex in partnership with the Palestinian Pension Agency, Razan Medical Center, and Birzeit Pharmaceuticals.

It aims to reduce the cost of importing this essential material for hospitals and healthcare centers and facilitate its timely availability.

Tarqumia Industrial Park and Bonded Area

PIF is developing the Tarqumia Industrial Park project, which includes an industrial complex and customs storage area near Hebron. It aims to facilitate the movement of local products to regional and international markets, integrating the economies of Gaza and the West Bank. The project will provide modern logistics solutions and benefits for investors and companies. The development cost is around $105 million and will enhance Palestinian products and capabilities in the industrial supply chain.

The Cement Mill

Sanad Company is currently implementing a cement mill project with a production capacity of approximately 1.13 million tons per year, covering half of the Palestinian market's cement needs. The estimated cost of the project is around $85 million, in partnership with the Issa Khouri Group for Mining and Construction Industries. The development of the project started in 2022, and the completion and operation of the factory are expected by the end of .2024.

Real Estate and Tourism Sectors

Land Developed

3.5

Million Square Meters Since the Establishment

The Palestinian real estate sector is a major source of employment in Palestine. PIF implemented a strategy that focuses on horizontal real estate development, which involves providing the necessary infrastructure for these developments to attract local developers and investors.

This approach aims to encourage investment in these land areas. Additionally, the tourism sector plays a significant role in boosting the national economy and job creation. Therefore, PIF invests in various tourism projects and facilities in collaboration with both local and international investors.

Real Estate and Tourism Sectors

2022 Accomplishments

1. The second phase of Birzeit Heights project has been completed, providing complete infrastructure, including roads, water, and electricity services, to all beneficiaries

2. Completion of the master plan for a multi-purpose area in Moon City of 130 dunums, including tourist, commercial, and recreational facilities

3. Preparation of the detailed plan for the green and public areas of Moon City encompassing recreational, social, and sports activities and facilities

4. Renovation of Grand Park Hotel is underway with a lease agreement signed with a local company. It is scheduled to reopen in 2023

SUCCESS STORIES
Industry, Trade, and Agriculture

Al Reehan Neighbourhood

PIF successfully implemented the "Reehan Neighbourhood" project, transforming 250 Dunams of undeveloped land into a residential, commercial, and investment environment. Reehan became a model residential neighbourhood in Palestine, located near Ramallah. It includes various commercial, healthcare, educational, and social facilities. The neighbourhood was developed to the highest standards in terms of urban design and infrastructure, attracting not only residents but also investments, such as the Arab American University higher education campus, The Istishari Arab Hospital, LACASA Mall, and the Provident Fund for Jawwal Employees.

Al Jinan Neighbourhood

PIF completed the implementation of "Al Jinan" neighbourhood project on an approximately 77-Dunum area, located 3 kilometers east of the center of Jenin and 5 kilometers northwest of the Arab American University. Al Jinan enjoys comprehensive infrastructure, making it a fully integrated residential community. The neighbourhood includes 54 semidetached villas, 3 residential buildings with 28 apartments, a commercial complex to serve the area, and a central green area.

Beit Hanina Heights (Jerusalem)

The complex is in Beit Hanina, which is a significant Palestinian residential neighborhood in the heart of Jerusalem. It is approximately 5 kilometers from the historic Old City and 14 kilometers from Ramallah. PIF has entered into a development agreement with a local developer to initiate the construction phase.

The development consists of two residential structures as well as underground parking spaces. The total residential area is approximately 10,902 square meters, with 4,422 square meters designated for parking. There are 52 apartments from 100 to 130 square meters in size within this residential area.

Al Bustan Neighborhood in Jericho

PIF completed this project, which is located 3.7 kilometers from the center of Jericho and on the road leading to Hisham's Palace. The project has provided approximately 49 land plots with an average area of 750 square meters each. The entire project, covering an area of 37,000 square meters, has been delivered and prepared for many beneficiaries.

حي البُستان

Arkaan Real Estate Company

PIF invested in Arkaan Real Estate Company, which was established in 2022 as a public shareholding company. Arkaan is the largest specialized company in the field of real estate development and management in Palestine and is one of the major companies listed on the Palestine Stock Exchange, with a capital exceeding 131 million dollars and an asset base of over 350 million dollars. One of its prominent projects is the Jericho Gate project, and it manages a portfolio of strategic lands in the West Bank and Gaza Strip. Arkaan strives to be a leading real estate developer in Palestine by launching high-quality real estate projects that serve wide sectors of Palestinian society and contribute to achieving urban development.

أركـــان
ARKAAN

Real Estate and Tourism Sectors

Jerusalem Commercial Center (Jerusalem)

The Jerusalem Commercial Center is centrally located in Jerusalem, a 10-minute walk from the Old City. It has 13 floors, including underground parking and storage, street-level shops, office floors, and a hotel. The total area is approximately 20,000 square meters. The project designs are completed, and permits were secured which will allow the constructions works to start.

Moon City

The Moon City project is a large-scale land development initiative that aims to develop a comprehensive city of over 1800 dunums. It includes advanced infrastructure, commercial and tourist facilities and major projects in various sectors. Led by the PIF's subsidiary, Amaar Group, in partnership with 16 sub-developers, the project represents a significant investment of $500 million. The development plan also includes industrial projects and a solar PV plant "Noor Jericho" on an 86-dunum site.

مدينة القمر
Moon City

Ersal Center

Al Ersal Center project has attracted a range of Palestinian and regional companies due to its prime location in the heart of Ramallah and Al-Bireh. In addition to its essential infrastructure for various commercial facilities, the project is consist of 11 multi-purpose commercial towers.

Currently, the project includes two towers: Amaar Tower, a 13-story building housing the Palestine Investment Fund and Amaar Company, and Consolidated Contractors Company (CCC)Tower, which accommodates the company's offices and other private Palestinian companies. Work is underway to construct two additional commercial towers.

Surda Hills in Ramallah and Al Bireh Governorate

The project extends to the town of Surda, north of Ramallah, and 2 kilometers from the Al-Reehan neighborhood, benefitting from Al-Reehan facilities, along with commercial facilities that cater to the various needs of the area's residents. The project consists of approximately 52 land plots ranging from 500 to 900 square meters, designated for residential development, in addition to areas allocated for commercial development. Several beneficiaries and developers have initiated the development of residential units, while commercial complexes have been established to activate the overall economy of the region, create new job opportunities, and attract investments.

Birzeit Heights in Ramallah

The project is located 2 kilometers from the central area of Birzeit town, north of Ramallah. PIF has played an active role in preparing suitable infrastructure for the development of new residential neighborhoods outside major urban centers and densely populated areas, commonly referred to as horizontal expansion development. Through this initiative, ready-to-build land parcels have been made available at affordable prices, catering to the average income of Palestinian families.

The project has allocated plots of land from 900 to 700 square meters, ready for individuals and private companies to commence house construction. There has been equipped with essential infrastructure, including internal road networks, water, and electricity. It is connected to the main roads that connect the Palestinian cities.

Grand Park Hotel (Jerusalem)

PIF and Al-Quds Holding Company have joined forces to invest in the Grand Park Hotel in Jerusalem, strategically situated in the Sheikh Jarrah neighborhood near the Old City. With 91 hotel rooms and various facilities, the hotel is determined to overcome the challenges posed by the COVID-19 pandemic. Together, they are committed to ensuring the sustainability of the hospitality industry in Jerusalem.

Jacir Palace Hotel Bethlehem

Alongside other partners, PIF has invested in the prestigious Jacir Palace Hotel, a prominent tourist and historical landmark in the city of Bethlehem. With a blend of historical charm, the hotel boasts modern amenities and additional facilities, offering a total of 250 rooms. It holds a prestigious 5-star rating.

Millennium Hotel

The Millennium Hotel, located in the heart of Ramallah, serves as a modern landmark in the twin cities of Ramallah and Al-Bireh, thanks to its exceptional location. The PIF, along with several partners, invested in the hotel, which is managed by the global Millennium network. The 5-star rated hotel features 171 rooms, 7 meeting rooms, and a range of service and tourism facilities.

Bethlehem Convention Palace

In partnership with Consolidated Contractors Company (CCC), PIF shares the ownership of this tourism facility. The Conference Palace in Bethlehem is not only an architectural masterpiece but also the premier and most distinguished venue in Palestine for hosting meetings, organizing events, and cultural and heritage evenings. It is equipped with the necessary service facilities, designed according to the highest international standards, enabling it to host major international activities.

Real Estate and Tourism Sectors

Grand Park Hotel (Ramallah)

As part of the PIF’s contribution to developing the tourism sector in Palestine, an agreement has been signed with "OSI Tourism Investment Company," which will rehabilitate the hotel for operation through the year 2023. The hotel will feature a range of diverse facilities such as wedding halls, restaurants, children's play areas, pools, meeting rooms, and more.

New Capitol Hotel

The hotel is located in the middle of Salaheddin Street, which is the commercial artery of Jerusalem. It consists of 70 hotel rooms and a restaurant. This investment is made in partnership with the Jerusalem District Electricity Company. During the hotel's renovation, over 200 job opportunities were provided, and after the hotel's opening, contracts were made with more than 40 inbound tourism offices.

Al Mashtal Hotel (Gaza)

The hotel, located in the city of Gaza, consists of 225 rooms, along with meeting halls, restaurants, cafes, and other recreational facilities. The PIF invests in the hotel in partnership with a group of leading Palestinian companies.

Golden Gate Hotel (Jerusalem)

The under-construction Golden Gate Hotel is situated in the Sheikh Jarrah neighborhood of Jerusalem, occupying a land area of 3,200 square meters and a built-up area of 21,000 square meters. With a total of 208 rooms, the hotel aims to foster the growth of the tourism industry in the city and bolster the presence of locally owned projects in Jerusalem.

Social Investment Portfolio

Benefited small and medium enterprises

8,300

From all programs until the end of 2022

Investment Size

$50

Million

from all programs until the end of 2022

Small and medium-sized enterprises (SMEs) constitute the fundamental driving force behind the Palestinian economy. These enterprises surpass a staggering 98% of the total number of operational establishments in Palestine, solidifying their position as the predominant sector in terms of employment, engaging more than 80% of the overall workforce. Consequently, PIF recognizes the utmost significance of this sector and actively undertakes a range of initiatives to empower SMEs.

The aim is to facilitate their access to essential financing for the enhancement and expansion of their commercial endeavors. To effectively execute these endeavors, PIF works through the Palestine for Development Foundation (PSDF), a non-profit subsidiary of PIF, which oversees four financing and training programs that contribute to the advancement of this sector.

2022 Accomplishments

1. Launching Jerusalem Green and Sustainable Energy Program to support small and medium-sized projects with funding from PIF and the European Union

2. Gaza Grant Facility, fully funded by PIF, has been launched to support small and medium-sized projects.

3. Around $10 million worth of agreements have been signed with local microfinance institutions, granting over 600 loans exceeding $7.40 million in value.

4. Over 450 Palestinian youth have been trained through the Development Impact Bond (DIP) program, with 240 of them securing specialized jobs

SUCCESS STORIES

Social Investment Portfolio

Jerusalem Financing Facility

In collaboration with the European Union, PIF implemented this program to provide funding for small and medium-sized projects in Jerusalem. Over 75 projects benefited from the program, with 67% being micro and medium-sized projects and 30% being new startups. The remaining projects utilized the funding to expand their production activities, develop their businesses, and create more job opportunities. The program's size amounted to approximately 4 million euros, and it also injected a similar amount into the economy of Jerusalem due to the matching grant's nature, which involved the contribution of project owners themselves. Grants were awarded to enterprises demonstrating their capacity for growth and improving business activities.

Economic Empowerment Program for Palestinian Refugees in Lebanon

In 2012, PIF initiated a program to support Palestinian refugees in Palestinian camps in Lebanon to improve their living conditions. Through partnerships with four Palestinian and Lebanese lending institutions, the program offers loans ranging from $500 to $5,000 for income-generating projects. Since its inception, the program has funded over 4,058 productive loans, totaling $7.25 million. The loans have been distributed with 51% allocated to youth, and 27% to women, and have played a vital role in creating and sustaining 6,500 job opportunities.

PROGRAMS IN PROGRESS

Social Investment Portfolio

Ibda' Program for Young Entrepreneurs

The program's objective is to provide productive loans that support the development of small and medium-sized enterprises (SMEs) and create employment opportunities. It was launched by the PIF with funding from the Arab Fund for Economic and Social Development, and it operates through local Microfinance and leasing institutions.

The program has successfully granted loans to 3,992 projects, resulting in the creation and retaining of 8,950 jobs across various regions, including Jerusalem and Gaza. The program's financial portfolio amounts to $40 million, with a $30 million loan from the Arab Fund for Economic and Social Development, allowing for total lending of $40 million through the revolving of repaid amounts.

The youth category represents the largest beneficiary group, accounting for 76% of total recipients, while 33% of the loans were provided to women-owned projects.

Gaza Financing Program

PIF has initiated and funded the first stage of the Gaza Financing Program, which aims to provide (matching) grants to support small and medium-sized projects. The program is implemented in partnership with Global Communities. These grants will play a significant role in realizing expansion strategies, fostering business growth, enhancing productivity, and generating sustainable job opportunities for the local community in Gaza.

The maximum grant amount is $25,000, covering approximately 80% of the project's expansion plan. The project owners are expected to contribute the remaining amount, which should not be less than 20%.

This phase targets all small and medium-sized enterprises operating in various sectors, including industry, services, trade, information technology, crafts, education, and healthcare.

Jerusalem Program for Lending SMEs

The program offers SMEs in Jerusalem loans with facilitated guarantees. PIF secured funding from the Arab Fund for Economic and Social Development, been through a loan portfolio of $4.5 million. Through this program, PIF has provided around 137 loans to businesses in Jerusalem across diverse sectors such as industry, services, trade, and tourism. As a result, the loan portfolio has played a significant role in generating and maintaining over 1,000 job opportunities.

Development Impact Bond (DIB) Program

The objective of this program is to enhance the skills of Palestinian youth and bridge the gap between job seekers' qualifications and market demands. It operates by identifying market-needed specializations and providing targeted training programs for young individuals. PIF invests in this program in partnership with the European Bank for Reconstruction and Development, the Dutch Development Bank, and the Palestinian-Chile Investment Fund.

The program aims to assist 1,200 young men and women in securing employment by offering advanced training in specialized fields that are in demand. These fields include medicines, nursing, safety engineering, teacher preparation, quality management, business administration, marketing, and vocational training for furniture manufacturing. By the end of 2022, around 1,000 participants were trained, with 450 of them successfully employed.

This program is part of the “Finance for Job” project implemented by the Developmental Alternatives Incorporated (DAI), for the Palestinian Ministry of Finance, and funded by the World Bank. The program's funding amounts to $5.75 million, which is paid to investors upon achieving employment outcomes. It is important to note that these employment outcomes undergo independent scrutiny and verification to ensure the highest level of transparency in implementation.

Social Investment Portfolio

The Jerusalem Green Energy and Sustainability Granting Facility

The Palestinian Investment Fund and the European Union have launched the Jerusalem Grants Program for Green and Sustainable Energy to finance small and medium-sized projects. The program aims to provide grants to projects operating in various sectors that demonstrate their ability to utilize funding in a way that serves their business interests while focusing on using environmentally friendly equipment and machinery or expanding renewable energy production. The program budget is €2.40 million extends over three years from 2022 until the end of 2024.

It primarily targets small and medium-sized enterprises in Jerusalem and civil society organizations operating within several economic sectors, including tourism, industry, services, trade, information technology, workshops and handicrafts, and tourism transportation.

This program has evolved from the successful collaboration between the Palestine Investment Fund and the European Union in previous years through the Jerusalem Grants Facility, which has supported over 75 projects in Jerusalem, creating and preserving more than 650 job opportunities. It has injected approximately €4 million through direct grants to projects operating in Jerusalem, while project owners themselves have contributed a similar amount due to the grant's requirement of beneficiary contribution (the matching grant concept).

Funding Value: €2.4 million

Maximum grant amount per recipient: 100,000 dollars

Expected projects to receive funding: 30-35

Economic Empowerment Fund

PIF has allocated an investment of up to $25 million over the coming years to the Palestinian Economic Empowerment Fund. This fund is an investment-oriented developmental initiative with a capital of up to $500 million, established by the Islamic Development Bank in Jeddah. It aims to enhance and empower the economic environment of the Palestinian people through investment in economically and socially impactful projects.

Financial Sector

The presence of financial markets acts as a motivating factor for listed companies to stay abreast of market developments and drive improvements in their performance. Additionally, financial markets play a significant role in creating favorable conditions for boosting domestic investments and attracting foreign investment.

PIF holds a diverse portfolio in the financial and investment sector, investing in companies operating in local, regional, and international markets across sectors including telecommunications, industry, and banking. Its primary focus is to achieve the desired financial impact by providing funding for developmental projects.

Rasmala Palestine Equity Fund

Rasmala was established in 2011 under the leadership of PIF, along with strategic partners, to manage a portfolio for investing in companies listed on the Palestine Stock Exchange. Its primary objective is to attract domestic and international investments in Palestinian securities, with an investment size exceeding $50. PIF exited from Rasmalah fund during the year 2022.

Arab Islamic Bank

Since 2015, PIF has been investing in the Arab Islamic Bank, which operates in accordance with the principles of Islamic Shariah, engaging in banking and investment activities. The bank aims to preserve and emphasize its Islamic banking identity.

Financial Sector

Palestine Investment Bank

The bank was founded as a Palestinian public shareholiding company, bringing together a distinguished group of bankers and entrepreneurs from Palestine and other Arab nations. It holds the distinction of being the first Palestinian bank to receive the required licenses from the Palestinian government to conduct its operations.

بنك الاستثمار الفلسطيني
PALESTINE INVESTMENT BANK

Palestine Islamic Bank

The Palestine Islamic Bank, a public limited company, commenced its banking operations in early 1997. The bank engages in banking, financial, commercial, and investment activities in accordance with Islamic principles. It operates through 44 branches, offices, and over 80 ATMs across Palestine, aiming to be the leading Palestinian bank in providing comprehensive Islamic banking services that cater to the needs and requirements of its customers.

البنك الإسلامي الفلسطيني
Palestine Islamic Bank

Bank of Palestine

PIF is an investor in the Bank of Palestine, an established financial institution founded in 1960 to contribute to the quality of banking services in Palestine. The bank focuses on financing diverse projects and meeting the financial and banking requirements of different social and economic groups. Recognized as one of the largest domestic banks, the Bank of Palestine with an extensive network of branches, offices, and ATMs.

بنك فلسطين
BANK OF PALESTINE

Al Safa Bank

The bank was established as a public shareholding company in 2016, with the partnership of prominent companies, institutions, and individuals. It commenced operations in the Palestinian market as an Islamic banking institution, operating in accordance with the Shari-Compliant. The bank's capital amounts to $75 million, and it provides a wide range of Islamic banking services and products.

مصرف الصفا
SAFA BANK

Corporate Social Responsibility

PIF takes a leading role in spearheading and executing a diverse array of initiatives and programs in the realm of social investment and corporate social responsibility.

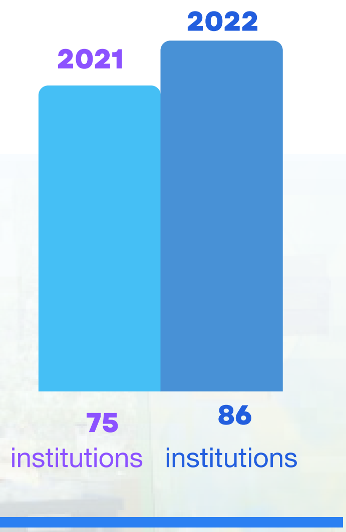
Throughout the year 2022, PIF continued to fulfill its social obligations through the implementation of its Corporate Social Responsibility program, which aims to provide support and empower community-based institutions and initiatives, ensuring their long-term viability and generating positive outcomes for the societies they serve.

Notably, the program extended its support to 86 local organizations operating in a multitude of sectors, encompassing education, culture, entrepreneurship, youth development, sports, healthcare, and environmental preservation, across various regions of the country.

Corporate Social Responsibility

The sectors benefiting from the Corporate Social Responsibility program

Istitutions benefiting from the Corporate Social Responsibility program



Corporate Social Responsibility

Supporting the FACTORY 4.0 program for empowering young entrepreneurs

As part of its efforts to develop the youth and entrepreneurship sector, PIF has provided support to the 4.0 Factory program implemented by the Palestinian Technopark. This program aims to empower young entrepreneurs and provide opportunities for project and initiative development. It also encourages startups to utilize knowledge and modern technology to enhance the digital economy in various economic sectors, as well as to develop innovative solutions and business models.

The Palestinian National Theatre "Al-Hakawati"

PIF supported the Palestinian National Theatre "Al-Hakawati" in the implementation of a series of plays targeting children in Jerusalem. This support aims to strengthen the resilience of the theatre and assist it in delivering its services to the targeted groups in Jerusalem, specifically, and the Palestinian audience in general. The theatre plays a significant role in enhancing the Palestinian cultural sector.

Sponsoring the “Jerusalem and Dignity” football Championship hosted by Palestine

In recognition of Palestine's right to host international tournaments like other countries around the world, PIF sponsored the “Jerusalem and Dignity” football Championship organized by the Palestinian Football Association. The championship featured three Jordanian teams, and three Palestinian teams, from the West Bank, Gaza, and Jerusalem.

Providing "sewing machines" to Nablus Industrial Secondary School

PIF provided "sewing machines" to the Nablus Industrial Secondary School. This contribution aims to equip students with the skills necessary for their integration into the labor market, to promote vocational education, to improve the training process for professional careers, including artistic upholstery and decoration, and to increase the number of students receiving vocational training.

Financial Statements

Palestine Investment Fund Company P. L. C

Consolidated financial statements for the year ended
December 31, 2022
and Independent Auditor’s Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PALESTINE INVESTMENT FUND COMPANY P.L.C.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Palestine Investment Fund Company P.L.C. and its subsidiaries (together "the Group") as at December 31, 2022 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises all the information included in the Annual Report of the Group for 2022 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers, Amaar Tower, Level 7, Al-Irsal, Al-Bireh, Palestine
T: +970 (02) 242 0230, F: +970 (02) 242 0231, P.O Box 1317 (Ramallah), www.pwc.com/middle-east

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PALESTINE INVESTMENT FUND COMPANY P.L.C. (CONTINUED)

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by another firm of auditors whose report, dated May 10, 2022, expressed an unmodified opinion on those statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PALESTINE INVESTMENT FUND COMPANY P.L.C. (CONTINUED)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 the Group'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 the Group 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 the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

For and on behalf of PricewaterhouseCoopers Palestine
License number 207/2012

Hazem Sababa
License number 115/2003

May 24, 2023
In: Ramallah, Palestine

(All amounts are in USD and in '000's unless otherwise stated)

Consolidated statement of financial position

As at	Notes	December 31, 2022	December 31, 2021 *
Assets			
Non-current assets			
Property, plant and equipment	7	92,843	111,028
Investment properties	8	101,557	78,692
Investments in associates	9	238,573	228,926
Investments in joint ventures	10	12,961	13,709
Investments in securities	11	138,693	120,198
Investments in bonds		1,185	-
Other assets	12	59,191	80,858
		645,003	**633,411**
Current assets			
Properties ready for sale	13	11,168	18,741
Accounts receivable	14	88,099	102,580
Investments in securities	11	129,789	128,554
Other current assets	15	59,567	48,634
Cash and cash equivalents	17	27,110	23,360
		315,733	**321,869**
Assets held for sale	16	-	1,803
		315,733	323,672
Total assets		**960,736**	**957,083**
Equity and liabilities			
Equity			
Paid-in share capital	18	625,000	625,000
Shareholder's current account	19	(98,033)	(92,413)
Statutory reserve	20	110,216	106,664
Voluntary reserve	20	18,794	15,242
Foreign currency translation reserve		(1,736)	1,301
Fair value reserve	11	50,135	31,313
Revaluation surplus	20	609	-
Retained earnings		37,723	29,432
Total equity attributable to shareholder		**742,708**	**716,539**
Non-controlling interests	5	6,668	14,118
Total equity		**749,376**	**730,657**
Non-current liabilities			
Long-term loans and lease liabilities	22	101,022	99,672
Deferred tax liabilities	23	2,285	1,178
		103,307	**100,850**
Current liabilities			
Credit facilities	24	19,260	19,672
Current portion of loans and lease liabilities	22	39,733	44,525
Accounts payable	25	13,923	16,389
Accrued expenses and other liabilities	26	32,369	41,652
Provision for income tax	27	2,768	3,338
		108,053	**125,576**
Total liabilities		**211,360**	**226,426**
Total equity and liabilities		**960,736**	**957,083**

(*) Refer note 33 - comparatives figures

- The accompanying notes from note 1 to note 40 form an integral part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

Consolidated Financial statements for the year ended December 31, 2022

(All amounts are in USD and in '000's unless otherwise stated)

Consolidated income statement

For the years ended on	Notes	December 31, 2022	December 31, 2021 *
Income			
Operating revenues	38	100,157	106,471
Share of associates' results of operations	9	14,570	14,291
Share of joint ventures' results of operations	10	(130)	(436)
Gain from sale of share in associates		-	2,952
Realized and unrealized gains from sale of share in a subsidiary	6	1,505	3,994
Gain from investments in financial assets	28	22,385	28,582
Change in fair value of investment properties	8	5,368	(2,314)
Gain from sale of investment properties	8	1,179	502
Other Income	32	14,463	1,883
		159,497	**155,925**
Expenses			
Changes in Inventory and other operating expenses	38	(85,691)	(88,357)
Investment expenses	30	(1,684)	(2,024)
Compensation and other expenses	31	(12,099)	(13,482)
Depreciation and amortization	7	(2,907)	(3,129)
Grants and donations		(1,290)	(1,054)
Impairment losses		(2,789)	(946)
Expected credit loss expenses		(5,464)	(6,742)
Currency variance (losses) gains		(8,219)	1,570
		(120,143)	**(114,164)**
Profit before finance costs		**39,354**	**41,761**
Interest income	29	4,812	2,206
Finance costs		(7,454)	(9,112)
Net finance costs		**(2,642)**	**(6,906)**
Profit for the year before income tax		36,712	34,855
Income tax expense	27	(1,519)	(754)
Profit for the year		**35,193**	**34,101**
Attributable to:			
The shareholder		35,522	32,409
Non-controlling interests		(329)	1,692
		35,193	**34,101**

(*) Refer note 33 - comparatives figures

- The accompanying notes from note 1 to note 40 form an integral part of these consolidated financial statements.

(All amounts are in USD and in '000's unless otherwise stated)

Consolidated statement of comprehensive income

For the years ended on	Notes	December 31, 2022	December 31, 2021
Profit for the year		**35,193**	**34,101**
Other comprehensive income items:			
Items to be reclassified to consolidated income statement in subsequent periods:			
Foreign currency translation differences		(1,207)	47
Change in fair value of cash flow swaps		-	1,315
Share of associates' and joint ventures' other comprehensive income items - foreign currency translation differences		(1,830)	(1,445)
		(3,037)	**(83)**
Items not to be reclassified to consolidated income statement in subsequent periods:			
Change in fair value of financial assets through other comprehensive income	11	19,127	31,640
Revaluation surplus		609	-
Share of associates' other comprehensive income items	11	(40)	378
		19,696	**32,018**
Total other comprehensive income items		**16,659**	**31,935**
Net comprehensive income for the year		**51,852**	**66,036**
Attributable to:			
The shareholder		52,181	64,344
Non-controlling interests		(329)	1,692
		51,852	**66,036**

- The accompanying notes from note 1 to note 40 form an integral part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

Consolidated Financial statements for the year ended December 31, 2022

(All amounts are in USD unless and in '000's otherwise stated)

Consolidated statement of changes in equity

For the years ended on	Attributable to the shareholder: Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Revaluation surplus	Retained earnings	Total	Non-controlling interests	Total equity
2022											
At January 1, 2022	625,000	(92,413)	106,664	15,242	1,301	31,313	-	29,432	**716,539**	14,118	**730,657**
Profit for the year	-	-	-	-	-	-	-	35,522	**35,522**	(329)	**35,193**
Other comprehensive income items	-	-	-	-	(3,037)	19,087	609	-	**16,659**	-	**16,659**
Net comprehensive income for the year	-	-	-	-	(3,037)	19,087	609	35,522	**52,181**	(329)	**51,852**
Transfer of gain on disposal of equity investments at FVOCI	-	-	-	-	-	(265)	-	265	**-**	-	**-**
Shareholder's current account (note 19)	-	(25,620)	-	-	-	-	-	-	**(25,620)**	-	**(25,620)**
Distributed dividends (note 21)	-	20,000	-	-	-	-	-	(20,000)	**-**	-	**-**
Change in non-controlling interests	-	-	-	-	-	-	-	(392)	**(392)**	705	**313**
Sale of Subsidiary (note 6)	-	-	-	-	-	-	-	-	**-**	(7,826)	**(7,826)**
Transfers (note 20)	-	-	3,552	3,552	-	-	-	(7,104)	**-**	-	**-**
At December 31, 2022	**625,000**	**(98,033)**	**110,216**	**18,794**	**(1,736)**	**50,135**	**609**	**37,723**	**742,708**	**6,668**	**749,376**
2021											
At January 1, 2021	625,000	(77,125)	103,423	12,001	2,699	(2,201)	-	8,686	**672,483**	5,725	**678,208**
Profit for the year	-	-	-	-	-	-	-	32,409	**32,409**	1,692	**34,101**
Other comprehensive income items	-	-	-	-	(1,398)	33,514	-	(181)	**31,935**	-	**31,935**
Net comprehensive income for the year	-	-	-	-	(1,398)	33,514	-	32,228	**64,344**	1,692	**66,036**
Shareholder's current account (note 19)	-	(20,288)	-	-	-	-	-	-	**(20,288)**	-	**(20,288)**
Distributed dividends (note 21)	-	5,000	-	-	-	-	-	(5,000)	**-**	-	**-**
Change in non-controlling interests	-	-	-	-	-	-	-	-	**-**	600	**600**
Acquisition of subsidiary	-	-	-	-	-	-	-	-	**-**	6,101	**6,101**
Transfers (note 20)	-	-	3,241	3,241	-	-	-	(6,482)	**-**	-	**-**
At December 31, 2021	**625,000**	**(92,413)**	**106,664**	**15,242**	**1,301**	**31,313**	**-**	**29,432**	**716,539**	**14,118**	**730,657**

- The accompanying notes from note 1 to note 40 form an integral part of these consolidated financial statements.

Palestine Investment Fund Company P.L.C

Consolidated Financial statements for the year ended December 31, 2022

(All amounts are in USD and in '000's unless otherwise stated)

Consolidated statement of cash flows

	Note	December 31, 2022	December 31, 2021 *
Operating activities			
Profit for the year before income tax		**36,712**	**34,855**
Adjustments:			
Finance costs		7,454	9,112
Interest income		(4,812)	(2,206)
Share of associates' results of operations	9	(14,570)	(14,291)
Share of joint ventures' results of operations	10	130	436
Change in fair value of investment properties	8	(5,368)	2,314
Gain from investments in financial assets	28	(22,385)	(28,582)
Gain from sale of share in a subsidiary		(1,505)	(3,994)
Gain from sale of share in associates		-	(2,952)
Gain from sale of investment properties		(1,179)	(502)
Expected credit losses expenses		5,464	6,742
(Gain) Loss from sale of property, plant and equipment		(10,585)	8
Depreciation and amortization		9,163	13,534
Impairment losses		2,789	946
Other non-cash items		138	(612)
		1,446	**14,808**
Working capital adjustments:			
Accounts receivable		9,017	14,323
Other current assets		607	315
properties ready for sale		7,105	10,521
Accounts payable		(2,466)	(2,182)
Accrued expenses and other liabilities		(9,339)	4,464
Income tax payments	27	(1,684)	(661)
Change in restricted cash		3,583	(6,248)
Net cash flows from operating activities		**8,269**	**35,340**
Investing activities			
Investments in securities-FVOCI		(2,481)	(2,572)
Investments in securities-FVTPL		(45,526)	(18,261)
Investments in securities at Amortized costs		(1,200)	-
Purchase of property, plant and equipment	7	(14,157)	(4,797)
Sale of shares in subsidiary		-	2,000
Sale of property, plant and equipment		14,205	318
Purchase of Investment properties	8	(5,984)	(4,787)
Investments in joint ventures		-	(2,536)
Investments in associates		(1,401)	3,882
Granted loans		(2,326)	2,895
Dividends and interest received		19,164	12,999
Assets held for sale		1,803	1,146
Change in term deposits maturing after 3 months		10,823	(21,795)
Proceeds from sale of investment securities-FVOCI		2,400	729
Proceeds from sale of investment securities-FVTPL		52,317	31,158
Proceeds from sale of investment property		6,221	2,616
Net cash proceeds from acquisition of subsidiary		-	1,001
Net cash flows from investing activities		**33,858**	**3,996**
Financing activities			
Payments on behalf of the shareholders		(9,620)	(15,288)
Cash dividends paid		(16,000)	(5,000)
Loans withdrawals		46,195	38,391
Payments of loans and lease liabilities		(51,192)	(60,722)
Change in non-controlling interests		705	600
Finance costs paid		(7,102)	(7,918)
Credit facilities - overdrafts		(412)	(7,943)
Net cash flows used in financing activities		**(37,426)**	**(57,880)**
Increase (decrease) in cash and cash equivalents		**4,701**	**(18,544)**
Foreign currency translations differences		(951)	49
Cash and cash equivalents, beginning of the year		23,360	41,855
Cash and cash equivalents, end of the year	17	**27,110**	**23,360**

(*) Refer note 33 - comparatives figures

- The accompanying notes from note 1 to note 40 form an integral part of these consolidated financial statements.

(All amounts are in USD and in '000's unless otherwise stated)

1. Corporate information

Palestine Investment Fund Company P.L.C (hereinafter "PIF" or "the Group"), a Public Shareholding Company, was incorporated in Gaza and registered in Ramallah 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 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.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 18, 2023.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2022.

PIF's ownership in its subsidiaries' subscribed capital as at December 31, 2022 and 2021 were as follows:

		Ownership %	
	Nature of business	**2022**	**2021**
Sanad Construction Resources (Sanad)	Trade and transportation	98.4	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 Medium 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
Rasmala Palestine Equity Fund (RPEF) (note 6) *	Financial investment	-	75
Others	Real estate and financial investment	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.

(*) PIF exited from investment in Rasmala Palestine equity fund during the end of December 2022.

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 (USD 000's).

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as at December 31, 2022.

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 PIF's assets, liabilities and results with the assets, liabilities, and results of PIF's 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, the retained investment in entity is recognized at fair value as follows :

- Derecognize all assets (including goodwill) and liabilities of the former subsidiary at their carrying amount,
- Derecognize non-controlling interest,
- Recognize consideration received at fair value,
- Recognize any investment retained in the former subsidiary at fair value,
- Recognize any resulting difference as a gain or loss in the consolidated statements of income attributable to the parent.

3.3 Significant accounting judgements, 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:

<u>Useful life of Property, Plant and Equipment</u>

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Where the estimated useful lives differs by 10% from management's estimates, this would result in an increase in depreciation expense by USD 900 thousand or decrease it by USD 900 thousand (2021: increase by USD 1,400 thousand or decrease by USD 1,400 thousand).

<u>Impairment of non-financial assets</u>

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 Discounted cash flow "DCF" model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected cash flows used and the growth rate used for calculation purposes.

Impairment of non-financial assets including associates and joint ventures

PIF considers the following Impairment indicators for its non-financial assets including associates, and joint ventures:

- Current market values;
- Estimates relating to future assets income generation and related costs;
- Net asset value higher than the market capitalization;
- Consistent negative cash flows;
- Unexpected deterioration in market value;
- Value is higher than the carrying amount of the investee's assets (Associates and Joint ventures).

PIF considers the following Impairment assumptions

Where PIF determines that an asset is impaired, the recoverable amount is determined based on the fair value less cost to sell using, the quoted price (if available), an income approach or based on independent appraisers.

The significant assumptions used for the valuation are discount rate, rental growth rate and the estimated costs to complete. The average discount rate and growth rate used in the model ranges between 8 - 11.25% (7-11% for 2021) and the 0.5 - 1.25% (0.5- 2.3% for 2021).

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

When determining the impairment of financial assets, PIF's and its subsidiaries management 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 Significant Increase in Credit Risk (SICR) has occurred, the instrument will be moved from Stage 1 to Stage 2:

Qualitative factors:

1. Establishment of thresholds for Significant 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.

Further details about the assumptions and estimates used in the ECL provision calculation is stated under risk management note (36).

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.

Solar panels recognition

When determining the accounting policy for the power purchase agreement related to the solar panels systems over public school's rooftops signed with electricity distribution companies, the management have judged that the agreement does not fall within the scope of IFRIC 12 "Service concession arrangements". The Group is a public entity and there is no agreement between the Group and the Grantor [Palestinian Energy and Natural Resources Authority] which contractually obliged the Group to provide the service to the public on behalf of the Grantor. Further, the electricity distribution companies are entrusted only to distribute the electricity generated by the solar panel units built and maintained by the Group without having the mandate to generate electricity and the agreement between the Group and the electricity distribution companies is a buy/sell arrangement.

Recognition of assets and liabilities

When determining the criteria to recognize assets and liabilities of specific transactions, PIF applies its judgment in establishing whether the transaction meet the definition of an asset or liability and whether an economic benefit will inflow or outflow from such transactions.

PIF signed an agreement to acquire an interest in a gas field license with a third party with the settlement of the liability from this agreement being conditional upon meeting specific milestones in the future. Based on PIF's policy for recognizing assets and liabilities, no asset or liability in relation to this agreement was recognized.

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.

Further details about the fair values of financial instruments is disclosed in note (34).

Investment properties

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

Investment property is stated at its fair value based on reports prepared by independent licensed evaluators by the Palestine Capital Market authority at the end of the reporting period. Management believe that there is sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value for the Group's investment properties, except for leased properties, the valuation for these properties was based principally on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the consolidated financial statements

Management has reviewed the assumptions underlying the discounted cash flow models used in the valuation and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period. Notwithstanding the above, management considers that the valuation of its investment properties could be subject to an increased degree of judgement and an increased likelihood that actual proceeds on a sale may differ from the carrying value.
The principal assumptions underlying the estimation of the fair value are those relating to the receipt of contractual rentals; expected future market rentals and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group, and those reported by the market.
The principal assumptions made and the impact on the aggregate valuations of reasonably possible changes in these assumptions, with all other variables held constant, are as follows:

• The future rental rates were estimated depending on the actual location of the properties. Had these rental rates been increased or decreased by 10%, the total carrying value of investment properties would be USD 1.2M higher or USD 1.2M lower (2021: 1M higher or 1M lower), respectively. • The discount rate was assumed to average between 10%-12.5% (2021: 9%-12.5%) for different properties. Should this discount rate increase / decrease by 1%, the carrying value of the investment property would be USD 750 lower / USD 750 higher (2021: 362 lower / higher).

Impairment of properties ready for sale
PIF estimates the net realizable value of properties ready for sale at the date of the consolidated financial statements based on past experiences, and adjust the carrying value, if needed.

3.4 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 cements and other goods are recognized at a certain point in time at which the cement and other goods are delivered which is the point where the control of the goods sold is transferred to the customer.

Customers obtain control of cement and other products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 90 days.

Revenue is recognized when the goods are delivered and have been accepted by customers at their premises.

Rendering of services
Service revenues including transportation services 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. where contracts are including conditional exchange, sale is recognized when applying all contract terms and conditions.

Notes to the consolidated financial statements

Room service revenues

It comprises revenue from rooms, food and beverages and other associated services provided. The room service revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered. Performance obligations are satisfied over time, and revenue from hotel services is recognized on a daily basis, as the rooms are occupied, and services are rendered.

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 revenue

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 rental receivables.

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.

Grant revenues

Temporarily restricted grants by the donor for a specific purpose or time are recognized by PIF as revenues when such purpose or time is satisfied.

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 capitalized 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 temporary 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 latter 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 certain non-financial assets, such as investments properties, at fair value at each reporting date. PIF also discloses the fair value of financial assets in the notes to the consolidated financial statements, which include:

- Quantitative disclosures of fair value measurement hierarchy (note 34)
- Investment properties (note 8)
- 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 consolidated 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 2022 and 2021.

Interest rate swaps are 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 in 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.

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 and spare parts	4 - 10
Solar power systems	10 - 25
Office equipment, machinery, computers and systems	3 - 5
Furniture and decoration	5 - 14

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.

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 based on management's intentions for the use of the project

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.

Right-of-use assets

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

Notes to the consolidated financial statements

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Useful lives (years)
Buildings	15
Transportation means	3-5

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

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

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

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

Notes to the consolidated financial statements

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 compensation and other 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 consolidated statement of comprehensive income reflect PIF's share of the result of operations of the associates. Unrealized 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.

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

The consolidated income statement and the consolidated statement of comprehensive income reflect PIF's share of the result of operations of the joint venture. Unrealized 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.

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 capital 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.

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.

Notes to the consolidated financial statements

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 based on IAS 16, resulting fair value adjustment is recognized in the consolidated statement of changes in equity as a revaluation surpluses.

Project in progress: property with an undetermined use is generally considered as investment properties. If an entity has not determined that it will use the property as owner occupied property or for short-term sale in the ordinary course of business, the property is regarded as held for capital appreciation.

Investment properties under construction should be carried at fair value unless in exceptional circumstances this cannot be reliably determined. If PIF determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

Properties ready for sale

Properties ready for sale are measured at cost less any impairment loss or net realizable value, whichever is lower, costs of properties ready for sale include cost of construction, studies, design, finance costs, related lands and indirect costs.

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

Segments Information

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.

Investments in financial instruments

A- Initial recognition of financial instruments:

Date of recognition

Financial assets and liabilities 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.

Notes to the consolidated financial statements

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, except in the case of financial assets and liabilities recorded at fair value through profit or loss, 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 income of PIF. 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 the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

B- Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and bonds.

Financial assets are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows the change in the business model. PIF did not change its business model during the current and comparative period and did not make any reclassifications.

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 fair value through profit or loss (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 Fair value. PIF has not classified any debt instrument matching amortized cost criteria as a financial asset at fair value through consolidated statement of income.

Debt instruments are carried at FVTPL if they do not meet the criteria for amortized cost or FVOCI. PIF may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether PIF's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by PIF in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence is a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

PIF subsequently measures all equity investments at fair value through profit or loss, except where PIF's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as net gains from financial assets when PIF's right to receive payments is established.

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 fair value through other comprehensive income (FVOCI)
At initial recognition, PIF makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as 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 all the risks and rewards of the financial assets to a third party. When PIF has neither transferred nor retained all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of PIF's continuing involvement, PIF also recognizes the associated liability. If PIF retains all the risks and rewards of ownership of the transferred financial asset, PIF continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

D- Impairment of financial assets

Impairment provisions 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.

General Approach:

The following General Approach is followed by PIF to calculate the ECL provision over Deposits at banks, financial assets at Amortized costs, granted Loans and other receivables.

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.

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.

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:

The calculation of ECL

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

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

PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

EAD The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECL, PIF considers three scenarios (a base case, best and worst). Each of these is associated with different PDs and LGDs.

The mechanics of the ECL method are summarized below:

Stage 1	The 12 months ECL is calculated as the portion of Life Time Expected Credit Loss (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 12 months ECL 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.
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). This calculation is made for each of the three scenarios, as explained above.
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.

Simplified approach:

PIF applies a simplified approach in calculating ECL for most 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 characteristics 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

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.

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 from remeasurement of financial derivatives not designated as hedging instruments and any ineffective portion of the hedging instrument are recognized in the consolidated income statement.

Contribution receivable

Contributions receivables 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.

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.

Notes to the consolidated financial statements

Loans and borrowings

Loans and borrowings are initially recorded at fair value less any transaction costs. They 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 as 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

PIF classifies non-current assets (disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. Non-current assets classified as held for sale are measured at the lower of their carrying value and fair value (less costs to sell). Costs to sell are the incremental costs attributable directly to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for classifying non-current assets as held for sale are met when:

- Sale is highly probable,
- The assets are available for immediate sale in their current condition,
- Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn,
- Management is committed to the plan to sell the assets and the sale is expected to be completed within one year from the date of classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Cash dividends

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 currencies

PIF's consolidated financial statements are presented in USD 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 USD are translated into USD 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. 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, 2022. 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.

New and amended standards adopted by PIF:

A number of new or amended standards became applicable for the current reporting period, and PIF has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

New and revised IFRSs	**Effective for annual periods beginning on or after**
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The adoption of the above amendments does not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.	January 1, 2022

<u>Effective for annual periods beginning on or after</u>

<u>New and revised IFRSs</u>

Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The adoption of the above amendments does not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

January 1, 2022

Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The adoption of the above amendments does not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

January 1, 2022

New and revised IFRSs	**Effective for annual periods beginning on or after**
Reference to the Conceptual Framework - Amendments to IFRS 3 Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The adoption of the above amendments does not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.	January 1, 2022

New standards, amendments and interpretations issued but not yet effective and not early adopted

New and amended International Financial Reporting Standards "IFRS"	**Effective for annual periods beginning on or after**
Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 The amendments to IAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	January 1, 2023

(All amounts are in USD and in '000's unless otherwise stated)

Amendment to IFRS 16 - Leases on sale and leaseback These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Amendment to IAS 1 - Non-current liabilities with covenants These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
IFRS 17 - Insurance contracts On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.	January 1, 2023

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

5. 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	2022 % of non-controlling interest	2021 % of non-controlling interest
Sanad Construction Resources (Sanad)	Palestine	1.58	2.46
Arab Hotels Company (AHC)	Palestine	45	45
Rasmala Palestine Equity Fund (RPEF)	Luxemburg	-	25

	2022	2021
Balances of non-controlling interests		
Sanad Construction Resources (Sanad)	826	942
Arab Hotels Company (AHC)	3,598	4,297
Rasmala Palestine Equity Fund (RPEF)	-	7,501
(Losses) profits allocated to non-controlling interests:		
Sanad Construction Resources (Sanad)	(44)	(12)
Arab Hotels Company (AHC)	(700)	(263)
Rasmala Palestine Equity Fund (RPEF)	324	1,801
Change of material subsidiaries' non-controlling interests:		
Rasmala Palestinian Equity Fund (RPEF)	(7,826)	(400)
Dividends paid to non-controlling interest		
Rasmala Palestine Equity Fund (RPEF)	233	489

The change in non-controlling interest during the period was as follows:

Details	2022	2021
Non-controlling interests beginning of year	14,118	5,725
Net income to non-controlling interest during the year	(329)	1,692
Consideration paid to non-controlling interests	(70)	-
Additional contribution from non-controlling interest during the year	775	600
Acquisition of subsidiary	-	6,101
Sale of subsidiary	(7,826)	-
Non-controlling interests at the end of the year	**6,668**	**14,118**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

The summarized financial information of these subsidiaries is provided below prior to elimination of balances and transactions with PIF:

Summarized Statement of Financial Position as at December 31, 2022:

	Sanad	AHC
Current assets	74,448	874
Non-current assets	21,925	32,453
Current liabilities	(40,352)	(18,137)
Non-current liabilities	(3,785)	(5,949)
Total equity	**52,236**	**9,241**
Accumulated NCI	826	3,598

Summarized Statement of Financial Position as at December 31, 2021:

	Sanad	AHC	RPEF
Current assets	99,654	1,822	30,657
Non-current assets	28,015	33,346	-
Current liabilities	(67,301)	(16,814)	(62)
Non-current liabilities	(18,475)	(7,682)	-
Total equity	**41,893**	**10,672**	**30,595**
Accumulated NCI	942	4,297	7,501

Summarized Income Statement for the year ended December 31, 2022:

	Sanad	AHC
Sales revenue	70,959	4,157
Cost of sale	(65,699)	(3,060)
Gain from investment properties	(10)	-
General and administrative expenses	(4,052)	(169)
Depreciation of property, plant and equipment	(1,153)	(1,104)
Provision for expected credit losses	(2,149)	-
Finance costs	(2,176)	(1,251)
Share of associates' results of operations	(31)	-
Share of joint ventures' results of operations	(195)	-
Other revenues (expenses), net	2,988	-
(loss) for the year before income tax	**(1,518)**	**(1,427)**
Income tax expense	(1,260)	-
(Loss) for the year	**(2,778)**	**(1,427)**
Other comprehensive income items	**-**	**-**
Net comprehensive (loss) for the year	**(2,778)**	**(1,427)**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

Summarized Income Statement for the year ended December 31, 2021:

	Sanad	AHC	RPEF
Sales revenue	58,931	2,706	-
Cost of sale	(54,865)	(1,544)	-
Gain from investment portfolio	-	-	9,030
Gain from investment properties	218	-	-
General and administrative expenses	(3,406)	(161)	(626)
Depreciation of property, plant and equipment	(1,244)	(1,277)	-
Provision for expected credit losses	(2,185)	-	-
Finance costs	(2,627)	(1,568)	(83)
Share of associates' results of operations	(30)	-	-
Other revenues (expenses), net	5,379	(60)	(13)
Profit (loss) for the year before income tax	**171**	**(1,904)**	**8,308**
Income tax expense	(525)	-	-
(Loss) profit for the year	**(354)**	**(1,904)**	**8,308**
Other comprehensive income items	**-**	**-**	**-**
Net comprehensive income (loss) for the year	**(354)**	**(1,904)**	**8,308**

Summarized Cash flow information for year ended December 31, 2022:

	Sanad	AHC
Operating activities	341	(320)
Investing activities	816	(221)
Financing activities	92	(338)
Increase (decrease) in cash and cash equivalents	**1,249**	**(879)**

Summarized Cash flow information for year ended December 31, 2021:

	Sanad	AHC	RPEF
Operating activities	(2,572)	1,183	(639)
Investing activities	2,479	(3)	9,499
Financing activities	8,015	815	(9,347)
Increase (decrease) in cash and cash equivalents	**7,922**	**1,995**	**(487)**

Massader have investments in partially owned subsidiaries which have non-controlling interests. During the year, non-controlling interests increased by USD 867 thousand. Non-controlling interests' share of these subsidiaries' equity amounted to USD 2.5M as of December 31, 2022 (2021: USD 1.7M). Profits attributable to non-controlling interests in these subsidiaries amounted to USD 91 thousand (2021 USD 210 thousand).

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

6. Disposal of a subsidiary

During th end of December 2022, PIF exit from 100% of its investment in Rasmala Palestine Equity Fund (RPEF) (a subsidiary of Aswaq). Consequently, PIF's ownership in RPEF decreased to zero and PIF lost control of RPEF. Accordingly, RPEF's financial statements were de-consolidated from PIF's consolidated financial statements for the year ended December 31, 2022. RPEF's assets, and liabilities were not presented in the consolidated financial statements. The sale resulted in a realized gain in an amount of USD 1,505,000 recorded in the consolidated income statement.

Following is the fair value of the assets and liabilities of RPEF as at the disposal date:

	Fair value at disposal date
Assets	
Investments in securities	7,313
Cash and cash equivalent	7,278
	14,591
Liabilities	
Accruals	166
	166
Net assets	**14,425**
Non-controlling interest share from net assets	(7,826)
Net assets attributable to PIF	**6,599**

Details of the sale of the subsidiary

	2022
Consideration received or receivable:	
Cash	-
Receivable (*)	6,599
Total disposal consideration	**6,599**
Carrying amount	5,094
Gain from disposal	**1,505**

* Subsequent to the consolidated financial statement date, PIF collected the receivable amount in full.

(All amounts are in USD and in '000's unless otherwise stated)

7. Property, plant and equipment

2022	Lands	Buildings	Transportation means and spare parts	Right-of-use assets*	Solar power systems	Office equipment, machinery, computers and systems	Furniture and decoration	Projects in progress (Solar panels)	Total
Cost									
As at January 1, 2022	11,805	74,561	57,132	2,129	5,076	14,282	6,206	3,070	174,261
Additions	-	643	259	1,106	-	268	117	5,882	8,275
Transferred to investment properties	(4,037)	(18,071)	-	-	-	-	-	-	(22,108)
Transferred from projects in progress	-	-	-	-	4,691	20	-	(4,711)	-
Transferred from assets ready for sale	-	711	-	-	-	-	-	-	711
Disposals	-	(880)	(931)	(216)	-	(75)	(1,432)	-	(3,534)
Foreign currency translation	(95)	(1,192)	-	-	-	-	-	-	(1,287)
As at December 31, 2022	7,673	55,772	56,460	3,019	9,767	14,495	4,891	4,241	156,318
Accumulated depreciation and impairment									
As at January 1, 2022	526	22,528	25,375	656	299	8,673	5,176	-	63,233
Depreciation charged for the year		2,387	5,218	217	331	618	392	-	9,163
Transferred to investment properties	-	(6,026)	-	-	-			-	(6,026)
Disposals		(848)	(202)	(46)		(61)	(1,402)	-	(2,559)
Foreign currency translation		(336)					-	-	(336)
As at December 31, 2022	526	17,705	30,391	827	630	9,230	4,166	-	63,475
Net carrying amount									
As at December 31, 2022	7,147	38,067	26,069	2,192	9,137	5,265	725	4,241	92,843

- Property, plant and equipment include an amount of USD 4.5M mortgaged to local and regional banks as collaterals against loans and credit facilities granted to PIF (notes 22 and 24).
- During 2022, USD 6.3M of depreciation expense have been allocated to changes in Inventory and other operating expenses.
- Total expected costs to complete these projects in progress amounts to 14.1M and it is expected to be completed within 1-2 years.
- *Non material short term and low value leases were accounted as an operating lease.

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2021	Lands	Buildings	Transportation means and spare parts	Right-of-use assets*	Solar power systems	Office equipment, machinery, computers and systems	Furniture and decoration	Projects in progress (Solar Panels)	Total
Cost									
As at January 1, 2021	11,685	79,285	94,738	2,095	2,989	19,105	6,738	5,540	222,175
Additions	-	52	140	298	-	58	15	4,238	4,801
Transferred to investment properties	-	(1,720)	-	-	-	-	(543)		(2,263)
Transferred from projects in progress	-	256	-	-	2,087	72	-	(2,415)	-
Transferred to assets held for sale	-	(793)	(37,697)	-	-	-	-		(38,490)
Disposal of subsidiary	-	(2,732)	-	-	-	(4,952)	(4)	(4,293)	(11,981)
Disposals	-	(5)	(49)	(264)	-	(1)	-	-	(319)
Foreign currency translation	120	218	-	-	-	-	-		338
As at December 31, 2021	**11,805**	**74,561**	**57,132**	**2,129**	**5,076**	**14,282**	**6,206**	**3,070**	**174,261**
Accumulated depreciation and impairment									
As at January 1, 2021	526	21,309	51,520	660	135	8,876	4,770	-	87,796
Depreciation charged for the year	-	2,096	9,920	250	164	540	564	-	13,534
Transferred to investment properties	-	-	-	-	-	-	(307)	-	(307)
Disposals	-	(5)	(30)	(254)	-	(1)	-	-	(290)
Transferred to assets held for sale	-	(753)	(36,035)	-	-	-	-	-	(36,788)
Disposal of subsidiary	-	(265)	-	-	-	(842)	(4)	-	(1,111)
Impairment provision	-	-	-	-	-	100	153		253
Foreign currency translation	-	146	-	-	-	-	-	-	146
As at December 31, 2021	**526**	**22,528**	**25,375**	**656**	**299**	**8,673**	**5,176**	**-**	**63,233**
Net carrying amount									
As at December 31, 2021	**11,279**	**52,033**	**31,757**	**1,473**	**4,777**	**5,609**	**1,030**	**3,070**	**111,028**

- Property, plant and equipment include an amount of USD 8.1M mortgaged to local and regional banks as collaterals against loans and credit facilities granted to PIF (notes 22 and 24).

- During 2021, an amount of USD 10.4M of depreciation expense have been allocated to changes in Inventory and other operating expenses.

The impairment loss was fully recognized in the consolidated income statement.

(All amounts are in USD and in '000's unless otherwise stated)

8. Investment properties

Following is the movement on investment properties during the year:

	2022	2021
Balance, beginning of year	78,692	76,879
Additions	5,984	9,247
Investment properties sold	(5,042)	(6,875)
Transferred from property, plant and equipment	16,798	1,956
Transferred to properties ready for sale	(243)	-
Change in fair value of investment properties	5,368	(2,314)
Disposal of subsidiary	-	(201)
Balance, end of year	**101,557**	**78,692**

Investment properties include building and rented offices transferred in the amount of USD 16.8M, material assets transferred represent a hotel building that was previously operated by the group in previous years, during the year, the hotel was transferred to investment property upon leasing to third party under a lease contract signed during September 2022.

The fair value of the hotel was determined using the income approach where the expected annual rental income has been discounted using the DCF model.

In accordance with IAS 16, a fair value reserve has been recognized in the consolidated statement of changes in equity representing the difference between the fair value and the net carrying value of the transferred properties (including the hotel) at the date of transfer resulting in fair value surplus of USD 609 thousands (refer to note 20).

Movement on the balances is as follows:

	2022
Beginning balance	-
Net book value of PPE transferred	16,082
Surplus revaluation during the year	609
Deferred tax liabilities	107
	16,798

Investment properties include the following:

	2022	2021
Land lots (A)	50,217	32,528
Buildings (B)	51,340	46,164
	101,557	**78,692**

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

(B) This item represents some of "Amaar Tower" rented floors to external parties other than PIF's subsidiaries. Rent revenues amounted to USD 4.6M and USD 1M for the years 2022 and 2021, respectively.

Investment properties amounted USD 12M were mortgaged to regional banks as collateral against loans granted to PIF (note 22).

During the years 2022 and 2021, PIF has sold part of its investment properties resulting in a gain of USD 1.1M and 0.5M respectively, which was recognized in the consolidated income statement.

Notes to the consolidated financial statements

Direct operating expenses recognized in profit or loss amounted to USD 305 thousand and 507 thousand relating to investment property that generated rental income for the years 2022 and 2021 respectively.

Direct operating expenses recognized in profit or loss include USD 200 thousand and USD 260 thousand relating to investment property that did not generate rental income for the years 2022 and 2021 respectively.

All properties invested by the group are located in Palestine.

(All amounts are in USD and in '000's unless otherwise stated)

9. Investments in associates

This item represents investments in associates operating mostly in Palestine:

	Ownership		Carrying Amount		Available Market value	Nature of the activities Agreed
	2022	2021	2022	2021	2022	
	%	%				
Siniora Food Industries (Listed)	29.04	29.04	60,258	58,545	59,626	Food industry company that produces meat products
Wataniya Palestine Mobile Telecommunications Company (Listed)	40.33	40.04	64,098	56,676	111,080	Mobile network operators in the West Bank
Arab Islamic Bank (Listed)	35.06	35.06	47,634	44,308	60,053	Islamic banking
Specialized Arab Hospital Group	26	26	33,403	35,320		Healthcare and medical treatment
Mada Al-Arab Company	26	30	9,234	9,195		Internet services
Palestine Power Generation Company	40.31	40.31	8,697	7,678		Electricity Power Generation
Al-Rabyeh for Animal Feed and Grains Co.	50	50	4,214	4,275		Animal feed production and grain storage
Palestine Ijara Company – LTD	33.33	33.33	4,098	3,893		Islamic Micro Financing
Palestine Tourism Investment Company	27.59	27.59	1,980	3,367		Travel & Leisure sector.
Others	20-40	20-40	4,957	5,669		Education and Leisure services
			238,573	228,926		

- Management believes that its voting rights in the Board of Directors of each of the above associates does not extend beyond its current ownership percentage.
- PIF's Investment in associates includes shares with a book value of USD 51.3M mortgaged to regional and local banks as collateral against loans granted to PIF (note 22).
- During 2022, Aswaq, a subsidiary of PIF has purchased additional shares in Al Wataniya Mobile increasing its investment in the associate by USD 807 thousand and its ownership to 40.33%.
- During 2022 and 2021, some of PIF's subsidiaries recorded impairment on their investments in some associates in an amount of USD 1.8M and USD 307 thousand, respectively, recognized in the consolidated income statement, these associates operate within the leisure and tourism segment.

Notes to the consolidated financial statements

- The Recoverable amount of the investments is based on fair value less cost of disposal which is determined based on Discounted Cash flow Model projected over 5 years (categorized within level 3 hierarchy). The key assumptions are discount rate of (8% - 11.25%) and growth rates of (0.5%-1.25%). The assumptions are consistent with past practice. Changes of 5% to the significant assumption would not result in material impact on the carrying value.

  The carrying value of the material associates as at December 31, 2022 approximates (or lower) than their fair value, the fair value determination for unquoted investments were based on level 3 Discounted cash flow models, the model main assumption used represent the discount rate and growth rate, further details are included in the risk management note (36).

  PIF's associates are considered strategic to PIF group.

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

2022	Siniora Food Industries	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital Group	Mada Al-Arab Company	Palestine Power Generation Company	Palestine Ijara Company	Palestine Tourism Investment Company	Al-Rabyeh for Animal Feed and Grains Co.
Associates' Statement of Financial Position									
Non-current assets	100,828	162,431	630,243	144,975	31,497	16,560	11,928	26,391	10,479
Current assets	79,011	94,298	1,030,483	108,859	24,142	2,468	13,973	93	1,656
Non-current liabilities	(49,049)	(59,073)	(72,822)	(31,259)	(25,328)	(178)	(8,499)	(9,951)	(4,010)
Current liabilities	(69,434)	(64,011)	(1,448,620)	(102,303)	(18,594)	(563)	(5,110)	(570)	(397)
Non-controlling interests	(6,008)	-	-	(35,609)	-	-		-	-
Unpaid capital	-	-	-	-	-	1,025		-	-
Equity holders of the associate	**55,348**	**133,645**	**139,284**	**84,663**	**11,717**	**19,312**	**12,292**	**15,963**	**7,728**
Reconciliation to carrying amounts of associates:									
Opening net assets 1 January	49,451	117,009	130,978	92,452	7,283	16,783	11,680	17,713	8,550
Increase in capital		-		-	2,250	3,000	-	-	-
Profit for the period	7,588	16,636	13,542	2,822	1,742	(471)	612	(1,691)	396
Other comprehensive income	4,977	-	(56)	(10,194)	-	-	-	-	-
Dividends paid	(6,714)	-	(4,000)	-	(2,669)	-	-	-	-
Others	46	-	(1,180)	(417)	3,111	-	-	(59)	(1,218)
Closing net assets	**55,348**	**133,645**	**139,284**	**84,663**	**11,717**	**19,312**	**12,292**	**15,963**	**7,728**
PIF's ownership	16,076	53,899	48,833	22,012	3,046	7,784	4,098	4,404	3,864
Adjustments	44,182	10,199	(1,199)	11,391	6,188	913	-	(2,424)	350
Carrying amount of investment	**60,258**	**64,098**	**47,634**	**33,403**	**9,234**	**8,697**	**4,098**	**1,980**	**4,214**
Revenues and results of operations									
Revenues	133,628	115,520	70,508	108,495	9,613	10	1,972	-	-
Results of operations	7,588	16,636	13,542	2,822	1,742	(471)	612	(1,691)	396
Other comprehensive income	4,977	-	(56)	(10,194)	-	-	-	-	-
Total comprehensive income	12,565	16,636	13,486	(7,372)	1,742	(471)	612	(1,691)	396
PIF's share of results of operations	2,204	6,620	4,748	734	447	(190)	205	(467)	198
PIF's share of other comprehensive income items	1,446	-	(19)	(2,651)	-	-	-	-	-

- During 2022, PIF's share of other associates' results of operations amounted to a gain of USD 71 thousand recognized in the consolidated income statement and PIF's share of other associates' other comprehensive income items amounted to USD 222 thousand.

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2021	Siniora Food Industries	Wataniya Mobile Company	Arab Islamic Bank	Specialized Arab Hospital Group	Mada Al-Arab Company	Palestine Power Generation Company	Palestine Ijara Company	Palestine Tourism Investment Company	Al-Rabyeh for Animal Feed and Grains Co.
Associates' Statement of Financial Position									
Non-current assets	81,781	168,548	714,947	145,495	9,476	15,578	7,467	27,478	5,295
Current assets	60,306	65,069	1,022,109	104,037	10,815	2,145	15,982	259	3,517
Non-current liabilities	(40,194)	(58,204)	(80,080)	(25,010)	(3,775)	(385)	(7,377)	(8,911)	(16)
Current liabilities	(47,725)	(58,404)	(1,525,998)	(95,566)	(9,233)	(563)	(4,392)	(1,113)	(246)
Non-controlling interests	(4,717)	-	-	(36,504)	-	-	-	-	-
Unpaid capital	-	-	-	-	-	8	-	-	-
Equity holders of the associate	**49,451**	**117,009**	**130,978**	**92,452**	**7,283**	**16,783**	**11,680**	**17,713**	**8,550**
Reconciliation to carrying amounts of associates:									
Opening net assets 1 January	57,777	103,585	120,243	81,218	5,356	15,885	10,599	19,374	4,920
Increase in capital	-	-	-	-	-	1,227	-	-	2,960
Profit for the period	11,028	13,424	12,241	8,081	3,365	(329)	1,081	(1,692)	(118)
Other comprehensive income	(13,640)	-	1,059	2,946	-	-	-	-	788
Dividends paid	(5,714)	-	(2,565)	-	(1,438)	-	-	-	-
Others	-	-	-	207	-	-	-	31	-
Closing net assets	**49,451**	**117,009**	**130,978**	**92,452**	**7,283**	**16,783**	**11,680**	**17,713**	**8,550**
PIF's ownership	14,363	46,848	45,925	24,038	2,185	6,765	3,893	4,887	4,275
Adjustments	44,182	9,828	(1,617)	11,282	7,010	913	-	(1,520)	-
Carrying amount of investment	**58,545**	**56,676**	**44,308**	**35,320**	**9,195**	**7,678**	**3,893**	**3,367**	**4,275**
Revenues and results of operations									
Revenues	153,131	112,178	59,253	81,757	9,446	27	2,533	86	-
Results of operations	11,028	13,424	12,241	8,081	3,365	(329)	1,081	(1,692)	(118)
Other comprehensive income	(13,640)	-	1,059	2,946	-	-	-	-	788
Total comprehensive income	(2,612)	13,424	13,300	11,027	3,365	(329)	1,081	(1,692)	670
PIF's share of results of operations	2,239	5,266	4,292	2,072	1,009	(131)	360	(467)	(31)
PIF's share of other comprehensive income items	(2,755)	-	371	777	-	-	-	-	394

During 2021, PIF's share of other associates' results of operations recognized in the consolidated income statement amounted to a loss of USD 318 thousand, and PIF's share of other associates' other comprehensive income items amounted to USD 201 thousand. Additionally, PIF's share of other associates' dividends amounted to USD 13 thousand for the year 2021.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2022	2021
Aggregate carrying amount of individually immaterial associates	4,957	5,669
Aggregate amounts of the group's share of:		
Profit from continuing operations	71	(318)
Other comprehensive income	(222)	201

10. Investments in joint ventures

	2022	2021
Convention Palace Company (A)	497	1,184
New Capitol Hotel (B)	2,766	2,564
Jericho Cement Industry Company (C)	9,698	9,961
	12,961	13,709

(A) The Convention Palace Company (CPC) in Solomon Pools was established as a private limited shareholding company, with a share capital of 1M shares of USD par value each, of which 50% is owned by PIF. CPC is jointly managed with another investor. The objective of CPC is to operate the Convention Palace in Bethlehem. During 2022 and 2021, PIF recorded impairment losses on its investment in CPC in an amount of USD 619 thousand and USD 253 thousand respectively, recognized in the consolidated income statement.

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

	Convention Palace Company	
	2022	2021
Statement of financial position of joint venture		
Non-current assets	7,484	7,739
Current assets (Of which USD 106 thousand cash (98 thousand 2021)	539	445
Non-current liabilities	(3,232)	(2,958)
Current liabilities Of which USD 82 thousand Current financial liabilities (USD 212 thousand in 2021(excluding trade and other payables and provisions)	(253)	(552)
Equity attributable to venture's shareholders	**4,538**	**4,674**
Reconciliation to carrying amounts:		
Opening net assets 1 January	4,674	4,912
Profit for the period	(136)	(238)
Other comprehensive income	-	-
Dividends paid	-	-
Closing net assets	**4,538**	**4,674**
PIF's ownership	2,269	2,337
Adjustments	(1,772)	(1,153)
Carrying amount of the investment	**497**	**1,184**
Revenues and results of operations		
Revenues	992	920
Results of operations	(136)	(238)
Of which Depreciation expense:	(612)	(630)
Interest Income	-	-
Interest expense	(22)	(30)
PIF's share of results of operations	(68)	(119)

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

(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 another investor. The company currently manages New Capitol Hotel in Jerusalem.

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

	New Capitol Hotel	
	2022	**2021**
Statement of financial position of joint venture		
Non-current assets	2,770	3,430
Current assets	968	421
Non-current liabilities	-	(14)
Current liabilities of which USD 130 represent current liabilities excluding trade and other payables and provisions) (USD 98 thousand for 2021)	(598)	(523)
Equity attributable to venture's shareholders	**3,140**	**3,314**
Reconciliation to carrying amounts:		
Opening net assets 1 January	3,314	3,484
Profit for the period	404	(484)
Other comprehensive income	-	(110)
Dividends paid	-	-
Others	(578)	424
Closing net assets	**3,140**	**3,314**
PIF's ownership	1,570	1,657
Adjustments	1,196	907
Carrying amount of investment	**2,766**	**2,564**
Revenues and results of operations		
Revenues	1,673	(94)
Results of operations	404	(484)
Of which Depreciation expense:	(307)	(320)
Interest Income	-	-
Interest expense	-	-
PIF's share of results of operations	202	(242)
PIF's share of other comprehensive income items	-	(55)

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

(C) The following schedule summarizes the financial information related to PIF's investment in Jericho Cement Industry Company:

	Jericho Cement Industry Company	
	2022	2021
Statement of financial position of joint venture		
Non-current assets	15,286	13,118
Current assets	4,747	5,021
Non-current liabilities	(1,179)	(52)
Current liabilities Of which USD 1,357 thousand represent current financial liabilities (excluding trade and other payables and provisions) (USD 499 thousand in 2021)	(2,216)	(815)
Non current financial liabilities	-	(49)
Equity attributable to venture's shareholders	**16,638**	**17,223**
Reconciliation to carrying amounts:		
Opening net assets 1 January	17,272	17,566
Profit for the period	(528)	(294)
Other comprehensive income	-	-
Dividends paid	-	-
Others	(106)	-
Closing net assets	**16,638**	**17,272**
PIF's ownership	8,319	8,636
Adjustments	1,379	1,325
Carrying amount of the investment	**9,698**	**9,961**
Revenues and results of operations		
Revenues	-	116
Results of operations	(528)	(294)
Of which Depreciation expense:	(6)	(6)
Interest Income	-	-
Interest expense	(8)	(7)
PIF's share of results of operations	(264)	(75)
PIF's share of other comprehensive income items	-	-

11. Investments in securities

	2022	2021
Financial assets at FVOCI (A)	138,693	120,198
Financial assets at FVTPL - current (B)	129,789	128,554
	268,482	**248,752**

(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:

	2022	2021
Quoted shares in financial markets	122,984	104,162
Unquoted shares	15,709	16,036
	138,693	**120,198**

Financial assets at FVOCI as at December 31, 2022 and 2021 include shares with a book value of USD 33M and 28M respectively, mortgaged to local and regional banks as a collateral for loans granted to PIF (note 22).

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

All investments in FVOCI made by the group are in the local companies in Palestine.

The financial assets at FVOCI represents the following:	Dividends 2022	Dividends 2021
Quoted shares in financial markets	10,107	4,474
Unquoted share	561	333
Balance end of the year	**10,668**	**4,807**

Movement on the fair value reserve was as follows:

	2022	2021
Balance, beginning of year	31,313	(2,201)
Net gain from valuation of financial assets at FVOCI	19,127	31,640
Change in fair value of interest rate swaps	320	1,315
PIF's share of associates' other comprehensive income items	(40)	378
(Gain) loss from sale of financial assets at FVOCI recognized in retained earnings	(585)	181
Balance, end of year	**50,135**	**31,313**

Financial assets at FVOCI sold during the year amounted USD 2.4M. Sale transactions of these financial assets were made to finance other investment activities and to exit non-strategic investments. The shares sold had a fair value of USD 1.9M and the group realized a gain of USD 585 thousand which had already been included in OCI. This gain has been transferred to retained earnings.

(B) Financial assets at FVTPL include the following:

	2022	2021
Quoted shares in financial markets	105,593	104,444
Unquoted investment portfolios	22,696	23,313
Unquoted shares	1,500	797
	129,789	**128,554**

As at December 31, 2022 and 2021, financial assets at FVTPL include shares with a book value of USD 7M, and 7.3M respectively, mortgaged to a regional bank as collateral for loans granted to PIF (note 22).

12. Other assets

	2022	2021
Prepayment to MTIT (A)	45,800	45,800
Long-term bank deposits	-	23,265
Long term portion of granted loans (B)	12,132	11,793
Interest rates swaps (C)	1,259	-
	59,191	**80,858**

A. According to Ministry of Finance letter dated June 28, 2010, the amount of USD 45.8 million previously paid on the shareholder account was considered as 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.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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

	Settlement	2022	2021
Palestinian microfinance institutions	2023 - 2027	16,741	12,079
Palestine Development Fund	2017 - 2024	1,541	2,500
Finance lease companies	2023	960	1,884
Tourism investments companies	2017 - 2024	2,099	1,617
First Trading Centre	2015	1,100	1,100
Agricultural and industrial companies	2020 - 2026	1,030	682
The Lebanese Association for Development	2021	917	917
Latin Patriarch in Jerusalem	2020 - 2022	400	450
Finance for Jobs	2022	-	363
Others	2020 - 2026	697	779
		25,485	**22,371**
Accrued interest on loans		844	642
		26,329	**23,013**
Provision for expected credit losses *		(6,564)	(5,574)
		19,765	**17,439**
Less: current portion of gross granted loans		(11,703)	(10,480)
Add: provision for expected credit losses on current portion		4,070	4,834
Long term portion of granted loans		**12,132**	**11,793**

The Group's material loans granted balances as at December 31, 2022 and 2021 are provided to micro-finance companies in Palestine amounting to USD 17.3M and 12.4M respectively.

* Out of the ECL provision above, 36% is related to the micro-finance loans.

Movement on gross granted loans during 2022 and 2021 was as follows:

2022	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
As at January 1, 2022	14,992	3,181	4,198	**22,371**
Loans granted during the year	9,288	-	-	**9,288**
Collections during the year	(6,043)	(50)	(54)	**(6,147)**
Transfers between stages	(1,029)	625	404	**-**
Change due to assumptions	-	-	-	**-**
Changes due to modifications	-	-	-	**-**
Currency variance	(27)	-	-	**(27)**
As at December 31, 2022	**17,181**	**3,756**	**4,548**	**25,485**

2021	**Stage (1)**	**Stage (2)**	**Stage (3)**	**Total**
As at January 1, 2021	20,817	694	3,751	**25,262**
Loans granted during the year	2,841	-	-	**2,841**
Collections during the year	(5,417)	(228)	(91)	**(5,736)**
Transfers between stages	(3,249)	2,715	534	**-**
Change due to assumptions	-	-	-	**-**
Changes due to modifications	-	-	-	**-**
Currency variance	-	-	4	**4**
As at December 31, 2021	**14,992**	**3,181**	**4,198**	**22,371**

(All amounts are in USD and in '000's unless otherwise stated)

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

2022	Stage (1)	Stage (2)	Stage (3)	Total
As at January 1, 2022	588	860	4,126	5,574
Transfers between stages	(22)	22	-	-
Additional provision during the year	1,218	99	-	1,317
Recoveries	(180)	(97)	-	(277)
Change due to assumptions	-	-	-	-
Changes due to modifications	(9)	(12)	(31)	(52)
Currency variance	-	-	2	2
As at December 31, 2022	**1,595**	**872**	**4,097**	**6,564**

2021	Stage (1)	Stage (2)	Stage (3)	Total
As at January 1, 2021	498	18	3,221	3,737
Transfers between stages	(60)	60	-	-
Additional provision during the year	-	-	-	-
Recoveries	-	-	-	-
Change due to assumptions	150	782	898	1,830
Changes due to modifications	-	-	-	-
Currency variance	-	-	7	7
As at December 31, 2021	**588**	**860**	**4,126**	**5,574**

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 USD 1.7 M and 1.6 M as at December 31, 2022 and 2021 respectively.

C. The total interest recognized in the consolidated income statement amounts to USD 244 thousand and (72) thousand for the year 2022 and 2021 respectively, more information about the Interest rate swaps are disclosed in the risk management note (36).

13. Properties ready for sale

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

Movement on properties ready for sale is as follows:

	2022	2021
Balance, beginning of year	18,741	29,262
Additions	476	-
Net transferred from investment properties	243	-
Net transferred to Property, Plant and Equipment	(711)	-
Residential units sold	(7,581)	(10,521)
Balance, end of year	**11,168**	**18,741**

Properties ready for sale include properties with a carrying amount of USD 2M and 7.5M that are mortgaged to a regional bank as collateral on loans granted to PIF (note 22) as at December 31, 2022 and 2021 respectively.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

14. Accounts receivable

	2022	2021
Trade receivables	106,273	119,264
Rent receivable	11,305	11,305
Due from related parties	2,855	2,521
Others	1,240	871
	121,673	**133,961**
Provision for expected credit losses	(33,574)	(31,381)
	88,099	**102,580**

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

	2022	2021
Balance, beginning of year	31,381	27,586
Additions during the year	1,455	3,400
Currency variance	738	395
Balance, end of year	**33,574**	**31,381**

The expected loss rates are based on the payment profiles of account receivables and checks under collection over a period of 36 months before each reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Aging analysis of the accounts receivable (not subject to specific provisioning) as at December 31, 2022 and 2021 is as follows:

			Past due		
2022	**Total**	**Not past due**	**> 90 days**	**91-180 days**	**< 181 days**
Trade receivable	110,368	68,865	7,003	1,163	33,337
Provision for expected credit losses *	(22,269)	(1,318)	(190)	(80)	(20,681)
loss rate	20%	2%	3%	7%	62%
	88,099	**67,547**	**6,813**	**1,083**	12,656
2021					
Trade receivable	122,656	82,280	6,881	800	32,695
Provision for expected credit losses *	(20,076)	(2,271)	(322)	(75)	(17,408)
loss rate	16%	3%	5%	9%	53%
	102,580	**80,009**	**6,559**	**725**	**15,287**

* The group holds specific provision of USD 11.3M for certain trade receivables.

Approximately 90% of trade receivables which are not subject to specific provision relates to receivables from the trade sector.

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 USD 15.7M and 18M as at December 31, 2022 and 2021 respectively.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

15. Other current assets

	2022	2021
Deposits at banks maturing within 3 to 12 months	12,442	-
Due from Value Added Tax department	10,845	14,791
Receivables from sale of associates	2,238	6,270
Receivables from sale of subsidiary (A)	12,099	5,500
Advances to suppliers	4,627	4,673
Current portion of granted loans (E)	11,703	10,480
Accrued Revenue	1,898	1,574
Restricted cash (Cash margin) (D)	2,665	6,248
Inventory (B)	1,226	1,198
Contributions receivable (C)	1,068	1,081
Dividends receivable	919	225
Prepaid expenses	137	207
Due from brokers	1,547	72
Others	4,470	6,459
	67,884	**58,778**
Provision for expected credit losses	(4,247)	(5,310)
Provision for expected credit losses on current portion	(4,070)	(4,834)
	59,567	**48,634**

(A) An amount of USD 6.6M receivable from sale of Rasmala Fund subsidiary during the year as detailed in note (6), the amount has been outstanding for less than 1 year.

(B) Some of PIF's subsidiaries recorded impairment loss on inventory in an amount of USD 22 and 47 thousand recognized in the consolidated income statement for the year 2022 and 2021 respectively.

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

(D) The balance represents an amount of USD 2.6M (USD 6.2M for 2021) million restricted as collateral against certain banks facilities. The balances are not available on demand and the nature of the restrictions are severe to the extent the balances do not meet the definition of cash and cash equivalents as defined in IAS 7- statement of cash flows.

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

	2022	2021
Balance, beginning of year	5,310	3,727
(recovery) addition during the year	(1,015)	1,561
Currency variances	(48)	22
Balance, end of year	**4,247**	**5,310**

(E) Movement on the gross balance of granted loans and provision for expected credit loss are disclosed in the other assets note number (12).

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

16. Assets held for sale

Assets held for sale represent buildings, heavy equipment and transportation means that PIF Sold during the year, movement on the account is as follows:

	2022	2021
Balance, beginning of year	1,803	1,303
Transferred from property, plant and equipment	-	1,702
Sold assets held for sale	(1,803)	(1,146)
Impairment provision	-	(56)
Balance, end of year	**-**	**1,803**

17. Cash and cash equivalents

	2022	2021
Cash on hand and current accounts at banks	22,128	13,142
Short-term deposits at banks	5,141	10,376
	27,269	**23,518**
Provision for expected credit losses *	(159)	(158)
	27,110	**23,360**

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

	2022	2021
Balance, beginning of year	(158)	-
Additions during the year	(1)	(158)
Balance, end of year	**(159)**	**(158)**

18. Paid-in share 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. The authorized and paid capital amounts to USD 625 million as at December 31, 2022 and 2021.

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:

	2022	2021
Receivables from operational services	67,034	60,268
Receivables from returned land	31,206	31,206
Others	(207)	939
	98,033	**92,413**

The movement on the shareholder's current account during 2022 and 2021 was as follows:

	2022	2021
Balance, beginning of year	92,413	77,125
Distributed dividends	(20,000)	(5,000)
Receivables from operational services for the year *	8,448	14,771
Payments to Ministry of Finance *	16,000	6,000
Others	1,172	(483)
Balance, end of year	**98,033**	**92,413**

(*) During the year 2022 and 2021, these amounts are recovered through dividend payments by the Group to the shareholder.

Notes to the consolidated financial statements

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.

This reserve is available for distribution upon approval from the Board of directors.

Revaluation Surplus

During the year, Amaar (a subsidiary of PIF) signed a lease agreement with third parties leasing one of its hotel building that was previously presented under property, plant and equipment and was transferred to investment property upon leasing to a third party thereby ending the Group's use.

The fair value of the hotel was determined using the income approach where the annual rental income has been discounted using the DCF model.

In accordance with IAS 16, a fair value reserve has been recognized in the consolidated statement of changes in equity representing the difference between the fair value and the carrying value of the hotel at the date of transfer resulting in USD 609 thousand revaluation surpluses recognized in the consolidated statement of changes in equity.

This reserve is not available for distribution to the shareholder.

21. Distributed dividends

The General Assembly approved in its meeting held on May 24, 2022, the distribution of USD 20 million cash dividends during the year.

The General Assembly approved in its meeting held on June 30, 2021, the distribution of USD 5 million cash dividends during the year.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

22. Long-term loans and lease liabilities

	2022	2021
Long-term loans	138,142	142,573
Lease liabilities	2,613	1,624
	140,755	**144,197**
Current portion of long-term loans	(38,859)	(44,078)
Current portion of lease liabilities	(874)	(447)
	(39,733)	**(44,525)**
	101,022	**99,672**

During 2022, PIF signed a long-term loan agreement with a regional bank in an amount of USD 25 million to finance PIF and its subsidiaries' investment operations and programs. The loan is to be settled through 16 quarterly installments with the first installment due six months after the last withdrawal of the loan is serviced. During the year, PIF has withdrawn 11.5M of the loan balance and the outstanding balance of the loan is USD 13.5M as at December 31, 2022, in addition, PIF signed another long-term loan agreement with a local bank in an amount of USD 25M to finance PIF and its subsidiaries' investment operations. The loan is to be settled through 16 quarterly payments with the first payment due after 1.5 year of grace period. During the year, PIF has withdrawn the full loan amount. The last installment on the loan of USD 1.6M is due in 2027.During 2022, Massader signed a long-term loan agreement with International Finance Corporation (IFC) in an amount of ILS 30 million and USD 8.7 million to finance Massader and its subsidiaries' operations and programs. The loan is to be settled through semi-annual payments starting from February 2023, where the last installment is to be settled during 2033. During the year, Massader has withdrawn 6.4 million of the balance. The shares of Massader's subsidiary (Inarah for Renewable Energy Company) were used as a collateral against this loan.

During 2022, Sanad signed a long-term loan agreement with a local bank in an amount of ILS 10M (equivalent to USD2.8M). The loan is to be settled through equal quarterly installments with the first installment due from March 2022 until July 2024. During the year, Sanad has withdrawn ILS 7.8M (equivalent to USD 2.2M). The loan bares interest of prime +3.75% with a ceiling of 9% and a floor of 5.5%.

The loans obtained by the group are fully secured by the group's assets, including those classified as investment properties.

The following table represents the mortgaged assets as at December 31, 2022 and 2021:

	2022	2021	
Items	Book value of collaterals	Book value of collaterals	Note
Property, plant and equipment	4,464	5,594	7
Investment properties	12,034	8,158	8
Investments in associates	51,337	23,443	9
Financial assets at FVOCI	33,060	28,110	11
Financial assets at FVTPL	7,015	7,381	11
Properties ready for sale	2,048	7,561	13
Investments in subsidiaries	4,773	2,439	
Total	**114,731**	**82,686**	

(All amounts are in USD and in '000's unless otherwise stated)

Lease liabilities are effectively secured, as the rights to the leased assets recognized in the financial statements revert to the lessor in the event of default.

The maturities of loans and lease liabilities as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Loans	**Lease liabilities**	**Loans**	**Lease liabilities**
Matures in one year	38,859	874	44,078	447
Two years	34,950	548	41,150	458
Three years	28,886	323	22,849	312
Four years	17,682	218	16,669	238
Thereafter	17,765	650	17,827	169
	138,142	**2,613**	**142,573**	**1,624**

Total cash outflow for lease liability during the year stands at USD 678 thousands.

23. Deferred tax liabilities

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

	2022	**2021**
Balance, beginning of year	1,178	1,643
Additions	1,481	55
Amortization of deferred tax liabilities	(374)	(520)
Balance, end of year	**2,285**	**1,178**

(All amounts are in USD and in '000's unless otherwise stated)

24. Credit facilities

	2022	2021
Overdrafts *	19,260	19,672

* During previous years, Sanad Trading and Marketing Co. (a subsidiary of Sanad Construction Resources) signed several credit facilities agreements with local, Islamic, and regional banks in USD and in ILS to finance its operational activities. The ILS credit facilities ceiling amounted to Israeli Shekels (ILS) 97 million (equivalent to USD 27.5 million), where the USD credit facilities ceiling amounted to U.S. $ 13 million. The granted facilities in ILS are subject to effective annual interest ranging between (1.65% and 3.9% (+ILS Prime) with a floor rate of 3.25% and a ceiling rate of 15%. As for the facilities granted in US dollars, it is subject to interest at (six-month LIBOR + 2%) with a floor rate at 3.5% and a ceiling of 7%. All facilities shall be repaid during different periods of less than a year from the date of withdrawal, these facilities are guaranteed by the deposited checks for collection at a rate of not less than 130% of the facility balance in addition to collateralized property plant and equipment in the amount USD 1.5M as of December 31, 2022 and USD 2.5M as of December 31, 2021. The utilized balance of these facilities amounted to USD 7.9M and 40M ILS (equivalent to USD 11.4M) as of December 31, 2022.

The following table provides a reconciliation of loans , lease liabilities and credit facilities beginning and ending balances:

	Loans	lease liabilities	credit facilities	Total
Balance as at January 1, 2021	153,772	1,557	27,615	182,944
Financing cash flows	28,625	89	-	28,714
New leases/loans	-	109	-	109
Foreign exchange adjustments	58	-	16	74
Changes in fair values	-	-	-	-
Interest expense		33	-	33
Interest payments (presented as operating cash flows)	(3,627)	(75)	-	(3,702)
Others	-	-	-	-
Financing cash outflows	(36,255)	(89)	(7,959)	(44,303)
Balance as at December 31, 2021	**142,573**	**1,624**	**19,672**	**163,869**
Financing cash flows	45,129	1,066	-	46,195
New leases		-	-	-
Foreign exchange adjustments	-	-	-	-
Changes in fair values	-	-	-	-
Interest expense *	4,934	49	-	4,983
Interest payments (presented as operating cash flows)	(3,428)	-	-	(3,428)
Others	-	-	-	-
Financing cash outflows	(51,066)	(126)	(412)	(51,604)
Balance as at December 31, 2022	**138,142**	**2,613**	**19,260**	**160,015**

* Interest expenses include non-cash movement such as accrued interest which will be presented as operating cash outflows once paid.

(All amounts are in USD and in '000's unless otherwise stated)

25. Accounts Payable

	2022	2021
Trade payables	13,731	15,947
Contractors payables	154	302
Others	38	140
	13,923	**16,389**

26. Accrued expenses and other liabilities

	2022	2021
Accrued expenses	7,437	6,562
Temporarily restricted contributions (A)	4,321	4,384
Advances	400	-
Postdated checks	347	3,089
Provision for employees' indemnity (B)	2,790	2,582
Forward currency contracts	236	1,821
Employees' income tax payable	958	1,558
Bonuses provision	1,480	1,047
ECL on guarantees (C)	571	540
Due to brokers	526	346
Interest rates swaps	-	320
Leasehold improvement taxes	255	290
Employee's payables	56	215
Others	12,992	18,898
	32,369	**41,652**

(A) 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. During 2021, Massader recognized revenue an amount of USD 2 million as the purpose of the contribution is satisfied, which is reflected in the consolidated income statement (note 32).

Following is the movement on temporarily restricted contributions during 2022 and 2021:

	2022	2021
Balance, beginning of year	4,384	6,353
Recognized revenues	-	(2,000)
Currency variances	(63)	31
Balance, end of year	**4,321**	**4,384**

(B) 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 employees' indemnity during the years of 2022 and 2021:

	2022	2021
Balance, beginning of year	2,582	3,667
Additions	937	1,595
Payments during the year	(819)	(2,721)
Currency variances	90	41
Balance, end of year	**2,790**	**2,582**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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

	Stage (1)	Stage (2)	Stage (3)	Total
As at January 1, 2022	32	508	-	540
Additions	230	-	-	230
Deductions		(200)	-	(200)
Net adjustments during the year	1	-	-	1
As at December 31, 2022	**263**	**308**	**-**	**571**
	Stage (1)	**Stage (2)**	**Stage (3)**	**Total**
As at January 1, 2021	204	508	-	712
Additions	-	-	-	-
Deductions	(172)	-	-	(172)
Net adjustments during the year	-	-	-	-
As at December 31, 2021	**32**	**508**	**-**	**540**

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 2022 and 2021:

	2022	2021
Balance, beginning of year	3,338	2,655
Additions during the year	1,698	2,092
Amortization of deferred tax liabilities (note 23)	374	520
Payments during the year	(1,684)	(661)
Recovery of prior years' taxes	(1,660)	(1,393)
Disposal of a subsidiary	-	100
Currency variances	702	25
Balance, end of year	**2,768**	**3,338**

PIF and it subsidiaries (Amaar, Massader, Aswaq) have reached a final settlement with the Income Tax Department for the results of its operations for prior periods up to 2021.

Taxes shown in the consolidated income statement represent the following:

	2022	2021
Additions during the year	1,698	2,092
Deferred tax liabilities (note 23)	1,481	55
Recovery of prior years' taxes	(1,660)	(1,393)
	1,519	**754**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

The following is a reconciliation between accounting profit and tax profit:

	As at December 31, 2022	As at December 31, 2021
Accounting gain of the Group (before taxes)	36,712	34,855
Net untaxable profits	(26,178)	(22,119)
Non-deductible expenses	10,803	11,420
Adjusted taxable profits	**21,337**	**24,156**
Income tax	**1,698**	**2,092**
Percentage of actual tax	**%4.63**	**%6.00**

- The tax rates on deferred tax assets and liabilities represent 15% in accordance with the Income Tax laws prevailing in Palestine, the material balances of the deferred taxes for the year 2022 is recognized on the investment property gains for the year resulting in an additional charge of USD 1M.

28. Gain from investments in financial assets

	2022	2021
Gain on sale and revaluation of financial assets at FVTPL	11,418	17,635
Dividends income from financial assets at FVOCI	10,668	4,807
Dividends income from financial assets at FVTPL	227	4,477
Valuation gain resulting from reclassifying investment in associate	-	1,521
Interest on bonds	72	142
	22,385	**28,582**

29. Interest income

	2022	2021
Interest on deposits with banks	1,420	1,441
Interest on granted loans	1,813	765
Interest swap fair value gains	1,579	-
	4,812	**2,206**

30. Investment expenses

	2022	2021
Employees' salaries, wages and benefits	772	1,575
Professional fees	780	427
Travel and transportation	56	13
Others	76	9
	1,684	**2,024**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

31. Compensation and other expenses

	2022	2021
Employees' salaries, wages and benefits	7,006	7,756
Professional fees	2,388	2,844
Board of Directors bonuses	781	830
Fees and subscriptions	676	612
Insurance	187	189
Travel and transportation	216	187
Maintenance	212	176
Telephone and postage	115	134
Rents	66	69
Hospitality	67	59
Printing and stationery	54	57
Marketing	73	46
Others	258	523
	12,099	**13,482**

32. Other income

	2022	2021
Recognized grant revenue (note 26)	-	2,000
Gain (loss) from sale of property, plant and equipment	10,585	(8)
Other gain (Loss)	1,814	(109)
VAT settlement recoveries	2,064	-
	14,463	**1,883**

PIF sold part of its equipment, buildings and other transportation means during the year resulting in a gain of USD 10.5 Million recognized under other income in the consolidated income statement.

33. Comparative figures

During the year, the Group performed an exercise to re-assess the presentation of certain balances and identified certain re-presentations to be made. Accordingly, management has amended the 2021 comparatives as summarized below. The re-presentations had no impact on the profit for the year, total assets, retained earnings or total equity.

1. Cash and Cash equivalents

In previous years, the Group had presented restricted deposits within the "Cash and deposits at bank" line in the consolidated statement of financial position amounting to USD 6.2M (USD 3.2M for 2020). Such restricted deposits were also included within "cash and cash equivalents" in the consolidated statement of cash flows.

For the year ended December 31, 2022, the Group re-assessed the nature of the restricted deposits and concluded that this amount should be re-presented separately from "cash and cash equivalents" in the statement of cash flows. Further, this amount has been presented separately under other assets in the consolidated statement of financial position in accordance with IAS 7- Statement of Cash Flows.

2. Project in progress

In previous years, "projects in progress" were presented as a separate line item on the face of the consolidated statement of financial position. During the year, management has reassessed the presentation and as a result, 'Project in progress' amounting to USD 3M in 2021 (USD 5.5M for 2020) has now been presented in "property, plant and equipment" as it represents assets with similar function, nature, and liquidity profile. Projects in progress amounting to USD 35.2M in 2021 (USD 35.7M for 2020) has now been presented in "Investment properties" as it represents assets with similar nature and intended use.

3. Credit facilities

The credit facilities have been disaggregated from the current portion of long term loans and lease liabilities.

4. Granted loans

The current portion of granted loans has been represented under other current assets.

(All amounts are in USD and in '000's unless otherwise stated)

Consolidated Statement of financial position

	As of 31 December 2021, As previously stated	Change number (1)	Change number (2)	Change number (3)	Change number (4)	As of 31 December 2021	As of 31 December 2020, As previously stated	Change number (1)	Change number (2)	Change number (3)	Change number (4)	1-Jan-21
Cash and Cash equivalents	29,608	(6,248)	-	-		23,360	43,483	(3,250)	-	-	-	40,233
Other current assets	36,740	6,248	-	-	5,646	48,634	32,976	3,250	-		3,946	40,172
Projects in progress	38,290	-	(38,290)	-		-	41,262		(41,262)	-	-	-
Property, plant and equipment	107,958	-	3,070	-		111,028	128,839		5,540	-	-	134,379
Investment properties	43,472	-	35,220	-		78,692	41,157		35,722	-		76,879
Credit facilities and current portion of long term loans and lease liabilities	64,197	-	-	(64,197)		-	71,250	-	-	(71,250)		-
Credit facilities	-	-	-	19,672		19,672	-	-	-	27,615	-	27,615
Current portion of loans and lease liabilities	-	-	-	44,525		44,525	-	-	-	43,635		43,635
Other assets	86,504	-	-		(5,646)	80,858	67,967				(3,946)	64,021
	406,769	-	-	-	-	**406,769**	**426,934**	-	-	-	-	**426,934**

Changes to the consolidated statement of cash flows:

The following are the changes to the comparatives in the consolidated statement of cash flows:

Palestine Investment Fund Company P.L.C

Consolidated Financial statements for the year ended December 31, 2022

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

Consolidated statement of cash flow	As of 31 December, 2021 as previously stated	Change Number 1	Change Number 2	Change number 3	Change number 4	Change number 5	Change number 6	As of 31 December, 2021 after change
Change in restricted cash	(3,174)			(3,074)				(6,248)
net cash flow from operating activities	**38,414**	-	-	**(3,074)**	-	-	-	**35,340**
Investment in Securities	11,054	(11,054)						-
Investments in securities-FVOCI	-	(2,572)						(2,572)
Investments in securities-FVTPL	-	(18,261)						(18,261)
Proceeds from sale of investment securities-FVOCI	-	729						729
Proceeds from sale of investment securities-FVTPL	-	31,158						31,158
projects in progress	(3,937)		3,937					-
Sale of property plant and equipment	21		297					318
Purchase of property, plant, and equipment	(563)		(4,234)					(4,797)
Cash flow from acquisition of subsidiary	1,012						(1,012)	-
Cash eliminated from sale of subsidiary	(11)						11	-
Net Cash flow from acquisition and sale of subsidiary	-						1,001	1,001
Net cash flows from investing activities	**3,996**	-	-	-	-	-	-	**3,996**
Credit facilities - overdrafts	-				(7,943)			(7,943)
Net cash flows used in financing activities	**(49,937)**	-	-	-	**(7,943)**	-	-	**(57,880)**
Decrease in cash and cash equivalents	**(7,527)**	-	-	(3,074)	(7,943)	-	-	**(18,544)**
Cash and cash equivalents, beginning of the year	**(2,251)**	-	-	**3,074**	**7,943**	**33,089**	-	**41,855**

Notes

3- The change relating to cash received under specific projects has been moved to cash and cash equivalents.

1- The investment in Securities has been further disaggregated to provide more details on the movement of the investments in securities by type.

2- Project in progress has been further disaggregated under property plant and equipment and Investment properties

6- Cash from sale and acquisition of subsidiaries were presented on net basis.

4- Bank overdrafts has been included in the cash flow to reflect better the Group's financing activities as per IAS 7

3,4- Changes to the restricted cash of USD 13,417 and changes on the credit facilities of USD 19,672 has been included in the beginning cash and cash equivalents as of December 31, 2020

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

3) Changes in the presentation of the Consolidated Income statement

3 (a) Impairment losses

In the previous year, impairment losses from financial assets, impairment of losses from associates and joint ventures and other currency variances were presented in other Income on the face of the Consolidated Income statement.

During the year, management presented impairment of financial assets and non-financial assets as separate line items in the Consolidated Income statement, and other Income presented on gross basis in accordance with the requirements of IAS 1 'Presentation of financial statements".

Consolidated statement of Income line item	As of 31 December 2021, as previously reported	Change 3 (a)	As of 31 December 2021, after change
Other income	(4,235)	6,118	1,883
Impairment losses on associates and Joint ventures	-	(946)	(946)
Expected credit loss expenses	-	(6,742)	(6,742)
Currency variance Gains	-	1,570	1,570
	(4,235)	**-**	**(4,235)**

3 (b) Format of the consolidated income statement

As of December 31, 2022, the presentation of the Income Statement has been re-presented to enhance the relevancy of information provided to the users of the financial statements. Accordingly operating expenses and cost of sales amounting to USD 82,781 has been represented as changes in inventory and other operating expenses, and general and administrative expenses amounting to USD 12,099 re-presented as "compensation and other expenses".

(All amounts are in USD and in '000's unless otherwise stated)

34. Fair value

The Group uses the following hierarchy for determining and disclosing the fair values of its financial instruments:

- Level 1: Using quoted prices (unadjusted) completely for similar instruments in active markets for financial instruments.
- Level 2: Using data other than trading prices but can be observed directly or indirectly.
- Level 3: Using data not based on observable market data

Fair value measurement

PIF did not make any transfers between the levels during the year 2022 and 2021. The following table provides the fair value measurement hierarchy of PIF's assets and liabilities as at December 31, 2022:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVTPL	December 31, 2022	105,593	5,175	19,021
Financial assets at FVOCI	December 31, 2022	122,984	7,998	7,711
Investment properties	December 31, 2022	-	-	66,933
Interest rates swaps	December 31, 2022	-	-	1,259
Assets for which fair value is disclosed				
Investments in associates (Quoted)	December 31, 2022	230,759	-	-
Liabilities measured at fair value:				
Forward currency contracts	December 31, 2022	-	236	-

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

The following table provides the fair value measurement hierarchy of PIF's assets and liabilities as at December 31, 2021:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVTPL	December 31, 2021	104,444	6,927	17,183
Financial assets at FVOCI	December 31, 2021	104,162	6,433	9,603
Investment properties	December 31, 2021	-	-	43,472
Assets for which fair value is disclosed				
Investments in associates (Quoted)	December 31, 2021	239,980	-	-
Liabilities measured at fair value:				
Interest rates swaps	December 31, 2021	-	-	320
Forward currency contracts	December 31, 2021	-	1,821	-

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

	Financial assets at FVTPL	Financial assets at FVOCI	Investment properties	Interest rates swaps	Total
Balance, January 1, 2022	17,183	9,603	43,472	(320)	**69,938**
Purchased	1,500	190	6,603		**8,293**
Sold	-	-	(5,042)		**(5,042)**
Settled	-	-	-		**-**
Change in fair value	338	(1,427)	5,368	1,579	**5,858**
Net "other" movement during the year	-	(655)	16,532	-	**15,877**
Balance, December 31, 2022	**19,021**	**7,711**	**66,933**	**1,259**	**94,924**

	Financial assets at FVTPL	Financial assets at FVOCI	Investment properties	Interest rates swaps	Total
Balance, January 1, 2021	15,330	10,622	41,157	(1,635)	**65,474**
Purchased	1,915	-	4,787	-	**6,702**
Sold	-	-	(2,114)	-	**(2,114)**
Settled	-	-	-	-	**-**
Change in fair value	(62)	(1,019)	(2,314)	1,315	**(2,080)**
Net "other" movement during the year	-	-	1,956	-	**1,956**
Balance, December 31, 2021	**17,183**	**9,603**	**43,472**	**(320)**	**69,938**

(All amounts are in USD and in '000's unless otherwise stated)

Following are the main assumptions used to determine the fair value of financial assets at fair value:

PIF performs an internal valuation of non-property items required for financial reporting purposes, including level 3 fair values. The valuation process and results is discussed among the various relevant executive management levels at a periodic basis in line with the group's reporting periods. The main inputs used by the Group are listed in the table below.

Changes in level 2 and level 3 fair values are analysed at the end of each reporting period during the valuation discussion.

No transfers between levels 2 and 3 took place during the years 2022 and 2021.

The following table illustrates the valuation techniques used by management for level 3 investments:

Description	**2022**	**2021**	**Method Used**	**Details**
Financial assets at FVOCI	7,711	9,603	Similar sale transactions during the year	The Group derives the fair value using the comparable method, deriving the fair value per share of the investment using the average purchase price per share for the year. The Group believes that such transactions are conducted in an orderly manner between market participants.
	1,500	-	Similar sale transactions during the year	The Group derives the fair value using the comparable method, deriving the fair value per share of the investment using the average purchase price per share for the year. The Group believes that such transactions are conducted in an orderly manner between market participants.
Financial assets at FVTPL	4,096	4,541	NAV of the Fund	The Group has investments in unquoted funds. These funds mostly have investments in listed debt and equity securities with fair values derived from active, public, regulated market data.
	10,436	10,797	Income approach	The Group inhouse investment department estimates the fair value of the investment using an appropriate discount rate ranging between 6-9% and a growth rate of 1.5-2% to determine the fair value of the investment
	2,989	1,845	Gross return multiple and equity round	The Group considers the most recent equity round transactions and financial multiples to determine the fair value of the investments
Total	**19,021**	**17,183**		

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at		Un-observable inputs	Range of the unobservable input		Relationship to the unobservable input
	2022	2021		2022	2021	
Financial assets at FVTPL	2,989	1,845	Gross Return Multiple	1x - 12.8x	1x - 12.8x	The higher the gross return multiple, the higher the fair value. An increase of 0.5x in input results in an increase of 3%-5% of the fair value

<u>Following are the main assumptions used to determine the fair value of investment properties:</u>

Land
Regarding lands, PIF assigns licensed external appraisers who hold recognized and relevant professional qualification and has experience in the location and category of the investment property being valued 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 consolidated financial statements according to policies approved by the Board of Directors.

Leased properties and buildings
Investment property representing rented buildings are presented at fair value by discounting future cash flows from rental income using the DCF Model.

Significant level 3 inputs used by the group are derived and evaluated as follows:

• land and unoccupied properties - fair value per square meter of recently sold similar Properties sharing similar characteristics in terms of location, geography, conditions, public facilities availability and others.

• Leased properties - discount rates and rental growth rates.
Rates are estimated by the group's management based on comparable transactions and market data.

There are no transfers from level 3 fair values Investment properties during the year 2022 and 2021.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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

	Increase/ decrease by	Effect on fair value and profit for the year
2022		
Fair value per meter square	+ 5	2,267
Fair value per meter square	- 5	(2,267)
2021		
Fair value per meter square	+ 5	1,626
Fair value per meter square	- 5	(1,626)

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

	Range of the unobservable input	Increase/ decrease in fair value	Effect on fair value and profit for the year	Relationship to the unobservable input
2022		%		
Discount rate	10%-12.5%	+ 5	(750)	The higher the discount rate, the lower the fair value
Growth rate	1%-2.5%	+ 5	27	The higher the rental growth rate, the higher the fair value
2021				
Discount rate	9%-12.5%	+ 5	(362)	The higher the discount rate, the lower the fair value
Growth rate	0-2.5%	+ 5	33	The higher the rental growth rate, the higher the fair value

	2022	2021	Valuation technique	Discount rate/ price per square meter
Land lots				
For capital appreciation	8,164	5,528	Independent valuator - Comparable prices	Na/28-30
For commercial development	42,053	27,000	Independent valuator - Comparable prices	Na/28-33
Sub-total	**50,217**	**32,528**		
Buildings				
Unoccupied	41,218	43,591	Independent valuator - Comparable prices	Na/30-35
Commercial (leased properties)	10,122	2,573	Discounted cash flows	10%-12.5%
Sub-total	51,340	46,164		
Total	**101,557**	**78,692**		

The above inputs reflect the current market conditions. Reasonable change in assumptions would not result into significant change in fair value.

(All amounts are in USD and in '000's unless otherwise stated)

The group's policy is to calculate the average fair value from at least 3 independent licensed external appraisers after eliminating those that fall far from the median.

In respect of financial derivatives, fair value is determined using discounted cash flows method (DCF) and other appropriate valuation methods, the following table represents financial derivatives as at December 31, 2022 and 2021:

	Positive fair value	Negative fair value	Par value	Matures in one year	Matures in more than one year
2022					
Interest rates swap contracts	1,259	-	44,000	16,000	12,000
Forward currency contracts	-	236	16,000	16,000	-
	1,259	236	60,000	32,000	12,000
2021					
Interest rates swap contracts	-	320	44,000	16,000	28,000
Forward currency contracts	-	1,821	16,570	16,570	-
	-	2,141	60,570	32,570	28,000

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 as at December 31, 2022 and 2021:

	Carrying amount		Fair value	
	2022	2021	2022	2021
Financial assets				
Granted loans	19,765	17,439	19,765	17,439
Term deposits at banks	-	23,265	-	23,265
Investments in securities	268,482	248,752	268,482	248,752
Accounts receivable	88,099	102,580	88,099	102,580
Other financial assets	28,717	24,302	28,717	24,302
Cash and cash equivalents	27,110	23,360	27,110	23,360
	432,173	**439,698**	**432,173**	**439,698**
Financial liabilities				
Accounts payable	13,923	16,389	13,923	16,389
Loans, lease liabilities and credit facilities	160,015	163,869	160,015	163,869
Other financial liabilities	13,755	17,662	13,755	17,662
	187,693	**197,920**	**187,693**	**197,920**

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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 cash equivalents, accounts payable and other financial liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- The carrying amounts of granted loans, loans, credit facilities and long-term lease liabilities are not materially different from their fair value since the interest rate on those instruments is close to current market rates.
- 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.

The table below shows the impact of a change in estimates by 5% on the PIFs Unquoted financial assets that are measured at fair value using level 3 at 31 December 2022 and 2021:

	Change in 5%	Sensitivity of fair value remeasurement on the statement of other comprehensive income		Sensitivity of fair value remeasurement on the statement of income	
		2022	2021	2022	2021
Financial Assets at fair value					
Financial assets at FVOCI	+5%	91	480	-	-
Financial assets at FVTPL	+5%	-	-	783	859
Interest rates swaps	+5%	-	-	63	16

Estimation of fair values
The following summarizes the major methods and assumptions used in estimating the fair values of assets and liabilities:

Financial assets at fair value through OCI and fair value through the statement of income
Fair values for quoted investments are based on quoted prices as at the reporting date. Unquoted equity investments are carried at fair values, measured in accordance with appropriate valuation methods-based on discounted cash flows or using the average most recent commercial selling transactions on the investee between the market participants.

Where cash flow techniques are used, discounted cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

35. Related parties' balances and transactions

This item represents balances and transactions with related parties. Related parties represent associated companies, the shareholder, members of 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:

	2022	2021
Shareholder's current account	98,033	92,413
Granted loans to associates and related accrued interest *	6,096	6,007
Accounts receivable (associates)	2,315	2,797
Due from related parties (joint ventures)	2,878	2,521
cash and cash equivalents (associate)	883	2,297
Long-term loans, lease liabilities, and credit facilities (associates)	9,856	12,066
Provisions and other liabilities (associates)	-	18
Accrued Board of Directors bonuses	340	343

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

	2022	2021
Sale and purchase of goods and services		
Operational services revenues with the shareholder	9,680	14,878
Sales revenues - associates	-	298
Service revenues - joint ventures	120	79
Sales revenues - non-controlling interests	1058	623
Other transactions		
Interest on granted loans to associates	243	243
Interest on deposits with associates	187	181
Interest on long-term loans, lease liabilities, and credit facilities - associates	648	811

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

	2022	2021
Board of Directors bonuses	781	830
Key management's share of salaries and related benefits	2,244	2,263
Key management's share of employees' indemnity	292	284

* ECL provision on granted loans to associates amounted to USD 1M and USD 1.1M as at December 31, 2022 and 2021, respectively.

Furthermore, PIF is considered as a guarantor for granted loans to some associates, the value of the guarantees amounted to USD 8.6M and USD 5.5M as of December 31, 2022 and 2021, respectively. The ECL provision on these guarantees amounted to USD 508 thousand and USD 571 thousand as at December 31, 2022 and 2021, respectively.

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

Loans to/from related parties

Loans to other related parties

	2022	2021
Beginning of the year	6,007	4,776
Loans advanced	500	1,658
Loan repayments received	(654)	(670)
Interest charged	243	243
End of year	**6,096**	**6,007**

Loans from associates

	2022	2021
Beginning of the year	12,066	16,472
Loan repayments received	(2,318)	(4,452)
Interest charged	811	811
Interest paid	(703)	(765)
End of year	**9,856**	**12,066**

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. In addition, PIF has various financial assets such as accounts receivables, granted loans, cash and cash equivalents, some other financial assets, and investments in securities, which arise directly from PIF's operations.

Financial assets are classified as follows:

December 31, 2022	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
Investments in securities	1,185	129,789	138,693	269,667
Granted loans	19,765	-	-	19,765
Term deposits at banks	-	-	-	-
Accounts receivable	88,099	-	-	88,099
Cash and cash equivalents	27,110	-	-	27,110
Other financial assets	28,717	-	-	28,717
Interest rates swap contracts	-	1,259	-	1,259
	164,876	**131,048**	**138,693**	**434,617**

(All amounts are in USD and in '000's unless otherwise stated)

December 31, 2021	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVOCI	Total
Investments in securities	-	128,554	120,198	248,752
Granted loans	17,439	-	-	17,439
Term deposits at banks	23,265	-	-	23,265
Accounts receivable	102,580	-	-	102,580
Cash and Cash equivalents	23,360	-	-	23,360
Other financial assets	24,302	-	-	24302
	190,946	**128,554**	**120,198**	**439,698**

Financial assets at amortized costs represent quoted bonds in international markets with interest of 7%, the bonds will mature in 2026.

Total interest received on the bond amounts to USD 71 thousand recognized in the Consolidated statement income statement.

All financial liabilities have been classified at amortized cost as at 2022 except for forward currency contracts which have been classified as financial liabilities at fair value through profit or loss.

All financial liabilities have been classified at amortized cost as at 2021 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, granted loans and obtained loans.

The following table demonstrates the sensitivity of the consolidated income statement to reasonable possible changes in interest rates as of December 31, 2022 and 2021, 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, 2022.

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

2022	Increase in interest rate (basis points)	Effect on profit for the year
USD	+100	(422)
Israeli Shekel	+100	-

2021	Increase in interest rate (basis points)	Effect on profit for the year
USD	+100	(60)
Israeli Shekel	+100	-

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Generally, the group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly.

The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2022	% of total loans	2021	% of total loans
Variable rate borrowings	**107,764**	78%	**114,773**	81%
Fixed rate borrowings - repricing or maturity dates	**30,385**	22%	**27,800**	19%
Less than 1 year	-		-	
1 - 5 years	30,385		27,800	
Over 5 years	-		-	

An analysis by maturities is provided in liquidity risk below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD 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	Effect on equity
	%		
2022			
Israeli Shekel	10+	11,323	736
Other currencies	10+	18	(22)
2021			
Israeli Shekel	10+	5,537	406
Other currencies	10+	41	(276)

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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:

	Increase in equity price (%)	Effect on equity	Effect on income statement
2022			
Shares listed in Palestine Securities Exchange	+10	12,298	8,811
Shares listed in other markets	+10	-	4,238
Shares and portfolios not listed	+10	1,571	2,411
2021			
Shares listed in Palestine Securities Exchange	+10	10,355	10,413
Shares listed in other markets	+10	61	31
Shares and portfolios not listed	+10	1,604	2,411

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 bonds is their carrying amounts as explained in notes (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 cash equivalents, and other financial assets, PIF's financial and investing decisions are made only for approved parties. These exposures have been classified as stage (1). 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.

The following is the distribution of credit exposures on the financial position items by the categories of the global credit rating agencies:

Rating grade	Internal Rating category	Gross amount of exposure	Credit rating	Collateral Type	Collateral value	LGD	Loss rate
Cash and cash equivalents	Low risk	5,141	BB/BBB- /Non rated				
Granted loans	Low risk (0-30)	7,428	Non-rated			45%	7%
	Acceptable risk - (30-120)	15,989	Non-rated			45%	65% - 70%
	Non-performing - (120 and above)	2,912	Non-rated	Property	789	45%	100%

(All amounts are in USD and in '000's unless otherwise stated)

Following is the macroeconomic factors impact on the forward-looking information based on multiple scenarios as at December 31, 2022:

		Assigned Probabilities	Rate used	
Economic Variables	**ECL Scenario**	**%**	**2022**	**2021**
GDP	Base Case	40	4	7.10
	Best Case	30	10.77	13.87
	Worst Case	30	(2.77)	0.33

Change in GDP by 5% would not result into material expected credit loss.

The group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 1 January 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and accordingly adjusts the historical loss rates based on expected changes in these factors.

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 assets and liabilities as at December 31, 2022 and December 31, 2021, based on their remaining maturity:

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
31-Dec-22					
Non-current assets					
Investments in securities	-	-	-	138,693	138,693
Investments in bonds	-	7	1,178	-	1,185
Other assets	-	-	13,391	-	13,391
Current assets					
Accounts receivable	74,360	13,739	-	-	88,099
Investments in securities	105,593	24,196	-	-	129,789
Other current assets	20,949	32,628	-	-	53,577
Cash and Cash equivalents	27,110	-	-	-	27,110
Non-current liabilities					
Long-term loans and lease liabilities	19,300	20,433	99,283	1,739	140,755
Current liabilities					
Credit facilities	-	19,260	-	-	19,260
Accounts payable	13,923	-	-	-	13,923
Accrued expenses and other liabilities	12,210	7,511	-	-	19,721
	182,579	**23,366**	**(84,714)**	**136,954**	**258,185**
31-Dec-21					
Non-current assets					
Investments in securities	-	-	-	120,198	120,198
Investments in bonds	-	-	-	-	-
Other assets	-	-	35,058	-	35,058
Current assets					-
Accounts receivable	86,568	16,012	-	-	102,580
Investments in securities	128,554	-	-	-	128,554
Other current assets	7,660	41,145	-	-	48,805
Cash and Cash equivalents	23,360	-	-	-	23,360
Non-current liabilities					-
Long-term loans and lease liabilities	23,434	21,091	81,676	17,996	144,197
Current liabilities					-
Credit facilities	-	19,672	-	-	19,672
Accounts payable	16,389	-	-	-	16,389
Accrued expenses and other liabilities	10,152	7,510	-	-	17,662
	196,167	**8,884**	**(46,618)**	**102,202**	**260,635**

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 2022 and 2021.

Capital includes paid-in share capital, shareholder's current account, reserves, retained earnings and non-controlling interests with a total of USD 749,376 and 730,657 thousand as at December 31, 2022 and 2021, respectively.

38. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to chief decision makers . Business segments comprise trade and transportation, real estate, tourism, energy, in addition to the investment sector. 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 operations are organized and managed separately according to the nature of the services provided by each sector, as each sector presents a strategic business unit.

- Trade and transportation: this segment include Cement retails sales and transportation services
- Real estate: this segment includes the management and operations of real estate properties including leased properties
- Tourism: this part of the business includes the operations of the hotels business of the group
- Energy: this segment includes the sale of solar energy by the group and related operations

Palestine Investment Fund Company P.L.C

Consolidated Financial statements for the year ended December 31, 2022

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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, 2022:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	-	**80,639**	**14,084**	**4,139**	**1,295**	-	**100,157**
Point in time	-	70,959	9,790	1,991	1,295	-	84,035
Over time	-	9,680	-	2,148	-	-	11,828
Rental revenue *	-	-	4,294	-	-	-	4,294
Gain from investments in financial assets	22,385	-	-	-	-	-	22,385
Inter-segment revenues (eliminated)	-	-	589	-	-	(589)	-
Total revenues	22,385	80,639	14,673	4,139	1,295	(589)	122,542
Changes in Inventory and other operating expenses	-	(73,488)	(8,127)	(3,444)	(632)	-	(85,691)
Profit (loss) before tax	33,049	(1,994)	7,923	(1,368)	(712)	(186)	36,712
Other information							
Depreciation of property, plant and equipment	396	6,372	671	1,293	431	-	9,163
ECL expenses	(413)	(4,493)	(517)	-	(41)	-	(5,464)
Capital expenditures	276	125	6,834	-	7,024	-	14,259
Interest revenues	1,580	1,949	1,272	5	6	-	4,812
Finance costs	(286)	(5,866)	(967)	(92)	(243)	-	(7,454)
Investments in associates and joint ventures	265,900	9,244	11,530	-	17,931	(53,071)	251,534
Share of associates' results of operations	14,632	-	(722)	-	257	403	14,570
Share of joint ventures' results of operations	-	(264)	134	-	-	-	(130)

The following table presents segments' assets and liabilities as at December 31, 2022:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segments' assets	828,606	132,382	217,524	50,137	54,596	(322,509)	960,736
Segments' liabilities	185,750	68,796	37,467	47,119	12,630	(140,402)	211,360

(All amounts are in USD and in '000's unless otherwise stated)

Notes to the consolidated financial statements

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, 2021:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Revenues							
External revenues	-	**73,811**	**28,909**	**2,706**	**1,045**	-	**106,471**
Point in time	-	58,933	28,122	1,105	1,045	-	89,205
Over time	-	14,878	-	1,601	-	-	16,479
Rental revenue *	-	-	787	-	-	-	787
Gain from investments in financial assets	28,582	-	-	-	-	-	28,582
Inter-segment revenues (eliminated)	-	-	3,960	-	-	(3,960)	-
Total revenues	28,582	73,811	32,869	2,706	1,045	(3,960)	135,053
Changes in Inventory and other operating expenses	-	(67,699)	(17,817)	(2,180)	(661)	-	(88,357)
Profit (loss) before tax	31,112	(971)	6,374	(3,603)	855	1,088	34,855
Other information							
Depreciation of property, plant and equipment	9,605	1,832	553	1,818	282	(556)	13,534
ECL expenses	-	(6,742)	-	-	-	-	(6,742)
Capital expenditures	3,408	4,925	4,477	6	4,331	(3,099)	14,048
Interest revenues	1,710	-	461	35	-	-	2,206
Finance costs	(5,479)	(2,798)	(38)	(670)	(272)	145	(9,112)
Investments in associates and joint ventures	261,732	4,970	4,782	4,551	16,873	(50,273)	242,635
Share of associates' results of operations	14,208	-	(197)	(598)	878	-	14,291
Share of joint ventures' results of operations	(45)	(30)	(361)	-	-	-	(436)

The following table presents segments' assets and liabilities as at December 31, 2021:

	Investment sector	Trade and transportation	Real estate	Tourism	Energy	Eliminations	Total
Assets and liabilities							
Segments' assets	738,354	178,026	172,005	62,418	37,001	(230,721)	957,083
Segments' liabilities	288,378	91,614	15,134	72,786	3,004	(244,490)	226,426

39. Commitments and contingencies

- PIF and its subsidiaries 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.
- PIF and some of its subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to USD 13.9M and 17M as at December 31, 2022 and 2021 respectively. PIF's management and legal counsels believe that provisions made against these litigations are sufficient.
- 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 USD 15.3M and 3.7M as at December 31, 2022 and 2021 respectively.

40. 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.

صندوق الاستثمار الفلسطيني
Palestine Investment Fund
Investing for Impact

2022

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