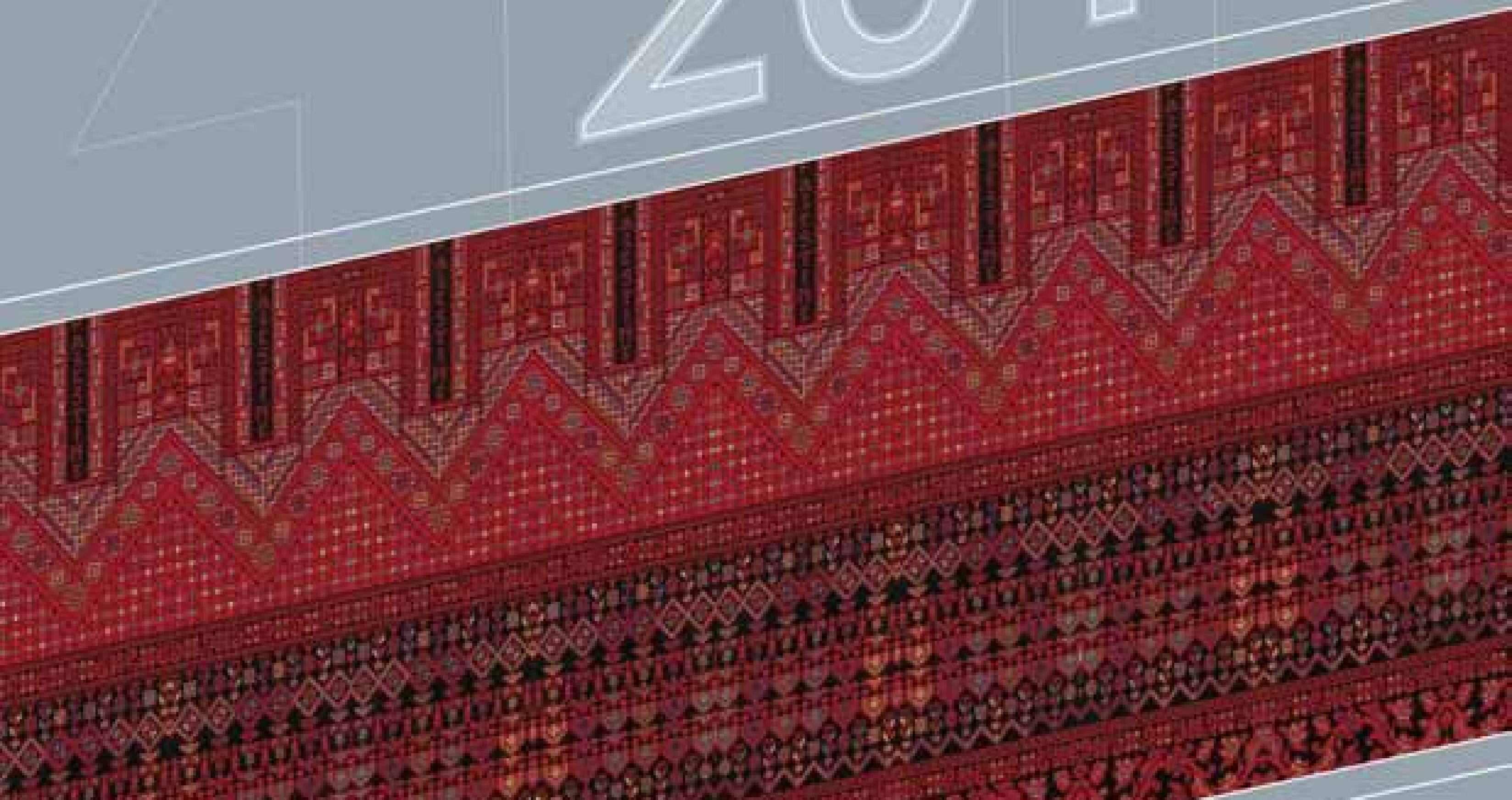
APIC أيبك

2011



APIC Annual Report

Focused On The Future

Arab Palestinian Investment Company's journey began 17 years ago with the goal of providing the Palestinian market with goods and services of superior quality at affordable costs. Today, the company stands as a leader in Palestine, and is having remarkable success in its expansion efforts in the Middle East and Africa. Building on this solid foundation, APIC continues to move forward on all fronts with strength and resilience.

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Letter From The Chairman

My Fellow Shareholders,

The year 2011 was full of accomplishments and challenges alike. On the top line, the Arab Palestinian Investment Company (APIC) sustained an impressive growth trajectory, with gross revenues increasing from $326,859,722 in 2010 to $390,411,576 in 2011, keeping the company on track to reach its ambitious vision of $1 billion in revenues by 2020. However, net results were disappointing due to both internal and extraneous factors, which have offset this year's overall performance.

Throughout the past year, APIC's executive management team worked to realize a substantial milestone for the company; in February 2012, APIC successfully issued a $20 million bond offering in Palestine that was oversubscribed by leading financial and investment institutions. This form of structural debt will free up a significant portion of the company's cash flow to be used to further enhance investments in strategic subsidiaries as well as open the door for new growth opportunities.

The top two performing subsidiaries in APIC's portfolio, Unipal General Trading Company and Medical Supplies and Services (MSS), achieved double-digit growth and continue to set new benchmarks in sales and profitability.

Another major accomplishment this year was the acquisition by Siniora Food Industries of the competitive brand and manufacturing assets of UNIUM, which has solidified the company's market dominance in Jordan and elsewhere. However, due to the haphazard regulatory environment in Algeria, Siniora's local branch continued to underperform, thus forcing the company to cease its operations in the country at a financial cost of nearly $1.4 million. Furthermore, Siniora's launch of direct activities in Saudi Arabia was delayed for six months. The losses incurred by Siniora in Saudi Arabia and Algeria contributed to a bottom line negative effect of close to $2 million, despite positive trends in sales growth.

Arab Palestinian Shopping Centers (Plaza), the group's retail arm, faced steep financial losses this year that were due to serious management issues and lack of strategic planning, requiring APIC to initiate a top-tier management change and implement a comprehensive and closely supervised remedial recovery plan.

Facing challenges from a new competitor, the Palestinian Automobile Company (PAC) was under tremendous pressure to reduce its prices, resulting in lower than expected revenues in the first three quarters. The market situation has since reversed and PAC is once again the leading car distributor in Palestine.
In partnership with Procter & Gamble, in early 2011, APIC launched its Central and West Africa distribution business, Unipal CWA, based in Douala, Cameroon. The start-up did not perform as expected, losing around $2.6 million in its first year of operations. With a new and aggressive restructuring plan in place, Unipal CWA is now set to move forward in this promising market, which covers eight countries in a region populated by over 110 million people.

One of APIC's biggest challenges today is the lack of payment by the Palestinian government, which through its various ministries and institutions, is a customer of many of its subsidiaries. The company is working with the government to find a solution as the numbers have been quite substantial, exceeding $15 million at various points in the last year. So far, Palestinian officials continue to be cooperative and I am confident this issue will be resolved.

Despite this year's significant setbacks, APIC grew and was profitable. Net income was a disappointing $1,983,181 versus $5,454,112 in 2010. Shareholder equity grew from $54,239,264 in 2010 to $56,271,914 in 2011, and the number of employees increased to 1,082. Our total assets were $198,084,744 compared to $192,045,445 last year.

It is extremely important to note that while the consolidated net results of APIC suffered a setback in 2011, the fact is that, on the whole, the company's subsidiaries continue to perform exceedingly well. In addition, most of the lost income in 2011 was directly due to start-up costs and non-recurring elements. APIC's top line remains healthy and the company looks forward to reaping the results in the future.

As we look towards 2012, I am confident that we have laid the groundwork for a more prosperous future for APIC, with many of the difficulties encountered either behind us or being remedied. We are forging ahead to meet our performance targets and increase shareholder value while constantly cultivating an organizational structure that is sound, transparent and profitable.

As always, APIC continues to engage the communities in Palestine and Jordan by supporting various institutions and initiatives both financially and through the time and effort of its employees.

I thank you, our shareholders, for your constant support and unwavering belief in this institution, which has spurred a positive and lasting impact in its main target market, Palestine. I would like to also extend my appreciation to our greatest asset, our employees, who continue to serve this company with unparalleled dedication and professionalism.

Kindest Regards,
Tarek O. Aggad

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Board Of Directors

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Board Of Directors

Tarek Omar Aggad
Chairman and Chief Executive Officer

Khaled Osaily
Vice Chairman

Dr. Mohammad Mustafa
Bassam Aburdene
Dr. Mazen Hassouneh
Munir Khoury
Fuad Kattan
Tareq Abbas
Dr. Durgham Maree

Management Team

Tarek Omar Aggad
Chairman and Chief Executive Officer (CEO)

Tareq Abbas
Vice President of Business Development

Lina Al-Hadweh
Organizational Excellence Director

Khaled Baradie
Finance Manager

Ali Aggad
Group Chief Operation Officer (COO)

Moutaz Qawas
Vice President and Chief Financial Officer (CFO)

Ahmed Judeh
Chief Investment Officer (CIO)

Mohammed Hirzallah
Internal Auditor

Vision And Mission

Vision

To provide superior products and services of quality and value, leaving a positive and lasting impact in the market. As a result, consumers will reward our capital investments with market command, allowing our employees, our investors and the communities in which we work to prosper.

Mission

To achieve business and financial success by investing in market-leading companies, thereby elevating the community through resource, talent and economic development.

- Provide superior quality products and services
- Employ capable and experienced personnel and ensure that they are equipped with opportunities for growth and improvement
- Continuously apply efficient work systems to all aspects of the business cycle
- Maintain a solid financial base that drives further growth
- Partner with key stakeholders in the region to effect real change in the Palestinian community

Listing Bonds

Listing Bonds

APIC's Successful Bond Issue

On January 31, 2012, APIC successfully closed the subscription process for its $15 million bond issue that was privately offered to Palestinian and regional institutional investors. Due to high demand, total subscriptions exceeded the initial issue size of $15 million by 36.7 percent, prompting the company to close the final issue at $20 million.

APIC's bond issue, the second in Palestine's history, will support the financing of the group's strategic five-year expansionary and organic growth plan in Palestine and abroad. The capital raised in this issue will bolster the financial structure of the company in terms of the maturity of its obligations, the lower cost of its debt and cash flow enhancement.

The bonds represent collateralized senior debt with a guaranteed coverage ratio of 125 percent, a fixed coupon rate of 5.5 percent for the first 30 months and a floating coupon rate of six-month LIBOR+ with a margin of 2.5 percent for the remaining 30 months.

Furthermore, the bonds are structured with a bullet repayment of the principle after five years from the issue date, with a call option of principle installments in excess of $1 million any time after the second period of the semi-annual interest payment.

Subscribers to APIC bonds were Cairo Amman Bank (Palestine and Jordan), Bank of Palestine (Palestine), Al Rafah Microfinance Bank (Palestine), Union Bank (Jordan), Investbank (Jordan), Aswaq Investment Portfolio Company (a subsidiary of Palestine Investment Fund - Jordan and Palestine) and Quds Bank (Palestine).

Finally, the custodian and receiving bank for the issue is Cairo Amman Bank (Palestine) and the appointed issue trustee is Al-Wasata Securities Company, a subsidiary of Bank of Palestine.

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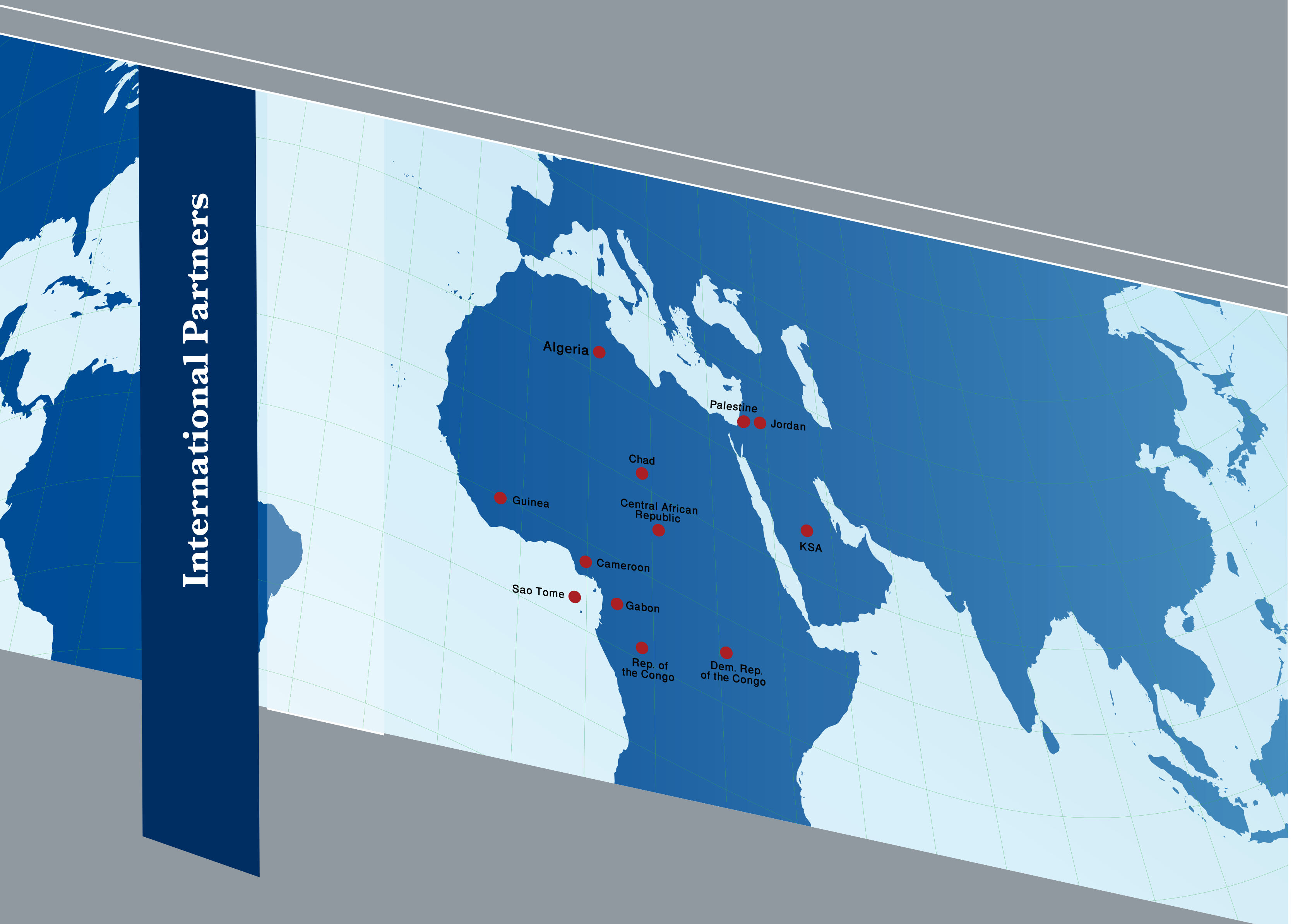


International Partners

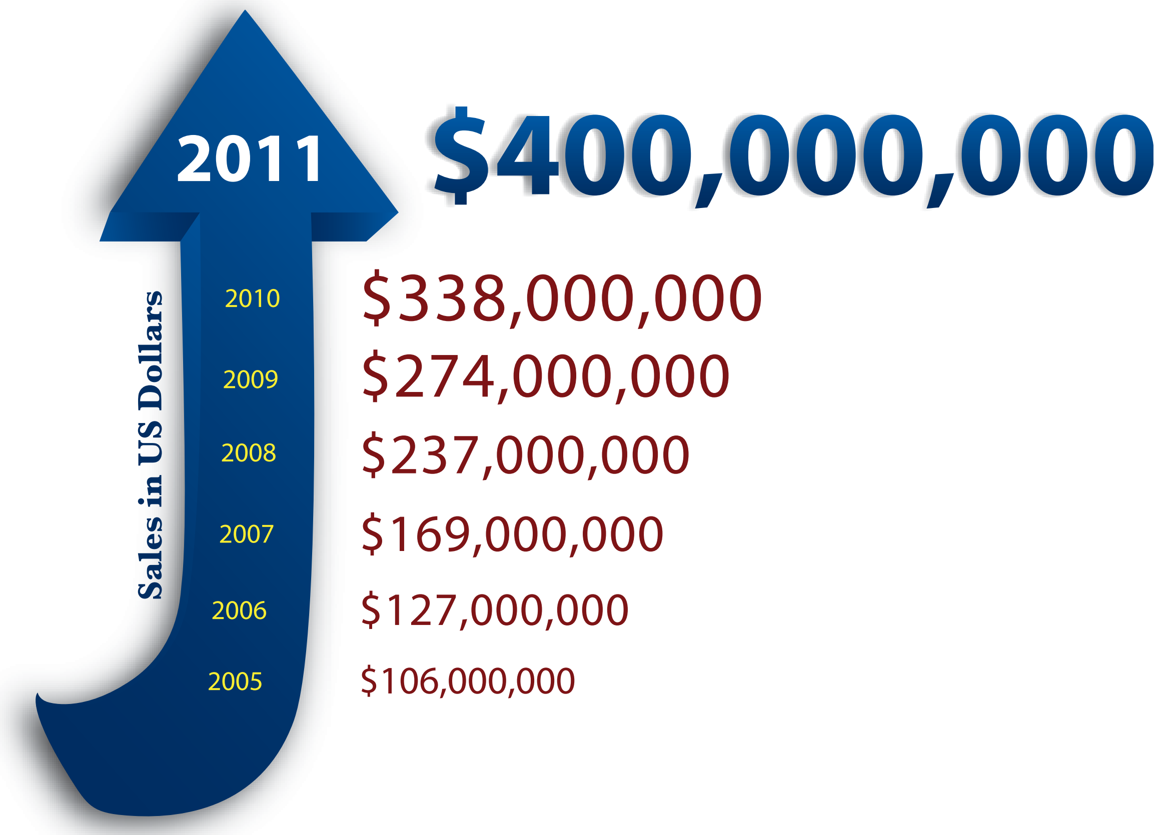
Billion-Dollar Vision On Track In 2011

1,000,000,000

One Billion

Billion-Dollar Vision On Track In 2011

With an unwavering vision for growth, APIC aims to achieve $1 billion in gross revenues within a decade. Although ambitious, requiring an annual growth rate of 16 percent until 2020, the $1 billion target is a challenging organizational goal, one that APIC believes it can meet. Not just a rhetorical objective, the billion-dollar benchmark is a sustained strategy that will strengthen the company's fundamentals. As a parent company to a growing family of businesses, APIC intends to achieve this target by promoting synergy among its subsidiaries while establishing the essential conditions for the success of each company and the group as a whole.



Beyond The Marketplace:
Corporate Social Responsibility

Beyond The Marketplace: Corporate Social Responsibility

At APIC, corporate social responsibility (CSR) is a company-wide strategic priority, radiating from the belief in the importance of building trust, value and respect with the company's customers, business partners and employees beyond the marketplace. Toward this end, APIC and its subsidiaries take seriously each opportunity to positively interact with the communities in which they operate through active participation with charities, educational institutions and in public events.

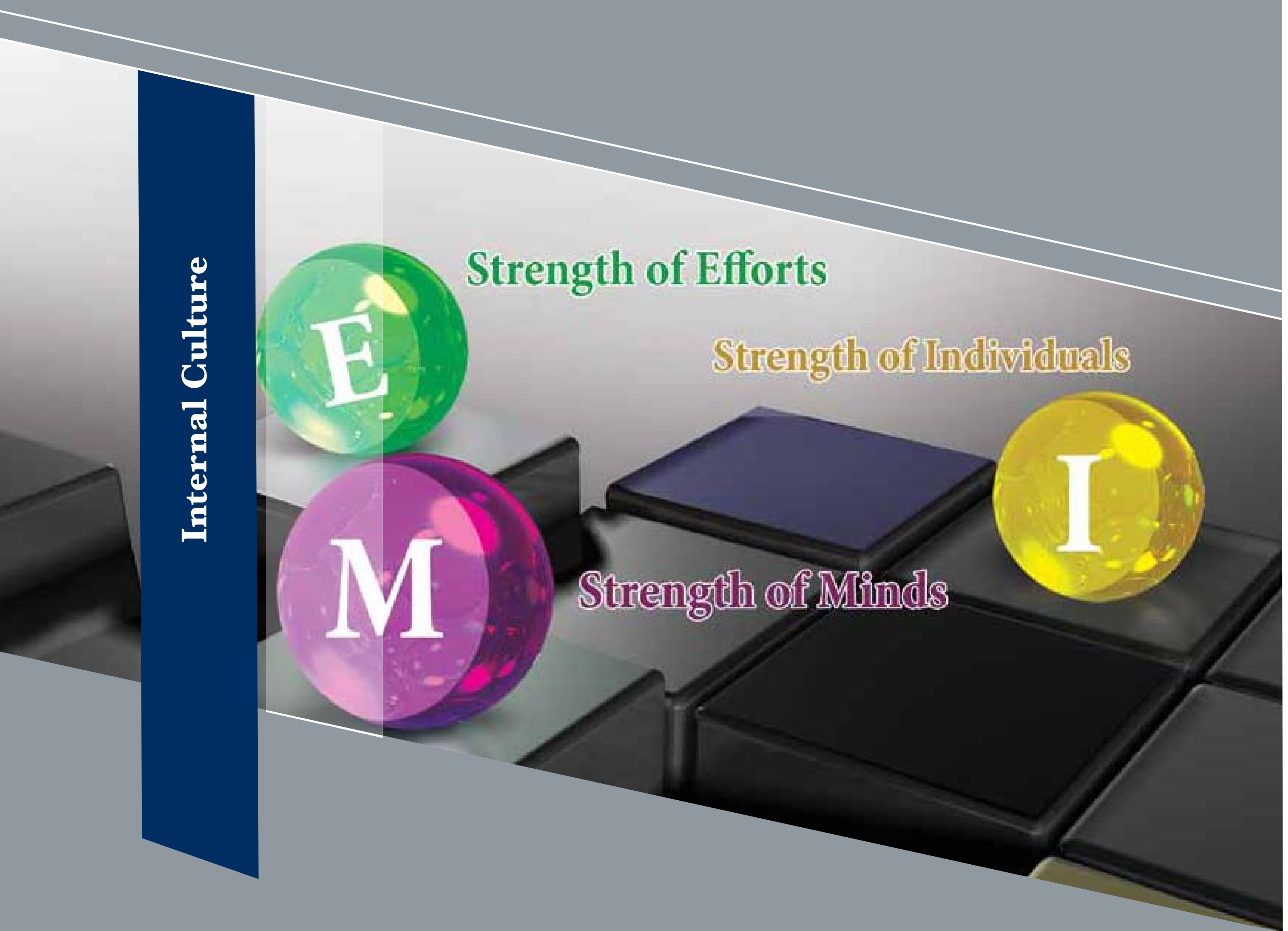
In 2011, APIC had the honor to contribute $75,000 to Bethlehem University for an APIC Endowed Scholarship that will provide financial assistance to selected students. In addition, each year, APIC awards a full four-year scholarship to a Jordanian or Palestinian university to one of its employee's children who obtains the highest score on the tawjihi exam.

As it has since 2007, APIC continued to support Injaz-Palestine through donations and volunteer efforts from many of its employees. Moreover, APIC is pleased to note that Ali Aggad, APIC's COO, was elected chairman of the board for Injaz-Palestine. APIC also participated in a special needs employment day, supported by Ruwwad Palestinian Youth Empowerment Project, which focuses on people with special needs.

This year, PAC was the diamond sponsor of a marathon in Ramallah to support people with disabilities in the Palestinian community and donated $60,000 to the Yasmine Charity for Special Needs, while Siniora Food Industries donated JD25,000 to the Amman-based King Hussein Cancer Foundation.

Also this year, NAPCO was the platinum sponsor for Buildex 2011, where it participated in outfitting a model house filled with products made in Palestine. Furthermore, NAPCO contributed to renovating mosques, classrooms and homes of underprivileged families throughout Palestine.

APIC firmly believes in the promotion of CSR by providing its employees with dynamic, safe and challenging work environments. As part of its corporate incentive program, APIC has created the CEO Award, worth $30,000, given to three exceptional employees who have demonstrated creativity and innovation.



Internal Culture

Building an internal culture that motivates and rewards performance and integrity in a complex business environment demands high governance standards. APIC's commitment to a culture of integrity begins with an independent and experienced board of directors and a carefully selected management team with a mandate to continuously bring out the best in its employees. With team spirit, the company has developed value-driven policies and procedures to guide everyday interactions and its vision.

APIC's internal culture can be best described using the following four dimensions:

The Values

APIC's cultural values rest on the belief that all employees are equally important, differing only in their level of responsibilities and commitment to the team. The company values and rewards those with self-motivation and leadership who challenge their capabilities and think outside the box, transforming obstacles into opportunities.

The Structure

The foundation of APIC is built on its people, and to empower them is an investment in the company. APIC believes that the motivation for promotion comes from within the individual and should be fostered by the company's practices and values. The company's decision-making structure is one that embraces consulting and sharing, enabling each individual to be fully engaged and acknowledged.

The Incentives

While stable employee performances are valued, within APIC forward thinkers are given additional incentives and are promoted based on their leadership characteristics and outstanding performances.

The People

APIC encourages efficiency and knowledge in its people. The company creates a vision by setting tangible goals, which are fulfilled through harmony and team unity in a suitable working environment. APIC's corporate values are based upon team spirit and cooperation between different departments and subsidiaries, capitalizing and benefiting from the experiences of all team members. Those values are divided into three categories:

- The Power of Minds: Innovation, thinking and problem solving
- The Power of People: Leadership and teamwork
- The Power of Agility: Discipline and flexibility

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APIC Subsidiaries

APIC Subsidiaries

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2011 Accomplishments

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The Siniora Meat Factories of Jerusalem, a market leader in the region since 1920, was acquired by APIC in Jordan in 1992 and in Palestine in 1996. Rebranded as Siniora Food Industries, it produces fine beef, poultry and fish products in over 70 varieties of halal delicatessen, canned and frozen meats. Siniora Food Industries both in Palestine and Jordan hold the internationally-recognized standard certifications HACCP and ISO 9001:2008 as well as the safety procedures and processes certificate ISO 22000:2005.

Siniora Food Industries

Manufacturing

Siniora Food Industries

Siniora Food Industries experienced a year of considerable growth and expansion due to unprecedented sales, particularly in the Jordanian and Palestinian markets. The most significant achievement was the acquisition of the assets and trademark UNIUM, one of Jordan's oldest and most popular luncheon meat brands. The addition of UNIUM products to Siniora's portfolio generated a 50 percent rise in the sales volume of prime cold cuts and luncheon meats, positioning the company for a record increase in sales of 29 percent to reach $34.6 million in 2011, with net profits in Jordan and Palestine exceeding expectations.

After a six-month interruption in sales, Siniora passed all legal requirements and obtained authorization from the Saudi Food and Drug Authority to continue to sell its products under its new name directly through the company's commercial branch in the Kingdom of Saudi Arabia. In an unfortunate development this year, Siniora ceased its operations and sales as well as disposed of its stock in Algeria after repeated attempts to negotiate fairer terms on the imposition of unforeseen changes to the customs and tariff laws failed, which lengthened procedures on the clearance of products and imposed a 30 percent tax on imports. Despite these setbacks, which amounted to $1.4 million in gross losses, Siniora's net loss did not exceed $250,000 for both markets.

Looking forward, Siniora is confident that it will retain its position as one of the leading and fastest growing companies in the regional food industry by expanding its presence at home as well as building out its export base in existing and additional target markets. Leading the way are Siniora's in-house product developers, who rely on their intrinsic knowledge of the market and back it with solid research and analysis to create new products that understand customer preferences, tastes and needs. Siniora constantly advances the technical and managerial qualifications of its employees through focused training workshops.

Siniora Food Industries also continued to support the local community's economic and social development through its participation in a wide variety of corporate social responsibility activities and events.

The company, as always, recognizes the efforts of its staff, whose work brings continued progress and prosperity.

Majdi Sharif
Chief Executive Officer

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APIC

Established in 1991, the National Aluminum and Profiles Company (NAPCO) is the first and only aluminum profiles manufacturer in Palestine. Located in the West Bank city of Nablus, NAPCO's state-of-the-art 28,000-square-meter plant, operated by 185 employees, has an annual production capacity of over 6,000 tons of high quality products that comply with international standards and specifications. NAPCO has received accreditation by both the Palestine Standards Institution and the International Organization for Standardization (ISO).

National Aluminum And Profiles Company - NAPCO

Manufacturing

National Aluminum And Profiles Company - NAPCO

On target with its five-year improvement plan, in 2011 NAPCO witnessed new sales and production records, approaching 5,000 metric tons, which represents a 23 percent growth compared to the previous year. These results were achieved due to increasing market demand as well as the clear and effective evolution of the company's capacity to meet its long-term operational goals.

On November 30, 2011, NAPCO shares officially opened for trading on the Palestine Stock Exchange, affirming the confidence of existing shareholders in the company's strong market standing and future potential. To further enhance equity and strategic capital reserves, NAPCO restructured its bank facilities to gain financial momentum at this critical growth juncture.

This year, the company launched an innovative aluminum and accessories systems called NAPCO+, which largely contributed to the record production and sales numbers. Supported by a professional package of engineering services, NAPCO+ products scored the highest grade certificates from the Standards Institution of Israel (SII) and the Royal Scientific Society (RSS) of Jordan.

NAPCO implemented several key advancements to its production and recoveries systems, which integrate the latest technologies into the existing plant and allow for significant cost-cutting measures. Most notably, the company installed a new billet heating system, reconfigured and upgraded the extrusion press plant, which will be fully operational in January 2012, and commissioned a state-of-the-art thermal break assembling line.

On the managerial and technical levels, NAPCO optimized its quality validation and verification techniques for all work aspects starting from profile quality, safety work environment and human factors to surrounding environment quality, manufacturing processes and aluminum systems. These efforts were recognized when NAPCO obtained the OHSAS 18000 international certificate for safety management systems.

With all these positive developments, NAPCO is committed to staying on course towards maximizing the gains achieved this year towards the long-term interests in the prosperity of the company.

Anan Anabtawi
General Manager

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APIC

Medical Supplies and Services Company (MSS), the most diversified health-care products supplier in Palestine, is one of the top companies in its field since 1994, distributing health care-products supplier in Palestine, it distributes pharmaceuticals, medical and laboratory equipment, surgical and disposable items and fast-moving consumer goods (FMCG) to pharmacies, private hospitals, non-governmental organizations, the Ministry of Health and retail outlets. MSS is the sole distributor and service provider for major multinationals including Abbott International, Abbott Diagnostic, Abbott Diabetes Care, Eppendorf, MSD, Hitachi-Aloka, Sanofi, Beiersdorf (Nivea), B.Braun, Boehringer Ingelheim's Pharmaton, Eli Lilly, GlaxoSmithKline, Janssen, Nihon Kohden and Trisa.

Medical Supplies And Services - MSS

Distribution

Medical Supplies And Services - MSS

Two thousand and eleven was another successful year for MSS, with the company's staff once again delivering firm results in a challenging economy. In the first half of 2011, MSS was impacted by the drop of international prices of pharmaceuticals. However, in the second part of the year, sales increased dramatically, offsetting the lower price points that resulted in higher net growth.

Specifically, sales increased by 6 percent, not including the H1N1 contract of 2010, and net income climbed 13 percent over the previous year.

The company advanced its organization, systems and facilities to better serve its customers. In 2011, MSS upgraded all its fleet facilities and moved to a modernized 2,800-square-meter warehouse to meet increasing demand. The pharmaceutical, diagnostics and FMCG divisions are growing and expanding continuously to further strengthen MSS's competitive performance and maintain its long-term market outlook and leadership position.

On the whole, the company achieved all of its key strategic objectives as an organization for the year. Working closely with multinational suppliers, the company will continue growing and providing the best medical products to Palestine, focusing on improving services to deliver superior value in this vital sector.

MSS recognizes that it is the commitment, hard work and loyalty of its employees are the basis of its strength and the propeller towards a prosperous future.

Samer Kreitem
General Manager

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APIC

Unipal is by far the leading fast moving consumer goods (FMCG) distributor in Palestine, with an unparalleled track record of sales growth. Founded in 1994 as a private shareholding company, Unipal's highly efficient distribution system delivers leading quality products and services that fulfill the Palestinian consumer's needs. The company possesses and services sole distribution rights for major multinationals such as Philip Morris International, Procter & Gamble (FMCG and Prestige Beauté), Heinz, XL Energy Drink, Haribo, Pringles, Americana and other well-known multinational brands. Unipal is able to effectively drive its product portfolio to a leading market position in a short time span due to its extensive distribution network of over 6,000 retail outlets throughout Palestine.

Unipal General Trading Company

Distribution

Unipal General Trading Company

The year 2011 has been full of accomplishments, with a marked ascent in growth driven by sharp market focus and operational excellence on all levels. The company achieved its highest growth rates since its establishment, attaining a new sales record of $251 million, which translates into a 25 percent increase compared to 2010, despite the economic and market challenges. The company's strong brands supported by an expansive network of retail outlets and exceptional customer support services have enabled the company to exceed its goals and targets, retaining its position as the leading FMCG distributer in Palestine.

Unipal is in the final stages of completing its centralized distribution facility, which is designed in accordance with the company's long-term storage horizon of 6,000 pallets and is equipped with state-of-the-art systems and software. The company has also implemented an enterprise resource planning (ERP) system, the Balanced Scorecard performance management tool and a mobile sales automation system to optimize business expansion outcomes.

The company's core values of building capacity and investing in people spurs its continuous efforts to support its employees in both their professional and personal enrichment through training and development programs that improve effectiveness and productivity.

Passion and drive for success continue to propel the company's momentum as a market leader. The aggressive plans in place to acquire new leading brands, deepen market coverage and enhance direct distribution to reach more customers and cover new trade channels will assure steady double-digit profitable growth for years to come.

On behalf of the board of directors, Unipal thanks its customers, partners and employees for their continued confidence and support.

Imad Khoury
General Manager

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APIC

In 2010, APIC subsidiary Unipal Central and West Africa (Unipal CWA) won an exclusive distribution contract from Procter & Gamble for eight West and Central African countries: Democratic Republic of the Congo, Cameroon, Republic of the Congo (Congo-Brazzaville), Gabon, Equatorial Guinea, Chad, the Central African Republic and São Tomé and Príncipe. The centrally-located, stable and investor-friendly Republic of Cameroon is the base for Unipal CWA's operations, which distributes a wide range of world-leading brands including Ariel, Pampers, Always, Gillette, Duracell and Vicks.

Unipal Central And West Africa (Unipal CWA)

Distribution

Unipal Central And West Africa (Unipal CWA)

This year, Unipal CWA began operations in Cameroon and distributed Procter & Gamble (P&G) products to the Democratic Republic of the Congo, Gabon, Republic of the Congo, Chad, the Central African Republic and Equatorial Guinea. Overall, initial sales were promising, reaching $7.8 million and yielding a 21 percent gross margin, divided equally between Cameroon and the other six countries.

However, once on the ground, unforeseen obstacles necessitated a radical restructuring of the nascent company's internal operations and market strategy. By the third quarter of 2011, APIC quickly and aggressively took action, making painful lay-off decisions and readjusting targets and expectations to bring operations back in line. As a result, the company closed its first year with a loss of $2.6 million; nevertheless, Unipal CWA believes it has now positioned itself to fully realize the opportunity presented through its commercial partnership with P&G, offering an excellent portfolio of essential brands to African consumers, who represent a huge untapped market.

Looking forward, Unipal CWA's 2012 targets are to widen distribution coverage to reach 10,000 points of sale, which equals 20 percent of the market in Cameroon, establish direct supply chains to large and medium-sized supermarkets and increase sales with a focus on Gabon. Furthermore, Unipal CWA intends to introduce additional brands from the P&G portfolio as well as expand operations at the company's headquarters in Yaoundé, Cameroon. In Unipal CWA's continual quest to build and improve its young organization, it intends to develop extensive in-house training on communications, sales and customer relations.

Ali Al-Aggad
Chairman

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APIC

Founded in 1996, Palestine Automobile Company (PAC) is the sole distributor for the Hyundai Motor Company's entire line-up of passenger cars, trucks and vans sold in showrooms in Ramallah, Gaza and Hebron and an extensive dealer network throughout Palestine. Hyundai, manufactured in South Korea, enjoys the leading market position in Palestine. PAC's guiding principle is to provide its customers with top-notch services, achieved through its large state-of-the-art parts and service facilities in Nablus, Ramallah, Gaza and Jericho, staffing them with qualified technicians and mechanics. PAC stocks three warehouses that assure the prompt and continuous supply of spare parts and accessories.

Palestine Automobile Company, Ltd – Hyundai (PAC)

Distribution

Palestine Automobile Company, Ltd – Hyundai (PAC)

During 2011, PAC continued to assert its prominent market position despite a year full of challenges and difficulties in the Palestinian automotive sector, including the entry of new competition, a decline in the number of government orders as well as shipment delays from Hyundai Motor Company (HMC).

Several key developments helped PAC end the year on a very positive note and will propel the company forward in terms of market reach and profitability. The most notable achievement was the signing of a memorandum of understanding with Chrysler Corporation to distribute Jeep and Dodge vehicles in Palestine, which is expected go into effect during the third quarter of 2012. Gaining another edge over our competition, PAC is expanding its Hyundai offerings to include heavy commercial vehicles in the coming year.

PAC is also excited by the establishment of a new showroom and service center in Gaza that will enhance the company's already superior sales and after-sales capacities Building on a reputation for delivering high-quality products, PAC inaugurated a new showroom and conducted an extensive and effective campaign to promote trade-ins and the sale of previously owned vehicles throughout the Palestinian market. To adhere to standards set by HMC, PAC renovated its Ramallah showroom to reflect the company's global corporate identity.

To effectively implement its "promotion from within" policy, PAC's management, service and sales teams successfully participated in multiple local and international training and capacity-building workshops throughout the year.

Stemming from both HMC's and APIC's firm belief in the importance of corporate social responsibility, PAC was the diamond sponsor of the Ramallah marathon to support people with disabilities in the Palestinian community and donated $60,000 to the Yasmine Charity for Special Needs.

Looking forward, PAC aims to achieve further success through its commitment to deliver outstanding services and products to meet the needs of the Palestinian market.

Ayman Sonnoqrot
General Manager

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APIC

A publicly-traded subsidiary of APIC, the Arab Palestinian Shopping Centers Company (PSE: PLAZA) offers the first and largest modern shopping and entertainment destinations in Palestine. Since the launch of its first project in 2003, at a cost of $10.2 million, Plaza has become the nationwide leader in the retail industry, with six Bravo supermarkets, two Plaza Shopping Centers and three children's indoor play areas known as The Jungle in three major West Bank cities. Plaza is a member of the Middle East Council of Shopping Centers and the International Council of Shopping Centers and employs 155 people.

The Arab Palestinian Shopping Centers Company, Plc (Plaza)

Retail

The Arab Palestinian Shopping Centers Company, Plc(Plaza)

Two thousand and eleven was marked by significant challenges, yet Plaza's sales grew by 14 percent, achieving a record sales volume that exceeded $28 million. In order to redress cumulative operational and inventory imbalances, the company's board of directors decided to close three Bravo branches that were unsuitably located. In addition, Plaza was negatively affected by financial constraints impacting the Palestinian Authority, leading to delays in reimbursements to the company from outstanding bids as well as the cost of funding the bids. Consequently, this led to Plaza incurring losses that exceeded $1.5 million. By mid-year, the company had regained its momentum, particularly in regard to inventory control by reducing expenses for activities not related to core functions.

Recognizing that customer loyalty is central to sustaining Plaza's business aspirations, the company kept its focus on providing outstanding services in all its divisions. To this end, sales incentives were regularly offered and a loyalty program was initiated in order to reward existing customers and attract new ones to the Bravo chain of supermarkets. Bravo added extra convenience for its customers by expanding its fresh foods and produce selections, resulting in triple-figure growth for this sector in 2011.

Plaza has continued its commitment to support national products and honor the ongoing boycott of Israeli goods manufactured in settlements. As part of its corporate social responsibility mission, Plaza has also cooperated with the Ministry of Social Affairs to provide underprivileged Palestinian families with basic necessities.

With a mandate from the board of directors, the company has put in place a new plan for re-growth and expansion based on solid, calculated work systems and established business principles. Accordingly, Plaza contracted international retail consultants who will lend their expertise in further developing the company's strategic market position as the premier modern shopping destination in Palestine.

Samer Deik
Acting General Manager

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Founded in 1996, Sky is recognized as a pioneer in advertising, public relations and event management in Palestine, offering a full range of customized promotional services designed to maximize client profiles in competitive markets. With 40 employees, the company specializes in five essential creative areas that encompass graphic design and printing, public relations and event management, promotion, media and outdoor advertising. Sky is affiliated with ASDA'A Burson-Marsteller's regional public relations network.

Sky Advertising, Public Relations And Event Management

Services

Sky Advertising, Public Relations And Event Management

Sky for Advertising, Event Management and Public Relations has had an excellent year in terms of building its customer base, generating revenues and maximizing the efficiency of internal operations. In 2011, sales reached $7.8 compared to $7.1 million budgeted sales, with a significant increase in the number of new clients from both the public and private sectors.

A particularly notable achievement was the 90 percent jump in the occupancy rate of billboards during the summer, in addition to an increase in outdoor advertising spaces, allowing Sky to better satisfy customer demands during peak seasons. In addition, the company expanded SMS and IVR offerings that provide its clients with a valuable and interactive tool to reach target audiences. This year, Sky signed a strategic agreement with M&C Saatchi, a notable international agency, to provide operational support for both Sky's team and clients. After careful consideration and in line with the company's larger internal coherence strategy, Sky sold Sama FM, which was negatively affecting the budget.

In order to better coordinate communications between teams and management, Sky implemented the COM program, which will standardize the company's operations. Sky continued to build on its core commitment to its employees by enhancing its in-house training program, which highlights healthy and productive work environments, crisis management and leadership skills.

Nader Maree
General Manager

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Other Investments

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Other Investments

Palestine Electric Company (PEC)

The sole provider of electricity in the Gaza Strip, the Palestine Electric Company is the first independent power plant in the Palestinian Territories.

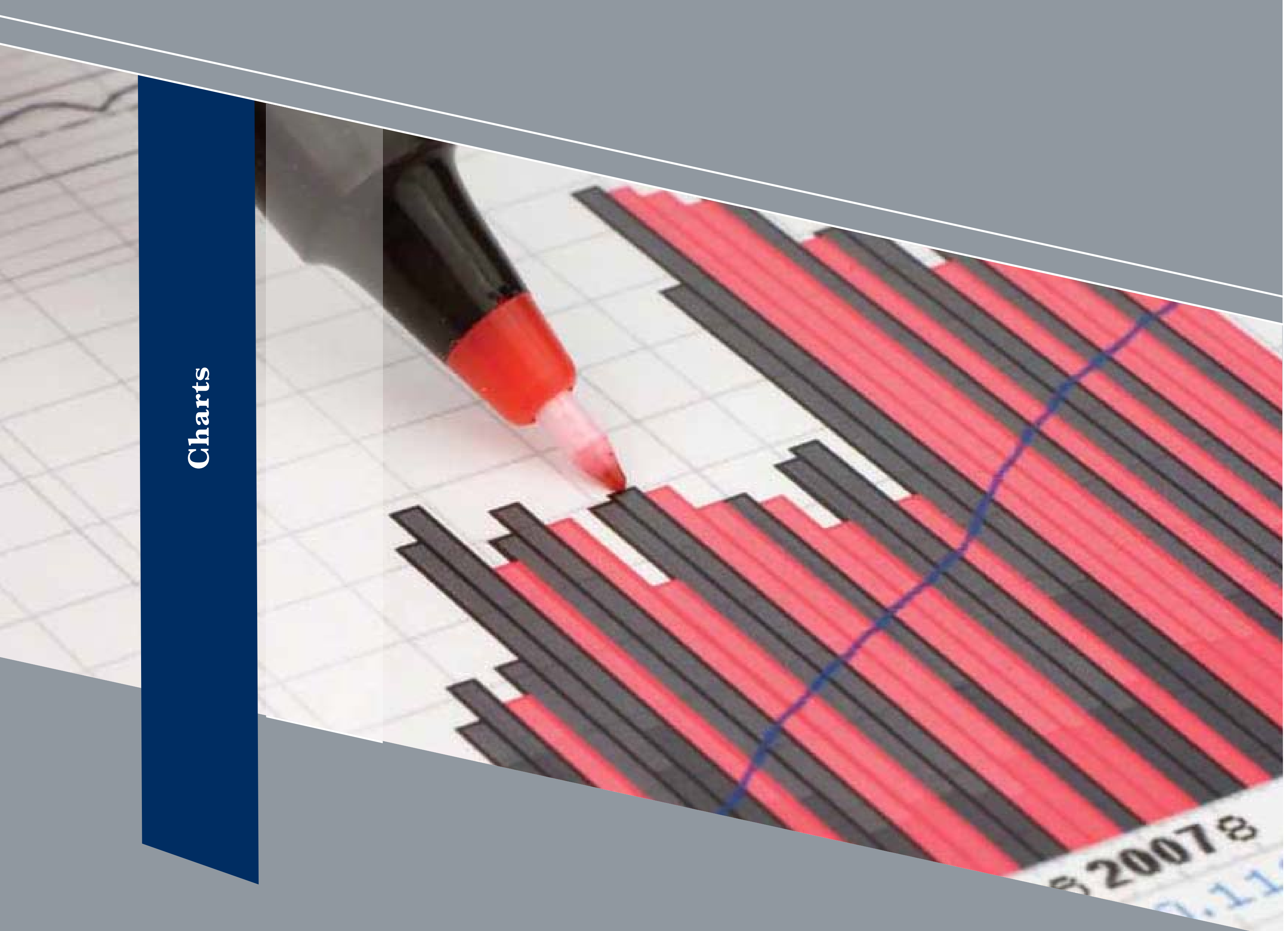
www.pec.ps

Palestine Power Generating Company

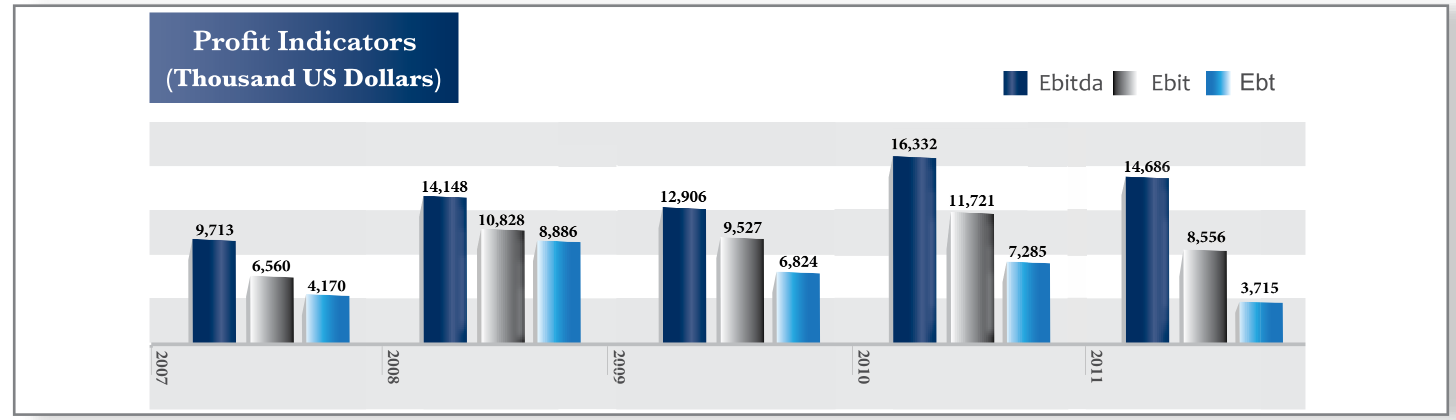
The Palestine Power Generating Company (PPGC) was established in 2010 with the aim of becoming an independent, reliable and competitively priced source of electrical power to the Palestinian people.

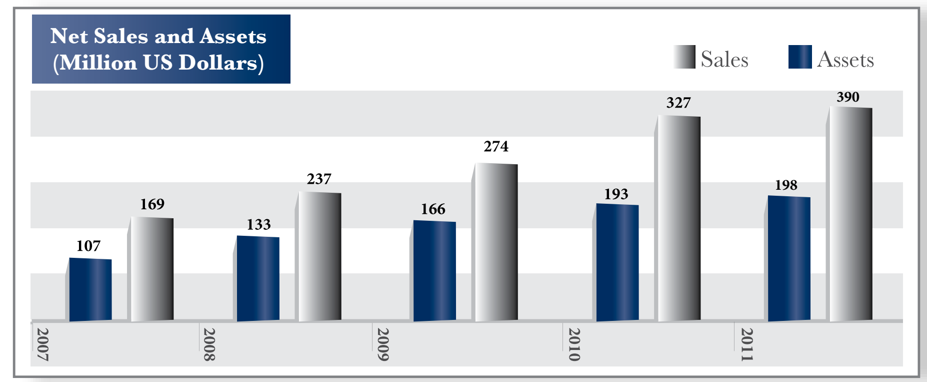
www.ppgc-ps.com

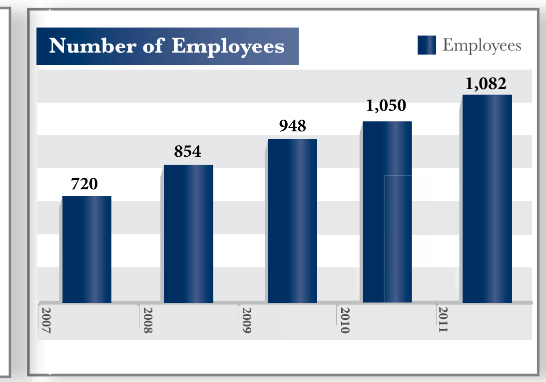
Charts

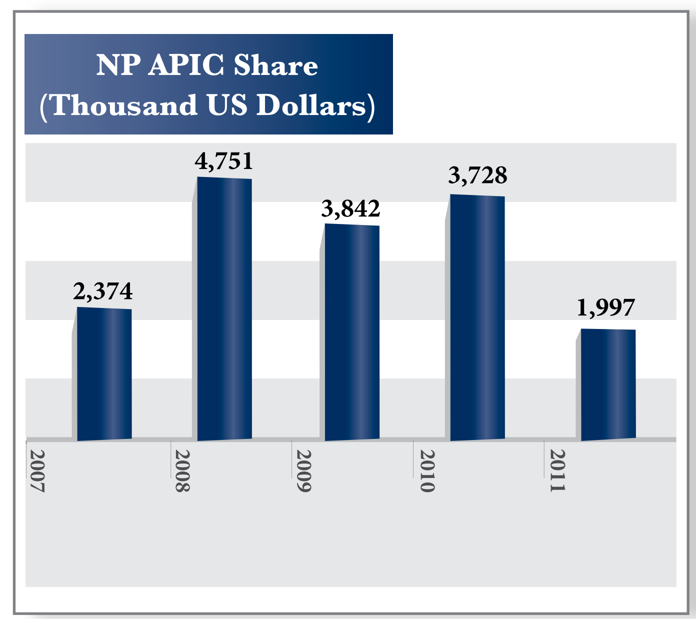


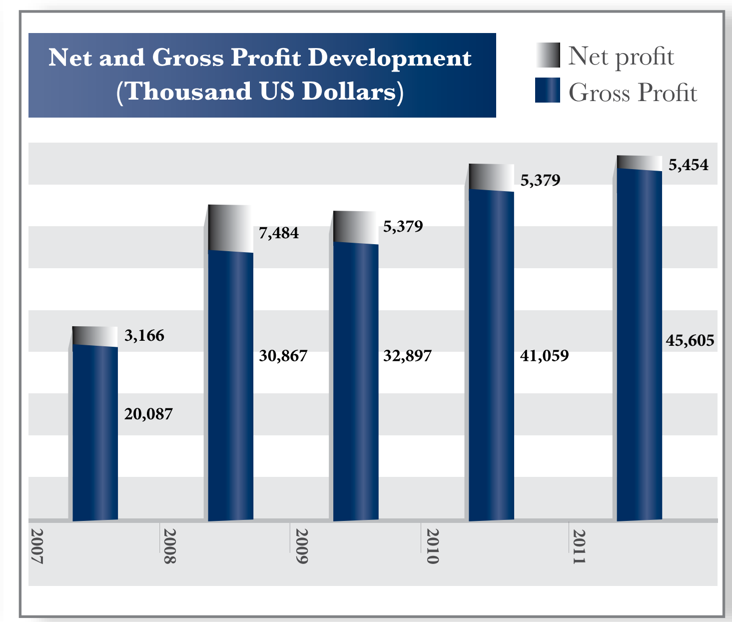
Total Sales And Assets Of The Group











Consolidated Financial Statements

December 31, 2011

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Arab Palestinian Investment Company
(Holding Company)

British Virgin Islands

Consolidated Financial Statements
For The Year Ended December 31, 2011
Together With Independent Auditor's Report

Arab Palestinian Investment Company
(Holding Company)

British Virgin Islands

December 31, 2011

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Independent Auditor's Report

Deloitte.

To the Shareholders
Arab Palestinian Investment Company (Holding Company)
British Virgin Islands

Introduction

We have audited the accompanying consolidated financial statements of Arab Palestinian Investment Company (Holding Company), which comprises of the consolidated statement of financial position as of December 31, 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arab Palestinian Investment Company (Holding Company) as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

The accompanying consolidated financial statements are a translation of the consolidated financial statements in the Arabic language to which reference is to be made.

Amman - Jordan **Saba & Co.**
April 3, 2012

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(A)

Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Consolidated Statement Of Financial Position

ASSETS	Note	December 31, 2011 USD	December 31, 2010 USD
Current Assets:			
Cash on hand and at banks	5	7,343,738	7,720,506
Accounts receivable and checks under collection - net	6	52,603,303	48,516,939
Inventory - net	7	37,240,203	38,448,474
Due from related parties	36	263,305	34,760
Financial assets at fair value through the statement of income	8	36,135	45,772
Other debit balances	9	12,025,051	12,727,203
Total Current Assets		**109,511,735**	**107,493,654**
Long-term checks under collection	10	613,039	1,190,876
Deferred tax assets	31	1,077,270	896,697
Available-for-sale financial assets	11	6,057,755	5,891,127
Investment in associate company	12	183,576	200,699
Payments for investment in subsidiary company	17	-	897,401
Investment in lands	13	776,239	1,456,757
Intangible assets - net	14	7,865,263	5,572,683
Fixed Assets :			
Fixed assets at cost		102,391,079	96,019,937
Less: Accumulated depreciation		34,108,117	28,829,962
Net Book Value of Fixed Assets	15	68,282,962	67,189,975
Projects under construction	16	3,716,905	1,255,606
TOTAL ASSETS		**198,084,744**	**192,045,445**

LIABILITIES	Note	December 31, 2011 USD	December 31, 2010 USD
Current Liabilities:			
Due to banks	23	26,740,749	30,121,848
Accounts payable		22,801,531	23,643,770
Short - term notes payable	18	38,037	148,190
Due to related parties	36	3,609,109	31,877
Postdated checks	21	4,998,114	7,079,048
Short - term loan installments	19	20,975,278	18,294,791
Other credit balances	20	10,077,369	8,778,960
Income tax provision	31	2,379,035	2,454,983
Total Current Liabilities		**91,619,222**	**90,553,467**
Provision for end-of-service indemnity	24	5,290,604	4,935,159
Long-term loan installments	19	24,585,686	22,147,125
Total Liabilities		**121,495,512**	**117,635,751**
OWNERS' EQUITY			
Authorized capital (70,000,000 shares, $1 par value per share)		70,000,000	70,000,000
Shareholders' Equity:			
Paid-up capital	1(b)	50,009,398	45,463,089
Retained earnings		3,204,288	5,650,407
Cumulative change in fair value		143,357	107,979
Revaluation of fixed assets reserve	25	2,931,895	3,034,471
Foreign currencies translation differences		(17,024)	(16,682)
Total Shareholders' Equity		**56,271,914**	**54,239,264**
Non - controlling interests	22	20,317,318	20,170,430
Total Owners' Equity		**76,589,232**	**74,409,694**
TOTAL LIABILITIES AND OWNERS' EQUITY		**198,084,744**	**192,045,445**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

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(B)

Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Consolidated Statement Of Income

	Note	For the Year Ended December 31, 2011 USD	For the Year Ended December 31, 2010 USD
Services revenue		8,903,979	8,589,802
Less: Cost of services		7,150,171	6,865,271
Net Services Revenue		**1,753,808**	**1,724,531**
Net sales		381,507,597	318,269,920
Less: Cost of sales		337,656,607	278,935,276
Sales Gross Income	26	**43,850,990**	**39,334,644**
Less: General and administrative expenses	27	25,384,203	21,508,882
Selling and distribution expenses	28	11,506,646	7,869,033
Income from Operations		**8,713,949**	**11,681,260**
(Losses) gains from the revaluation of financial assets at fair value through the statement of income		(9,637)	3,614
Gains from available-for-sale financial assets	29	416,665	494,492
Bank interest and expenses		(4,841,345)	(4,436,720)
Gains from sale of an associate company		-	9,338
Company's share of associate companies (losses) gains	12	(17,123)	40,660
Gains from sale of investment land	13	111,341	-
Impairment of goodwill	14	(55,474)	-
Other expenses - net	30	(603,324)	(507,882)
Income for the Year before Income Tax		**3,715,052**	**7,284,762**
Income tax expense - subsidiary companies	31	(1,731,871)	(1,830,650)
Income for the Year		**1,983,181**	**5,454,112**
Attributable to:			
Company's shareholders		1,996,696	3,728,383
Non - controlling interests	22	(13,515)	1,725,729
		1,983,181	**5,454,112**
Earnings per share for the Company's shareholders	38	0/04	0/07

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

(C)

Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Consolidated Statement Of Comprehensive Income

	Note	For the Year Ended December 31, 2011	2010
		USD	USD
Income for the year		1,983,181	5,454,112
Comprehensive Income Items:			
Change in fair value - available-for-sale financial assets		35,378	(154,783)
Revaluation of fixed assets reserve	25	-	669,525
Foreign currencies translation differences		(271)	(11,471)
Gross Comprehensive Income		**2,018,288**	**5,957,383**
Gross Comprehensive Income Attributable to:			
Company's shareholders		2,032,650	4,056,777
Non - controlling interests		(14,362)	1,900,606
		2,018,288	**5,957,383**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

(D)

Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Consolidated Statement Of Changes In Owners' Equity
For The Year Ended December 31, 2011 And 2010

	Note	Paid -up Capital	Retained Earnings*	Cumulative Change in Fair Value	Revaluation of Fixed Assets Reserve	Foreign Currencies Translation Differences	Total Shareholders' Equity	Non - Controlling Interests	Total Owners' Equity
Year 2011		USD	USD	USD	USD	USD	USD	USD	USD
Balance - beginning of the year 2011		45,463,089	5,650,407	107,979	3,034,471	(16,682)	54,239,264	20,170,430	74,409,694
Total Comprehensive Income for the year		-	1,996,696	35,378	918	(342)	2,032,650	(14,362)	2,018,288
Transferred to Capital*		4,546,309	(4,546,309)	-	-	-	-	-	-
Transferred from revaluation of fixed assets reserve	25	-	103,494	-	(103,494)	-	-	-	-
Net change in non-controlling interests **		-	-	-	-	-	-	161,250	161,250
Balance - End of the Year 2011		**50,009,398**	**3,204,288**	**143,357**	**2,931,895**	**(17,024)**	**56,271,914**	**20,317,318**	**76,589,232**
Year 2010									
Balance - beginning of the year 2010		43,536,570	3,982,356	262,762	2,668,909	(17,801)	50,432,796	19,162,162	69,594,958
Total Comprehensive Income for the year		-	3,728,383	(154,783)	482,058	1,119	4,056,777	1,900,606	5,957,383
Transferred from revaluation of fixed assets reserve	25	-	116,496	-	(116,496)	-	-	-	-
Dividends distributed to shareholders		1,926,519	(2,176,828)	-	-	-	(250,309)	-	(250,309)
Net change in non-controlling interests **		-	-	-	-	-	-	(892,338)	(892,338)
Balance - End of the Year 2010		**45,463,089**	**5,650,407**	**107,979**	**3,034,471**	**(16,682)**	**54,239,264**	**20,170,430**	**74,409,694**

* The General Assembly approved in its ordinary and extraordinary meetings held on June 2, 2011, the recommendation of the Board of Directors to distribute dividends to shareholders at 10% of capital from retained earnings.

** This item represents the net change in non-controlling interests resulting from the increase or the decrease in the non-controlling interests share in some of the subsidiary companies' capital during the years 2011 and 2010

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

(E)

Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Consolidated Statement Of Cash Flows

	Note	For the Year Ended December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		USD	USD
Income for the year before tax		3,715,052	7,284,762
Adjustments for:			
Losses (gains) from sale of fixed assets	13	15,080	(33,458)
Depreciation of fixed assets	15	6,129,999	5,118,433
Losses (gains) from the revaluation of financial assets at fair value through the statement of income		9,637	(3,614)
(Gains) from sale of available-for-sale financial assets		-	(46,400)
Provision for doubtful debts	6	723,137	453,978
Provision for slow-moving inventory	7	156,748	218,417
(Gains) from sale of an associate company		-	(9,338)
Company's share of associate company losses (gains)	12	17,123	(40,660)
Impairment of goodwill	14	55,474	-
(Gains) from sale of investment land	13	(111,341)	-
Provision for contingent liabilities		303,320	194,846
Provision for employees end-of- service indemnity	24	1,450,430	1,307,763
Cash Flows from Operating Activities before Changes in Working Capital		**12,464,259**	**14,444,729**
(Increase) in accounts receivable and other debit balances		(4,107,349)	(15,754,869)
Decrease (increase) in inventory		1,051,523	(2,198,334)
Decrease in due from related parties		3,348,687	267,192
Decrease in insurance claims		-	1,950,000
Decrease (increase) in long-term checks under collection		577,837	(812,793)
Increase in accounts payable and other credit balances		152,850	72,627
Net Cash (used in) Cash Flows from Operating Activities before Employees End-of-Service Indemnity Paid and Income Tax Paid		**13,487,807**	**(2,031,448)**
End of service indemnity paid	24	(1,094,985)	(406,822)
Income tax paid	31	(1,988,392)	(1,337,148)
Net Cash Flows from (used in) Operating Activities		**10,404,430**	**(3,775,418)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) in available for sale financial assets		(131,250)	(457,971)
Proceeds from sale of available-for-sale financial assets		-	46,400
(Increase) decrease in intangible assets	14	(2,348,084)	81,250
Investment in associate company		-	(78,787)
Proceeds from sale of an associate company		-	225,000
Payments for investment in subsidiary company	17	897,401	(897,401)
Additions of investment land		-	(132,393)
Proceeds from sale of investment land	13	791,859	-
Additions of fixed assets		(8,794,405)	(12,773,234)
Proceeds from sale of fixed assets		2,292,186	1,818,300
Additions of projects under construction	16	(3,196,746)	(649,951)
Net Cash (used in) Investing Activities		**(10,489,039)**	**(12,818,787)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) increase in due to banks		(3,381,099)	14,425,662
Loans, checks and notes payable		2,927,961	4,789,451
Dividends paid		-	(250,309)
Financial lease contracts commitments		-	(71,626)
Foreign currencies translation differences		(271)	(11,471)
Net change in non - controlling interests		161,250	(892,338)
Net Cash (used in) Financing Activities		**(292,159)**	**17,989,369**
Net (Decrease) increase in Cash		(376,768)	1,395,164
Cash on hand and at banks- beginning of the year		7,720,506	6,325,342
Cash on Hand and at Banks- End of the Year	5	**7,343,738**	**7,720,506**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

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Arab Palestinian Investment Company
(Holding Company)
British Virgin Islands
Notes To Consolidated Financial Statements

1. General

a. Arab Palestinian Investment Company (Holding Company) was established on September 20, 1994, and registered in the British Virgin Islands under number (128626), with an authorized capital of USD 100 million divided into 1,000,000 shares at USD 100 per share.

b. Several amendments were made to the Company's capital, in which the latest was made on June 2, 2011, where as the paid up capital of the company was increased in an amount of USD 4,546,309 thus the total paid up capital amounted to USD 50,009,398. The increase was made through capitalizing a part of the retained earnings. An approval was acquired from the supervising authorities in the British Virgin Islands on December 30, 2011.

c. The Company's objectives include management of its subsidiary companies; participating in management of other investee companies; investing in shares, bonds, and securities as well as granting loans, guarantees, and cash funds to its subsidiaries.

d. The Company operates through its main office in Mecca Street, P.O. Box 941489 Amman 11194 – Jordan.

e. The General Assembly approved the Company's consolidated financial statements on April 3, 2012.

2. Basis of Consolidation

1. The Consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved whereby the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. All intra-group transactions, balances, income, and expenses are eliminated in full.

2. The financial statements of the subsidiary companies are prepared for the same financial year of the Company using the same accounting policies adopted by the Company. If the accounting policies adopted by the subsidiary companies are different from those used by the Company, the necessary adjustments to the financial statements of the subsidiary companies are made so as to comply with the accounting policies used by the Company.

   - The consolidated financial statements include the Company's and the following subsidiaries' financial statements after eliminating intercompany balances and transactions:

	December 31, 2011		December 31, 2010			
	Paid-up Capital	Equity Share	Paid-up Capital	Equity Share	Ownership Date	Main Business
	USD	%	USD	%		
Arab Palestinian Storage Company	4,500,000	64/59	4,500,000	64/59	1997	Management of refrigerated stores
Medical Supplies and Services Company *	3,227,990	50	3,227,990	50	1998	Trading in medicine and medical supplies
Unipal General Trading Company	4,929,577	83/69	4,929,577	83/69	1998	General trade
National Aluminum and Profiles Company **	9,718,310	72/14	9,718,310	72	1995	Manufacturing of aluminum
Palestine Automobile Company	5,600,000	100	5,600,000	100	1998	Trading in cars
Sky Advertising, Publication and Promotion Company	845,068	100	845,068	100	2000	Advertising and publication
Siniora Food Industries Company***	17.764.230	57/62	13,391,286	56/99	1996	Manufacturing food
Arab Palestinian Shopping Centers Company	9,877,240	68/91	9,877,240	68/91	1999	Establishing and owning commercial centers
Jericho Natural Mineral Water Factory Company	4,803,734	85	4,803,734	85	2001	Natural mineral water
Arab Palestinian Spare Parts and Vehicles Services Company	190,000	80	190,000	80	2008	Trading in cars and spare parts
Central & West Africa for Commercial Agencies Companies *	2,824,858	50	-	-	2011	General Trading

- Subsidiaries operational results are unified in the consolidated statement of income from the date of its ownership i.e. the date in which the company's actual control is transferred over to the subsidiaries. In addition the operational results for disposed subsidiaries are unified in the consolidated statement of income up to the date of disposal i.e. the date in which the Company loses its control over the subsidiary.
- Non-Controlling interest represents the percentage of a subsidiary's Owner equity not owned by the Company.
- All subsidiary companies, excluding Siniora Food Industries Company which operates in Jordan and Central and West Africa for Commercial Agencies Companies which operates in Cameron have their facilities in the Palestinian National Authority Territories.

* The Company has actual control over the Medical Supplies and Services Company and Central & West Africa for Commercial Agencies Company through controlling its Management Committee, and consequently, controlling the Company's financial and operating policies.

** During the year 2011, the Arab Palestinian Investment Company purchased 9,100 shares of the National Aluminum and Profiles Company for an amount of USD 8,655. The investment contribution of the Arab Palestinian Investment Company in National Aluminum and Profiles Company became 72/14% of its capital.

*** During the year 2011, the Arab Palestinian Investment Company purchased 80,000 shares of Siniora Food Industries Company for an amount of USD 202,817, the transaction resulted in a good-will amounting to USD 75,663. The investment contribution of the Arab Palestinian Investment Company in Siniora Food Industries Company became 57/62% of its capital.

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3. Significant Accounting Policies

1. Basis of Preparation of the Consolidated Financial Statements:

- The consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Standards Interpretation Committee.
- The reporting currency of the consolidated financial statements of the Company and its subsidiaries is the US Dollar, which is also their functional currency.

2. The accounting policies adopted in the preparation of the consolidated financial statements for this year are consistent with those applied in the year ended December 31, 2010 except for what is mentioned in note (4a) to the consolidated financial statements.

The following are the most significant accounting policies adopted by the Company:

a. Financial Assets Stated at Fair Value through the Statement of Income

- Financial assets stated at fair value through the statement of income represent investments in companies shares traded in active markets. The objective of holding these assets is to generate income from the short-term market price fluctuations or trade profit margin.
- Financial assets at fair value through the statement of income are stated at cost at the date of acquisition and revalued to their fair values at the fiscal year-end. The gain or loss resulting from the changes in their fair values is taken to the consolidated statement of income.

b. Available-for-Sale Financial Assets

These represent financial assets which the Company does not intend to classify as financial assets stated at fair value through the statement of income or hold to maturity.

Available-for-sale investments are stated at cost at the date of acquisition, and revalued to their fair values at the fiscal year-end. The gain or loss resulting from revaluation is taken to a separate account in the consolidated statement of comprehensive income and in owners' equity. When these assets are fully or partially sold, or determined to be impaired, the income or loss is taken to the consolidated statement of income, including the related amounts previously booked within owners' equity. The impairment loss previously recorded in the consolidated statement of income can be recovered if it becomes objectively evident that the increase in fair value has occurred in a period subsequent to the recording of the impairment loss. Moreover, the impairment loss in the companies shares is recovered through the cumulative change in the fair value and for debt instruments through the consolidated statement of income.

Investments in which fair values cannot be reliably measured are stated at cost. If impairment in their value occurs, the impairment loss is taken to the consolidated statement of income.

c. Investment in Land

Investment in lands is stated at cost while any gains or losses are recognized upon completion of sale and taken to the consolidated statement of income. Moreover, fair value is disclosed in the consolidated financial statements, and any impairment in value is taken to the consolidated statement of income.

d. Inventory

- Finished goods and work in process are stated at cost or net realizable value, whichever is lower, net of a provision for expired and slow-moving items. Cost includes: raw materials cost, direct labor and indirect manufacturing costs.
- Raw materials are stated at the lower of cost or net realizable value. Finished goods and work in process are stated at the lower of cost or net realizable selling price. Cost includes raw materials and the related direct and indirect manufacturing costs.
- Cars inventory is stated at the lower of cost or net realizable value on the basis of the actual cost of each car. Moreover, cost consists of all expenses incurred until the inventory reaches the Company's stores and showrooms or its stores at port (bonded).
- Spare parts inventory is stated at the lower of cost or net realizable value based on the weighted average method.

e. Investments in an Associate Company

An associate is an entity whereby the Company has significant influence over its financial and operating policies (but does not control it) and owns between 20% and 50% of its voting rights. Moreover, the Company recognizes its share in the associate based on the equity method.

f. Sales and Service Revenues

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognized when services are preformed and the related invoices are issued.

g. Fixed Assets

- Fixed assets are stated at cost. In addition, the lands of the Arab Palestinian Shopping Centers Company; Sky Advertising, Publication and Promotion Company; and National Aluminum and Profiles Company (subsidiary company) are stated at fair value. Fixed assets (except for land) are depreciated according to their useful lives, using the straight-line method at annual rates ranging from 2% to 25%.
- When the expected recoverable amount of any fixed asset is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss (if any) is taken to the consolidated statement of income.
- Fixed assets useful lives are reviewed at the end of each year; and if the expected useful life differs from the previous estimate, the difference is recorded in subsequent years as a change in accounting estimates.

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h. Goodwill

Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in a subsidiary over the Company's share of the fair value of the net assets of the subsidiary at the acquisition date. Goodwill resulting from the investment in subsidiary companies is booked as a separate item within intangible assets.

- Goodwill is distributed over the cash generating unit(s) for the purpose of testing the impairment in its value.
- The value of goodwill is tested on the date of financial statements. Goodwill value is reduced when there is evidence that it has declined or the recoverable value of the cash generating unit(s) is less than the book value recorded for the cash generating unit(s). The decline in value is taken to the consolidated statement of income as an impairment loss.

i. Accounts Receivable

Accounts receivable are stated at net realizable value after booking a provision for doubtful debts. The provision is taken in the consolidated statement of income according to management's estimates of the recoverable amounts from receivables.

j. Bank Interest Revenue and Expenses

Bank interest is taken to the consolidated statement of income using the accrual basis.

k. Provision for Employees End-of-Service Indemnity

- Provision for employees end-of-service indemnity is computed according to the Company's internal regulations on the basis of the basic salary and based on one-month salary for each year of service.
- End-of-service indemnity paid to terminated employees is recorded in the end-of-service indemnity provision when paid. Moreover, the contingent provision booked for the end-of-service indemnity is recorded in the consolidated statement of income.

l. Income from Investments

Income from investments is taken to revenues when declared (i.e. upon approval by the General Assembly of the investee company).

m. Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the subsidiary companies operate.
- Deferred taxes are taxes expected to be paid or recovered as a result of the temporary timing differences between the value of assets or liabilities in the financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated based on the liability method in the consolidated statement of financial position

according to the tax rates expected to be applied upon the settlement of the tax liability or realization of the deferred tax assets.

- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

n. Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, or assets are realized and liabilities settled simultaneously.

o. Accounting Estimates

Preparation of the consolidated financial statements and application of the accounting policies require the Company's management to perform assessments and assumptions that affect the amounts of financial assets and financial liabilities and to disclose all contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions and the fair value within the statement of comprehensive income and owners' equity. In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

Management believes that the estimates adopted in the consolidated financial statements are reasonable. The details are as follows:

- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with the requirements of International Financial Reporting Standards (IFRSs).

- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the income tax provision are booked.

Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.

- A provision is taken for lawsuits raised against the Company. This provision is subject to an adequate legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that the Company may encounter in the future. Such legal assessments are reviewed periodically.

- Management frequently reviews financial assets stated at cost to estimate any decline in their value. Impairment is taken to the consolidated statement of income for the year.

- Fair value hierarchy: The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

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4. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

4.a Standards and Interpretations effective for the current period

The following new and revised IFRSs have also been adopted in the preparation of the Company's financial statements for which it did not have any material impact on the amounts and disclosures of the financial statements, however, may affect the accounting for future transactions or arrangements.

IAS 24 Related Party Disclosures (2009)	Amends the requirements of the previous version of IAS 24 to: • Provide a partial exemption from related party disclosure requirements for government-related entities • Clarify the definition of a related party • Include an explicit requirement to disclose commitments involving related parties.
Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Provides additional exemption on IFRS transition in relation to IFRS 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.
Amendments to IAS 32 Financial Instruments: Presentation, relating to classification of Rights Issues	Amends IAS 32 Financial Instruments: Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments.
Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	Makes limited-application amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognized as an asset.
Improvements on IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 which amended IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32, IAS 34 and IFRIC 13 has not had any material effect on amounts and disclosures reported in the consolidated financial statements.
IFRIC 19 Extinguishing Liabilities with Equity Instruments	Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognized in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions.

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4.b New and revised IFRSs issued but not yet effective:

The Company has not applied the following new and revised IFRSs that have been issued but are not effective yet:

	Effective for annual periods beginning on or after
Amendments to IAS 12 Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to IAS 32 Financial Statements – Offsetting Financial Assets and Liabilities	1 January 2014
Amendments to IFRS 7 Financial Instruments: Disclosures / Financial Instruments – Transfer o f Assets	1 July 2011
Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	1 July 2013
IAS 1 Presentation of Financial Statements	1 July 2012
IAS 19 Employee Benefits	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosures of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Company's management anticipate that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Company in the period of initial application.

5. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2011	2010
	USD	USD
Cash on hand	2,195,140	1,364,073
Current accounts	5,148,598	3,116,996
Time deposit	-	3,239,437
	7,343,738	**7,720,506**

6. Accounts Receivable and Checks under Collection- Net

This item consists of the following:

	December 31,	
	2011	2010
	USD	USD
Trade receivables	45,198,321	41,350,659
Checks under collection *	10,288,421	9,911,484
Employees receivable	408,662	369,785
	55,895,404	**51,631,928**
Less: Provision for doubtful debts	3,292,101	3,114,989
	52,603,303	**48,516,939**

* Checks under collection mature during the year 2012.

- The movement on the provision for doubtful debts is as follows:

	2011	2010
	USD	USD
Balance - beginning of the year	3,114,989	2,756,482
Additions to the provision	723,137	453,978
Debts written-off	(464,981)	(187,380)
Currency exchange difference	(81,044)	91,909
Balance - End of the Year	**3,292,101**	**3,114,989**

- The Company adopts a policy of dealing with only creditworthy counterparties with good market reputation so as to mitigate the financial losses from defaults. Moreover, the Company takes a provision for receivables not collected for more than 365 days. Due but not impaired receivables amounted to USD 52.603.303 as of December 31, 2011 (USD 48,516,939 as of December 31, 2010). The following are the details of due but not impaired receivables:

	December 31,	
	2011	2010
	USD	USD
Up to 90 days	34,347,380	26,059,741
91 days up to 180 days	14,007,774	14,954,257
181 days up to 365 days	4,248,149	7,502,941
	52,603,303	48,516,939

Due and impaired receivables amounted to USD 3,929,101 as of December 31, 2011 (USD 3,114,989 as of December 31, 2010).

7. Inventory - Net

This item consists of the following:

	December 31,	
	2011	2010
	USD	USD
Finished goods	3,228,879	3,782,181
Medication	3,504,051	4,599,108
Medical materials	606,803	116,105
Consumable materials	13,130,290	14,497,835
Laboratory tools and materials	440,528	410,138
Medical equipment and machinery	484,654	402,985
Total Finished Goods	**21,395,205**	**23,808,352**
Raw materials	5,042,519	4,421,494
Scrap and other	253,494	242,052
Other materials	186,856	52,786
Cars and spare parts*	3,948,581	2,830,281
Total Inventory	**30,826,655**	**31,354,965**
Less: Provision for slow-moving inventory items**	449,673	348,200
Net Inventory	**30,376,982**	**31,006,765**
Goods in transit	1,885,356	6,297,457
Goods at bonded *	4,977,865	1,144,252
	37,240,203	**38,448,474**

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* As stated in Note (19), inventory includes mortgaged vehicles in favor of banks against commercial loans.

** The movement on the slow-moving inventory provision is as follows:

	2011	2010
	USD	USD
Balance - beginning of the year	348,200	338,261
Additions to the provision during the year	156,748	218,417
Inventory written-off during the year	(55,275)	(208,478)
Balance - End of the Year	**449,673**	**348,200**

8. Financial Assets at Fair Value through the Statement of Income

This item consists of the following:

	December 31,	
	2011	2010
	USD	USD
Arab Palestinian Shopping Centers Company	36,135	45,772
	36,135	**45,772**

9. Other Debit Balances

This item consists of the following:

	December 31,	
	2011	2010
	USD	USD
Receivables and claims	446,189	1,023,369
Value added tax	2,143,672	1,799,292
Prepaid expenses	2,911,997	2,695,798
Refundable deposits against LGs', LCs and others	2,072,822	2,328,925
Accrued revenue	160,000	44,189
Korean Hyundai Company claims	367,739	8,267
Suppliers advance payment	2,964,358	4,194,870
Other debit balances	958,274	632,493
	12,025,051	**12,727,203**

10. Long-term Checks under Collection

This item consists of the following:

	December 31, 2011 USD	December 31, 2010 USD
Palestine Automobile Company	613,039	1,190,876
	613,039	**1,190,876**

The maturities of long-term checks under collection extends to September 20, 2015.

11. Available-for-Sale Financial Assets

This item consists of the following:

	Number of Shares	December 31, 2011 USD	Number of Shares	December 31, 2010 USD
Listed Shares:				
Bank of Palestine Limited	442237	1,538,984	442237	1,503,606
		1,538,984		**1,503,606**
Unlisted Shares:				
Palestine Electricity Company *	3654550	3,654,550	3654550	3,654,550
Technology Accelador Investment Company Limited	250000	275,000	250000	275,000
Catalyst Private Equity Fund	14995	401,558	14995	401,558
Millennium Power Generation Company	75000	47,663	75000	47,663
Palestine for Electricity Generation Company (under establishment)	35000	140,000	35000	8,750
		4,518,771		**4,387,521**
		6,057,755		**5,891,127**

* Most of the shares are mortgaged against bank facilities as stated in Note (19) and include 250,000 shares restricted against the Board of Directors membership.

12. Investment in Associate Company

This item consists of the following:

	Contribution %	December 31, 2011 USD	Contribution %	December 31, 2010 USD
Ultimate for Advance Turnkey Solutions Company	30	183,576	30	200,699
Company's share from gain (loss) of Ultimate Advanced		(17,123)		40,660

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- The investment as of December 31, 2011 and 2010 is stated according to the equity method.
- The financial details for the associate company according to the financial statements are as follows:

	2011 USD	2010 USD
Total Assets	793,828	859,129
Total Liabilities	181,909	190,131
Total Owner's Equity	611,919	668,998

13. Investment in Lands

The market value of these plots of land as of December 31, 2011 amounted to USD 1.270.141. Moreover, some of these plots of land are mortgaged to a number of banks against credit facilities.

During the year 2011, one of the investments lands with a value of USD 680.518 was sold in the amount of USD 791.859, thus the transaction resulted in a gain of USD 111.341.

14. Intangible Assets

This item consists of the following:

	December 31, 2011 USD	December 31, 2010 USD
Cost		
Goodwill Net*	5,592,842	5,572,653
Trademark**	2,272,421	-
	7,865,263	**5,572,653**

* Additions to goodwill resulted from the Company's purchase of new shares at a value exceeding the book value of the share in some of its subsidiaries, whether through acquiring the shares of others or through subscribing in the increase of capitals of some subsidiaries, after deducting the provision for the impairment in goodwill with the amount of USD 6.934.699 throughout the year and the past years, the movement on goodwill was as follows:

	2011 USD	2010 USD
Balance – beginning of the year	5,572,653	5,653,903
Additions	75,663	-
Less: Disposals	-	81,250
Impairment of Goodwill	55,474	-
	5,592,842	**5,572,653**

** This item includes the value of the trademark bought from the Specialty food company for Siniora Food Industries Company (Subsidiary) and the transfer of ownership fees.

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15. Fixed Assets

a. This item consists of the following:

2011	Lands USD	Buildings and Constructions USD	Furniture and Fixtures USD	Computers USD	Vehicles USD	Leasehold Improvements USD	Machines and Equipment USD	Tools USD	Total USD
Cost:									
Beginning balance	9,492,007	26,590,670	5,127,860	2,227,683	7,162,313	3,094,904	40,218,255	2,106,245	96,019,937
Additions - transfers	247,370	446,798	564,293	901,750	1,554,181	403,290	5,221,809	190,361	9,529,832
Disposals	(265,006)	(179,904)	(376,124)	(594,818)	(1,236,334)	-	(185,749)	(320,775)	(3,158,710)
Ending Balance	**9,474,371**	**26,857,564**	**5,316,029**	**2,534,615**	**7,480,160**	**3,498,194**	**45,254,315**	**1,975,831**	**102,391,079**
Accumulated Depreciation:									
Beginning balance	-	8,189,444	2,691,787	893,506	2,208,312	426,884	12,961,456	1,458,573	28,829,962
Additions	-	844,740	571,299	495,419	836,025	251,531	2,975,829	154,796	6,129,639
Disposals	-	(53,068)	(70,106)	(168,222)	(429,490)	-	(106,421)	(24,177)	(851,484)
Ending Balance	**-**	**8,981,116**	**3,192,980**	**1,220,703**	**2,614,847**	**678,415**	**15,830,864**	**1,589,192**	**34,108,117**
Net Book Value as of December 31, 2011	**9,474,371**	**17,876,448**	**2,123,049**	**1,313,912**	**4,865,313**	**2,819,779**	**29,423,451**	**386,639**	**68,282,962**
2010									
Cost:									
Beginning balance	9,154,393	20,109,839	4,045,139	1,750,962	6,179,243	1,732,295	27,419,386	1,712,647	72,103,904
Additions - transfers	669,525	6,490,576	1,225,728	514,175	3,012,059	1,489,354	12,843,319	564,122	26,808,858
Disposals	(331,911)	(9,745)	(143,007)	(37,454)	(2,028,989)	(126,745)	(44,450)	(170,524)	(2,892,825)
Ending Balance	**9,492,007**	**26,590,670**	**5,127,860**	**2,227,683**	**7,162,313**	**3,094,904**	**40,218,255**	**2,106,245**	**96,019,937**
Accumulated Depreciation:									
Beginning balance	-	7,361,825	2,384,423	627,756	2,055,633	437,518	10,495,746	1,330,011	24,692,912
Additions	-	828,953	437,690	292,551	823,729	107,492	2,479,247	148,771	5,118,433
Disposals	-	(1,334)	(130,326)	(26,801)	(671,050)	(118,126)	(13,537)	(20,209)	(981,383)
Ending Balance	**-**	**8,189,444**	**2,691,787**	**893,506**	**2,208,312**	**426,884**	**12,961,456**	**1,458,573**	**28,829,962**
Net Book Value as of December 31, 2010	**9,492,007**	**18,401,226**	**2,436,073**	**1,334,177**	**4,954,001**	**2,668,020**	**27,256,799**	**647,672**	**67,189,975**
Annual Depreciation Rates %	-	2-4	6-15	15-25	20	15-25	10-20	6-10	

b. Part of the subsidiary companies' fixed assets is mortgaged against bank facilities (Note 19).

c. Part of the subsidiary companies' buildings is constructed on lands leased from others.

d. At the end of the year 2006, Sky Advertising Publication and Promotion Company revalued its external equipment and vehicles. This resulted in a surplus of USD 591.394 recorded in the revaluation of fixed assets reserve within owners' equity. Furthermore throught the years, the revaluation of fixed assets reserve has been impaired and recorded in the retained earnings, the most recent transaction amounted to USD 103.494 during 2011.

e. Arab Palestinian Shopping Centers Company revalued the plot of land owned by the Company, stated it in the financial statements at its fair value, and recorded the difference in revaluation of USD 3,553,793 as of December 31,2011 and 2010 in the revaluation reserve within owners' equity.

f. National Aluminum and Profiles Company revalued the plot of land owned by the Company, stated it in the financial statements at its fair value, and recorded the difference in revaluation of USD 669,525 as of December 31, 2011 and 2010 in the revaluation of fixed assets reserve within owners' equity.

16. Projects under Construction

This item represents costs of works relating to constructing and equipping the production facilities and administration offices of the National Aluminum and Profiles Manufacturing Company (subsidiary company), Siniora Food Industries Company (subsidiary company) and Unipal for General Trading (subsidiary company) which were not yet completed as of December 31, 2011 and 2010.

The movement on the projects under construction is as follows:

	2011 USD	2010 USD
Balance - beginning of the year	1,255,606	13,971,754
Additions	3,196,746	649,951
Transferred to fixed assets	(735,447)	(13,366,099)
Balance - End of the Year	**3,716,905**	**1,255,606**

This item represents the amounts paid for projects under construction including contractual liabilities of USD 1.483.524 as of December 31, 2011 (USD 906.469 as of December 31, 2010) which will be settled during the year 2012.

17. Payments for Investment in Subsidiary Company

This item represents prepaid payments to establish Central & West Africa for Commercial Agencies Companies (subsidiary company) as of December 31, 2010. The Company was registered on February 1, 2011, and its financial statements where unified in the consolidated financial statements as of December 31, 2011 and the period ended Decmber 31, 2010.

18. Short – term Notes Payable

This item represents notes payable to the following companies:

	December 31 2011 USD	December 31 2010 USD
Unipal for General Trade Company	38,037	148,190
	38,037	**148,190**

19. Loans

a. The details of this item are as follows:

	Short-term	Long-term	Short-term	Long-term
	December 31,2011		December 31,2010	
	USD	USD	USD	USD
Bank of Palestine loans / Arab Palestinian Investment Company (holding company)	2,000,000	4,000,000	2,000,000	6,000,000
Jordan Ahli Bank loan / Arab Palestinian Investment Company (holding company)	-	-	300,000	-
Cairo Amman Bank loan / Arab Palestinian Investment Company (holding company)	507,042	2,028,169	-	6,056,338
Bank of Jordan loan / Siniora Food Industries Company	167,039	-	361,845	-
Audi Bank loan / Siniora Food Industries Company	41,647	-	401,487	-
Bank of Palestine loan / Siniora Food Industries Company	659,018	3,013,568	920,970	2,770,719
The Housing Bank for Trade and Finance loan / Siniora Food Industries Company	-	-	1,044,996	1,694,468
Jordan Invest Bank loans / Siniora Food Industries Company	156,307	-	747,485	853,190
Amman Cairo Bank Loan/Siniora Food Industries Company	1,800,000	7,200,000	-	
Jordan Ahli Bank loans / National Aluminum and Profiles Company	1,942,237	1,217,868	2,399,565	550,083
Arab Islamic Bank loan / National Aluminum and Profiles Company	2,725,397	-	3,236,415	-
Bank of Palestine Loan/ National Aluminum and Profiles Company	541,908	1,454,959	-	-
Cairo Amman Bank loans / Palestine Automobile Company	999,892	3,112,543	295,667	591,334
Rafah Bank loans / Palestine Automobile Company	1,895,649	282,012	1,721,880	128,358
Palestinian Commercial Bank loan / Palestine Automobile Company	-	-	-	-
Palestine Banking Corporation loan / Palestine Automobile Company	-	-	193,905	-
Jordan Kuwait Bank/ Palestine Automobile Company	404,393	-	-	-
Egyptian Arab Land Bank loan / Palestine Automobile Company	2,804,621	-	2,234,898	450,000
Al Quds Bank loan / Palestine Automobile Company	975,261	-	69,312	-
Arab Islamic Bank loans/Arab Palestinian Shopping Centers Company	240,443	594,252	147,029	772,852
Palestinian Commercial Bank loan / Arab Palestinian Shopping Centers Company	249,466	493,240	208,722	739,192
The Housing Bank for Trade and Finance loans / Arab Palestinian Shopping Centers Company	326,001	471,000	288,000	795,786
Jordan Ahli Bank loans / Palestine Automobile Company	961,107	359,738	692,817	186,471
Cairo Amman Bank loans / National Aluminum and Profiles Company	1,474,854	-	988,131	100,000
Al Quds Bank loan / Arab Palestinian Shopping Centers Company	99,996	358,337	41,667	458,334
	20,975,278	**24,585,686**	**18,294,791**	**22,147,125**

b. The following schedule shows the necessary information on these loans:

	Loan Value	Last Installment Maturity Date	Payment Method	Guarantee
	USD			
Bank of Palestine loans / Arab Palestinian Investment Company (holding company)	10,000,000	October 14, 2014	20 quarterly installments	Company's guarantee + first grade mortgage on plot of land No. 203 + pledging 16/ million of the shares in Arab Palestinian Shopping Centers Company
Cairo Amman Bank loan/ Arab Palestinian Investment Company (holding company)	2,556,338	June 3,2016	10 semi-annual installments	Pledging 1550 thousand of the shares in Arab Palestinian Shopping Centers Company+ pledging 440 thousand of the shares in Bank of Palestine Limited Company + pledging 36/ million of the shares in the Palestinian Electricity Company + mortgage for the value of JD 1.2 million
Bank of Jordan loan / Siniora Food Industries Company	423,000	March 4, 2012	One payment	Guarantee of Arab Palestinian Investment Company (holding company) + endorsment of part of the factory's insurance policy to the bank
Audi Bank loan / Siniora Food Industries Company	635,000	January 30, 2012	One payment	Guarantee of Arab Palestinian Investment Company (holding company)
Bank of Palestine loan / Siniora Food Industries Company	5,000,000	During 2015	17 quarterly installments	Guarantee of Arab Palestinian Investment Company (holding company) + hypothecation of machinery and equipment to be purchased + assignment of insurance compensations on fire accident
Cairo Amman Bank loan/ Siniora Food Industries Company	9,000,000	During 2017	20 quarterly installments	Company's guarantee + mortgage on factory land + hypothecation of machinery and equipment + assignment of insurance compensations in the Bank's favor.
Jordan Invest Bank loans / Siniora Food Industries Company	423,000	March 15, 2012	Installments within 6 months	Guarantee of Siniora Food Industries Company
Jordan Ahli Bank loans / National Aluminum and Profiles Company	2,500,000	During 2012	Quarterly	Guarantee of Arab Palestinian Investment Company (holding company) + first mortgage of factory land and building + hypothecation of factory equipment + assignment of insurnace policy on the factory in the Bank's favor
	600,000	During 2015	Quarterly	Mortgage of factory land and building + hypothecation of factory equipment + Comprehensive factory insurance + guarantee of Arab Palestinian Investment Company (holding company)
	1,400,000	During 2017	Quarterly	Mortgage of factory land and building + hypothecation of factory equipment + Comprehensive factory insurance + guarantee of Arab Palestinian Investment Company (holding company)
Arab Islamic Bank loan / National Aluminum and Profiles Company	3,000,000	July 6, 2012	8 monthly installments	Company's guarantee + guarantee of Arab Palestinian Investment Company (holding company)+ mortgage for the value of JD 761 thousand + hypothecation of factory equipment for the value of USD 367 thousand
Cairo Amman Bank loans / Palestinian Automobile Company	1,774,002	During 2013	Quarterly	Company's guarantee + guarantee of Arab Palestinian Investment Company (holding company)
	3,500,000	During 2013	Quarterly	Company's guarantee + guarantee of Arab Palestinian Investment Company (holding company)
Rafah Bank loans / Palestine Automobile Company	500,000	During 2014	36 monthly installments	Mortgage of vehicles and endorsement of the insurance policy to the bank Guarantee of Arab Palestinian Investment Company (holding company)
	3,000,000	During 2012	12 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Egyptian Arab Land Bank loan / Palestine Automobile Company	3,000,000	During 2012	3 installments	Guarantee of Arab Palestinian Investment Company (holding company) + Ministry of Finance transfer to the Bank
Al Quds Bank loan / Palestine Automobile Company	1,200,000	During 2012	12 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Arab Islamic Bank loan / Arab Palestinian Shopping Centers Company	910,000	During 2016	Annually	Guarantee of Arab Palestinian Investment Company (holding Company) + cash collateral in an amount of Sheikel 147,000 + USD 1,500
Palestinian Commercial Bank loan / Arab Palestinian Shopping Centers Company	500,000	February, 2015	48 monthly installments	Bank guarantee in an amount of Sheikel 1 million
The Housing Bank for Trade and Finance loans / Arab Palestinian Shopping Centers Company	848,000	During 2014	48 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
	456,000	May 1, 2015	48 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Al Quds Bank loan / Arab Palestinian Shopping Centers Company	500,000	During 2016	60 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Jordan Ahli Bank loans / Palestinian Automobile Company	2,500,000	During 2012	12 monthly installments	Guarantee of Arab Palestinian Investment Company + mortgage of to-be-financed vehicles in the favor of the Bank until the full cash
	600,000	During 2012	36 monthly Installments	payment or cheques amounting to 100% of the financing amount
Jordan Kuwait Bank / Palestinian Automobile Company	800,000	During 2012	12 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Cairo Amman Bank Loans / National Aluminum and Profile Company	1,500,000	During 2012	12 monthly Installments	Guarantee of the Company and Arab Palestinian Investment Company (holding company)
	300,000	During 2012	Quarterly	Guarantee of the Company and Arab Palestinian Investment Company (holding company)
Bank of Palestine loans/ National Aluminium and Profiles Company	2,000,000	During 2017	Quarterly	Mortgage of 2.2 million of the Company's shares in Arab Palestinian Shopping Centers Plaza

- The average interest rates on the loans granted to the Arab Palestinian Investment Company (holding company) and its subsidiary companies are as follows:
  Jordanian Dinar 8%
  US Dollar LIBOR + 1.5% - LIBOR + 3%
- In the subsequent period during 2012, the loans of Bank of Palestine and Cairo Amman Bank granted to Arab Palestinian Company and Palestinian Automobile Company were paid through the issuance of loan bonds with nominal value of USD 15 million.

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20. Other Credit Balances

This item consists of the following:

	December 31, 2011	December 31, 2010
	USD	USD
Accrued expenses	4,574,497	4,104,703
Accrued interest	622,230	619,134
Unearned revenues	244,831	644,114
Accrued salaries and bonuses	1,171,174	876,981
Accrued vacations	458,076	417,550
Social security deposits	50,917	26,014
Sales tax deposits	477,834	256,905
Income tax deposits – employees	125,355	80,139
Commitment against Maintenance after sale	1,308,171	1,163,719
Customers advances *	90,203	191,528
Other	954,081	398,173
	10,077,369	**8,778,960**

21. Postdated Checks

This item consists of the following:

	December 31, 2011	December 31, 2010
	USD	USD
National Aluminum and Profiles Company	650,499	1,245,287
Arab Palestinian Shopping Centers Company	974,832	1,738,639
Siniora Food Industries Company	620,614	1,036,096
Medical Supplies and Services Company	2,752,169	3,059,026
	4,998,114	**7,079,048**

- The maturities of postdated checks extend to June 30, 2012.

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22. Non - Controlling Interests

This item represents non-controlling interest in the net shareholders' equity of the subsidiary companies. The details are as follows:

Company's Name	Non-Controlling Interest Share as of December 31, 2011	Paid-up Capital	Assets Revaluation Reserve	Statutory Reserve	Voluntary Reserve	Foreign Currencies Translation Differences	Accumulated (Losses) Gains	(Loss) Profit for the Year	Total Shareholders' Equity	December 31, 2011 Non - Controlling Interests	December 31, 2011 Non-Controlling Interest Share of Profit (Loss) for the Year	December 31, 2010 Non-Controlling Interest	December 31, 2010 Non - Controlling Interests Share of Profit (Loss) for the Year
	%	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Arab Palestinian Storage Company	35/41	4,500,000	-	-	-	-	(4,612,841)	(152,996)	(265,837)	(94,145)	(54,183)	(39,962)	(53,787)
Medical Supplies and Services Company	50	3,227,990	-	747,948	-	-	1,120,346	2,087,180	7,183,464	3,591,732	1,043,590	3,248,142	917,811
Unipal General Trading Company	16/31	4,929,577	-	2,422,050	-	-	906,069	5,280,095	13,537,791	2,208,485	861,368	1,748,259	612,558
National Aluminum and Profiles Company	27/86	9,718,310	669,525	2,020,882	22,410	-	(385,883)	209,814	12,255,057	3,414,607	58,460	3,372,763	(84,129)
Siniora Food Industries Company	42/38	17,764,230	-	1,354,305	-	(29,543)	925,666	115,735	20,130,393	8,530,696	51,759	8,613,205	480,470
Arab Palestinian Shopping Centers Company	31/09	9,876,543	3,553,793	71,604	-	-	(3,248,295)	(1,489,171)	8,764,474	2,724,875	(462,983)	3,187,858	(154,889)
Jericho Natural Mineral Water Factory Company	15	4,803,734	-	-	-	-	(4,878,887)	5,895	(69,258)	(10,389)	884	(11,273)	(1,156)
Arab Palestinian Spare Parts and Vehicles Services Company	20	190,000	-	6,719	-	-	60,471	(646)	256,544	51,309	(129)	51,438	8,851
Centeral & West Africa Commercial Agencies	50	2,824,858	-	-	-	-	-	(3,024,562)	(199,704)	(99,852)	(1,512,281)	-	-
		57,835,242	**4,223,318**	**6,623,507**	**22,410**	**(29,543)**	**(10,113,354)**	**3,031,344**	**61,592,924**	**20,317,318**	**(13,515)**	**20,170,430**	**1,725,729**

23. Due to Banks

a. This item consists of credit facilities granted by banks to the following companies:

	December 31, 2011	December 31, 2010
	USD	USD
Siniora Food Industries Company	1,446,870	4,931,532
National Aluminum and Profiles Company	1,862,420	1,166,413
Medical Supplies and Services Company	10,567,359	11,364,333
Unipal General Trading Company	9,958,588	10,694,278
Arab Palestinian Shopping Centers Company	2,419,570	1,965,292
Palestinian Automobiles Company	485,942	-
	26,740,749	**30,121,848**

b. The following schedule shows the necessary information about creditor banks:

	Nature of Credit Facilities	Credit Facilities Ceiling	Guarantees
*** Credit Facilities Granted to Siniora Food Industries Company**			
- Arab Bank	Overdraft	Sheikel 1,400,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
- Jordan Ahli Bank	Overdraft	Sheikel 1,500,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
- Jordan Ahli Bank	Overdraft	USD 500,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
- Al Quds Bank	Overdraft	USD 500,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
- Bank of Palestine	Overdraft	Sheikel 1,500,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
- Arab Islamic Bank	Overdraft	Sheikel 1,500,000	Guarantee of Siniora Food Industries Company and Arab Palestinian Investment Company (holding company)
*** Credit Facilities Granted to National Aluminum and Profiles Company**			and Arab Palestinian Investment Company (holding company)
- Jordan Ahli Bank	Overdraft	Sheikel 4,000,000	Guarantee of Arab Palestinian Investment Company (holding company) + mortgage of factory land and building + mortgage of factory equipment
- Arab Bank	Overdraft	Sheikel 800,000	Guarantee of Arab Palestinian Investment Company (Holding Company)
- Bank of Palestine	Overdraft	Sheikel 3,000,000	Guarantee of Arab Palestinian Investment Company (Holding Company)
*** Credit Facilities Granted to Medical Supplies and Services Company**			
- Cairo Amman Bank	Overdraft + Letters of credit	USD 150,000	Guarantee of Arab Palestinian Investment Company (Holding Company)+ Retention of USD 90,000
- Cairo Amman Bank	Overdraft	Sheikel 500,000	Guarantee of Arab Palestinian Investment Company (Holding Company)+ medical supplies and services company
- Bank of Jordan	Overdraft + Letters of credit	USD 5,100,000	Guarantee of Arab Palestinian Investment Company (holding company) + personal guarantee of Dr. waleed kayali + transfer from ministry of
- Bank of Jordan	Overdraft + Letters of credit	Sheikel 24,800,000	Health by transferring all the company's worth in Bank of Jordan + assignment of insurance policy in an amount of USD 35 million
- Arab Islamic Bank	Overdraft + Letters of credit	Sheikel 1,000,000	Guarantee of Arab Palestinian Investment Company (holding company) + endorsement of fire and burglary insurance policy on the stores to
- Arab Islamic Bank	Overdraft + Letters of credit	USD 4,600,000	the favor of the Arab Islamic Bank for USD 667,000
- HSBC Bank	Letters of credit	USD 250,000	Retention of USD 12,500
- The Housing Bank for Trade and Finance	Overdraft	Sheikel 2,000,000	Guarantee of Arab Palestinian Investment Company (holding) + endorsement of the fire and burglary insurance policy to the favor of the bank for USD 1 million
- The Housing Bank for Trade and Finance	Overdraft + Letters of credit	USD 3,250,000	Guarantee of Arab Palestinian Investment Company (holding) + endorsement of the fire and burglary insurance policy to the favor of the bank for USD 1 million
- Palestinian Commercial Bank	Overdraft	Sheikel 4,000,000	Company's Guarantee and Guarantee of Arab Palestinian Investment Company (holding Company)
- Al Quds Bank	Overdraft	Sheikel 12,000,000	Guarantee through transfer of dues
- Egyptian Arab Land Bank	Overdraft	EUR 2,000,000	Guarantee through transfer of dues
*** Credit Facilities Granted to Unipal General Trading Company**			
- Cairo Amman Bank	Letters of credit	USD 5,500,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Bank of Jordan	Overdraft + Letters of credit	USD 4,000,000	Guarantee of Arab Palestinian Investment Company (holding company) + Shareholders personal guarantees
- HSBC Bank	Letters of credit	USD 3,342,497	Guarantee of Arab Palestinian Investment Company (holding company)
- The Housing Bank for Trade and Finance	Overdraft + Letters of credit	USD 6,000,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Palestine Commercial Bank	Overdraft	Sheikel 2,000,000	Guarantee of Arab Palestinian Investment Company (holding company)

*** Arab Palestinian Shopping Centers Company**			
- Arab Islamic Bank	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
- Palestine Commercial Bank	Overdraft	Sheikel 4,500,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Al Quds Bank	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
- Bank of Palestine	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
- HSBC Bank	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
- Bank of Jordan	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
*** Palestinian Automobile Company**			
- Al Quds Bank	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)
- Jordan Ahli Bank	Overdraft	[illegible]	Guarantee of Arab Palestinian Investment Company (holding company)

The average interest rates on the credit facilities granted to the companies mentioned above are as follows:

US Dollar	LIBOR + 1.5% - LIBOR + 3%
Israeli Shekel	prime + 2% - prime + 5%
Euro	5%

24. Provision for End-of-Service Indemnity

This item consists of end-of-service indemnity provision balances in the following companies:

	December 31, 2011	December 31, 2010
	USD	USD
Arab Palestinian Storage Company	37,907	36,191
Medical Supplies and Services Company	904,710	858,108
Unipal General Trading Company	1,497,829	1,326,031
National Aluminum and Profiles Company	512,739	403,263
Palestine Automobile Company	600,338	603,349
Arab Palestinian Shopping Centers Company	337,169	272,698
Arab Palestinian Investment Company (holding Company)	363,237	306,776
Sky Advertising, Publication and Promotion Company	287,046	445,001
Siniora Food Industries Company	731,725	683,073
Central & West Africa for Commercial Agencies Companies	17,904	-
Arab Palestine Spare Parts and Vehicles Services Company	-	669
	5,290,604	**4,935,159**

The movement on the end-of-service indemnity provision is as follows:

	2011	2010
	USD	USD
Balance - beginning of the year	4,935,159	4,034,218
Additions	1,450,430	1,307,763
Paid from the provision	(1,094,985)	(406,822)
Balance - End of the Year	**5,290,604**	**4,935,159**

25. Revaluation of Fixed Assets Reserve

This item consists of the following:

	December 31,					
	2011				2010	
	Revaluation Reserve	Ownership	Company's Share	Minority Interest Share	Company's Share	Minority Interest Share
	USD	%	USD	USD	USD	USD
Arab Palestinian Shopping Centre Company *	3,553,793	68.91	2,448,919	1,104,874	2,448,919	1,104,874
Sky Advertising, Publication, and Promotion Company **	-	100	-	-	103,494	-
National Aluminum and Profiles Company ***	669,525	72.14	482,976	186,549	482,058	187,467
	4,223,318		2,931,895	1,291,423	3,034,471	1,292,341

<u>* Arab Palestinian Shopping Centers Company</u>

In its meeting held on April 17, 2006, the General Assembly of the Company approved the revaluation of the plot of land owned by the Company and its presentation in the financial statements at fair value. The land was revalued by two licensed real estate assessors at a price ranging from USD 480 to USD 500 per square meter. Accordingly, the Board of Directors resolved to adopt 75% of the lower assessed value. The revaluation difference is shown in the revaluation reserve account within owners' equity at USD 1,771,313.

According to International Financial Reporting Standards, the plot of land has been revalued as of December 31, 2008, as the price per meter was revalued from USD 660 to USD 680. Moreover, 90% of the lower valuation was taken and the accounting treatment was effected according to IAS (8), whereby the difference amounting to USD 592,299 was recorded in the consolidated statement of changes in owners' equity. The revaluation difference as of the date of the financial statements stated in owners' equity amounted to USD 3,553,793. Additionally, the Company reassessed the value of the plot of land as of December 31, 2010 with no change in the fair value as of that date.

<u> Sky Advertising, Publication and Promotion Company</u>**

In its extraordinary meeting held on December 31, 2006, the General Assembly of the Company approved the Board of Directors' resolution to revalue fixed assets representing external posters and vehicles. The revaluation conducted by an independent and approved expert resulted in a surplus of USD 591,394 registered in a separate item within owners' equity. Moreover, at the end of the year 2006, Sky Company sold those assets to "Propaganda, Advertising and Publication Company", (subsidiary company). The amounts resulting from the sale transaction have been eliminated from the consolidated financial statements of Sky Company and its subsidiary. During the years 2010, 2009, 2008 and 2007, the revaluation reserve of fixed assets used by the Company was reduced by USD 103,494 USD 116,496, USD 116,496, USD 116,496 and USD 138,412, representing the annual depreciation expense of these assets for the years 2011, 2010, 2009, 2008 and 2007, respectively according to the requirements of International Financial Reporting Standards.

<u>* National Aluminum and Profiles Company</u>**

During the year 2010, the General Assembly of the Company approved the revaluation of the plot of land owned by the Company and its presentation in the financial statements at fair value. The revaluation difference was stated in the revaluation reserve account in owners' equity for an amount of USD 669,525.

26. General and Administrative Expenses

This item consists of the following:

	Sales	Inventory at the Beginning of the Year	Purchases	Cost of Production/ Operation	Inventory at the End of the Year	Cost of Sale	2011 Sales Gross Income	2010 Sales Gross Income
Company's Name	USD	USD	USD	USD	USD	USD	USD	USD
Medical Supplies and Services Company	31,825,556	5,374,626	22,414,771	-	4,996,231	22,793,166	9,032,390	8,577,804
Unipal General Trading Company	244,335,439	11,954,058	225,795,071	-	8,787,425	228,961,704	15,373,735	13,931,136
National Aluminum and Profiles Company	20,736,142	3,162,600	12,938,233	5,095,448	3,095,562	18,100,719	2,635,423	1,752,786
Palestine Automobile Company	20,053,051	1,955,719	16,175,601	436,573	1,890,397	16,677,496	3,375,555	5,386,510
Siniora Food Industries Company	29,684,657	6,114,718	19,194,625	5,974,997	7,674,370	23,609,970	6,074,687	4,723,498
Arab Palestinian Shopping Centers Company	26,710,419	2,697,487	20,455,832	-	1,882,533	21,270,786	5,439,633	4,887,344
Central and West Africa for Commercial Agencies	7,892,970	-	8,645,311	-	2,500,137	6,145,174	1,747,796	-
Arab Palestinian Spare Parts and Vehicles Services Company	269,363	95,757	1,835	-	-	97,592	171,771	75,566
	381,507,597	31,354,965	325,621,279	11,507,018	30,826,655	337,656,607	43,850,990	39,334,644

27. General and Administrative Expenses

This item consists of the following:

	2011 USD	2010 USD
Salaries and wages	9,836,108	8,124,861
Bonuses and employees benefits	1,046,925	1,007,893
Provision for end-of-service Indemnity	1,038,724	854,300
Rents	1,515,949	1,369,975
Stationery and printing	225,758	272,374
Maintenance and cleaning	479,663	454,777
Communication	874,896	715,924
Entertainment	547,690	349,618
Donations	263,686	318,752
Transportation and travel expenses	847,140	795,594
Consultation, legal and professional expenses	1,092,329	880,508
Subscriptions, governmental expenses and fees	405,699	298,147
Board of Directors' expenses	143,734	73,896
Bank expenses	1,740	3,593
Insurance	586,521	572,979
Vehicles expenses	649,492	497,063
Water and electricity	1,018,996	943,079
Advertising & publications	130,414	224,195
Fixed assets depreciation	2,503,929	1,935,332
Provision for doubtful debts	723,137	432,850
Goods storage expenses	248,440	173,987
Provision for slow-moving inventory items	156,748	83,417
Training	115,288	118,029
Other	931,197	1,007,739
	25,384,203	**21,508,882**

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28. Selling and Distribution Expenses

This item consists of the following:

	2011 USD	2010 USD
Salaries and wages	4,280,721	3,063,146
Social security contributions	105,923	65,402
Advertising & publication	1,433,781	936,050
Sales bonuses and commissions	691,882	607,542
Cars and fuel expenses	1,910,692	793,772
Water and electricity	26,957	18,244
Communication	139,943	99,357
Insurance	208,786	158,545
Fixed assets depreciation	464,291	424,068
Maintenance	65,811	73,148
Marketing	537,061	190,209
Transportation	129,687	79,699
Export expenses	260,196	335,941
Provision for end-of-service indemnity	228,605	154,738
Showrooms	112,045	119,269
Governmental expenses	-	2,525
Portage expenses	526,978	364,868
Entertainment	944	1,044
Rent	110,123	152,856
Other	272,220	228,610
	11,506,646	**7,869,033**

29. Gains from Available-for-Sale Financial Assets:

This item consists of the following:

	2011 USD	2010 USD
Gains from sale of financial assets	-	46,400
Dividends income	416,665	448,092
	416,665	**494,492**

30. Other Expenses - Net

This item consists of the following:

	2011 USD	2010 USD
(Losses) gains from sale of fixed assets	(15,080)	33,458
Currency exchange differences	80,667	(136,997)
Provision for contingent liabilities	(427,814)	(194,846)
Other (expenses) - net	(241,097)	(209,497)
	(603,324)	**(507,882)**

31. Income Tax – Subsidiary Companies

A-Deferred Tax Assets

This item consists of the following:

	2011					2010
	Beginning Balance	Released Amounts	Additions	Ending Balance	Deferred Tax	Deferred Tax
Accounts Included	USD	USD	USD	USD	USD	USD
Provision for doubtful debts	2,263,864	134,637	795,084	2,924,311	382,435	315,497
Provision for slow-moving inventory items	348,200	55,275	143,089	436,014	63,098	50,199
Provision for employees end-of-service indemnity	3,743,259	829,969	1,659,287	4,572,577	593,447	510,258
Prior years' losses	101,858	-	-	101,858	15,279	15,279
Lawsuits provision	13,258	-	-	13,258	1,856	1,856
Others	11,238	-	55,928	67,166	21,155	3,608
	6,481,677	**1,019,881**	**2,653,388**	**8,115,184**	**1,077,270**	**896,697**

- Deferred tax assets for some subsidiary companies have not been booked as they are immaterial and management is uncertain to benefit from them in the future. These subsidiaries are:

Sky Advertisement, Publicity and Promotion Company, Palestinian Automobile company, Arab Palestinian Storage Company, Jericho Natural Mineral Water Factory and Central & West Africa for Commercial Agencies.

The movement on deferred tax assets is as follows:

	2011 USD	2010 USD
Balance - beginning of the year	896,697	814,322
Additions	314,886	171,430
Disposals	134,313	89,055
Balance- End of the Year	**1,077,270**	**896,697**

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B. Income Tax Provision

The movement on the income tax provision is as follows:

	2011 USD	2010 USD
Balance - beginning of the year	2,454,983	1,879,106
Income tax paid	(1,988,392)	(1,337,148)
Accrued income tax	1,912,444	1,913,025
	2,379,035	**2,454,983**

C. Income Tax expense

The income tax shown in the statement of income represents the following:

	2011 USD	2010 USD
Accrued income tax for the year	1,912,444	1,913,025
Deferred tax assets for the year	(314,886)	(171,430)
Deferred tax assets amortized	134,313	89,055
	1,731,871	**1,830,650**

- The Arab Palestinian Investment Company (holding company) has concluded a final settlement with the Income Tax Department up to the end of the year 2009 and submitted a tax approval form for the year 2010 and no verdict has been issued yet.

-The following schedule shows the tax status of the subsidiary companies:

Company's Name	Final Settlement up to Year
Unipal General Trading Company	2010
Sky Advertising, Publication and Promotion Company	2010
Medical Supplies and Services Company	2009
National Aluminum and Profiles Company	2009
Palestine Automobiles Company	2009
Arab Palestinian Storage Company	2005
Arab Palestinian Shopping Centers Company	2009
Siniora Food Industries Company (Jordan-Palestine)	2010 except 2007 and 2008-2009
Jericho Natural Mineral Water Factory Company	Tax Exempted up till 2003

The following subsidiaries have submitted tax approval forms for the year 2010 and paid its tax dues:

1. Medical Supplies and Services Company
2. National Aluminum and Profiles Company
3. Palestine Automobiles Company
4. Arab Palestinian Shopping Centers Company
5. Siniora Food Industries Company (Palestine).

32. Contractual and Contingent Liabilities

As of the statement of financial position date, the Company was contingently liable for the following:

	December 31,	
	2011	2010
	USD	USD
Letters of credit	4,654,968	6,628,336
Bank guarantees	14,380,285	12,751,526
Outstanding bills	1,047,365	823,292
Contractual liabilities –projects under construction and others	1,483,524	906,469

33. Segmental Analysis

a. The following is information on the Company's business sectors according to activities:

	Industrial	Trade	Service	Other	Total 2011	Total 2010
	USD	USD	USD	USD	USD	USD
Total revenues	50,420,800	331,086,797	8,903,979	501,246	390,912,822	327,441,284
Less: Cost of sales and services	41,710,690	295,945,918	7,150,171	-	344,806,779	285,800,547
Gross Profit	**8,710,110**	**35,140,879**	**1,753,808**	**501,246**	**46,106,043**	**41,640,737**
Expenses allocated to sectors	**11,716,185**	**25,863,867**	**715,911**	**-**	**38,295,963**	**31,000,301**
Less: Expenses not allocated to sectors	-	-	-	4,095,028	4,095,028	3,355,674
Income before tax	**(3,006,075)**	**9,277,012**	**1,037,897**	**(3,593,782)**	**3,715,052**	**7,284,762**
Less: Income tax	51,772	1,590,751	89,348	-	1,731,871	1,830,650
Income for the Year	**(3,057,847)**	**7,686,261**	**948,549**	**(3,593,782)**	**1,983,181**	**55,454,112**
Other information					**2011**	**2010**
Sector's assets	75,508,899	105,939,373	4,832,153	-	186,280,425	175,535,692
Assets not allocated to sectors	-	-	-	11,804,319	11,804,319	16,509,753
	75,508,899	**105,939,373**	**4,832,153**	**11,804,319**	**198,084,744**	**192,045,445**
Sector's liabilities	37,576,824	71,339,723	2,269,200	-	111,185,747	101,771,818
Liabilities not allocated to sectors	-	-	-	10,309,765	10,309,765	15,863,933
	37,576,824	**71,339,723**	**2,269,200**	**10,309,765**	**121,495,512**	**117,635,751**

b. The following is the geographical information of the Company's operations:

All the subsidiary companies are situated in the Palestinian National Authority territory except those in the below schedule:

Company Name	Geographical Location	For the year ended December 31, 2011 Revenues	For the year ended December 31, 2011 Expenses	December 31, 2011 Assets	December 31, 2011 Liabilities
		USD	USD	USD	USD
Siniora Food Industries Company	Jordan	18,300,456	17,821,664	30,498,062	19,345,455
Central and West Africa for Commercial Agency Companies	Cameron	7,892,970	10,425,615	4,914,973	5,114,677

Company Name	Geographical Location	For the year ended December 31, 2011 Revenues	For the year ended December 31, 2011 Expenses	December 31, 2011 Assets	December 31, 2011 Liabilities
		USD	USD	USD	USD
Siniora Food Industries Company	Jordan	12,850,151	13,010,764	23,585,051	7,064,508

34. Lawsuits

a. Siniora Food Industries Company

There is a lawsuits against Siniora Food Industries Company in the amount of JD 8,191. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

Moreover, there are claims by the Income and Sales Tax Department for JD 764,493 relating to years 2007 and 2008. These claims have been appealed, and the related lawsuits are still pending before the Income Tax Court of Appeal and Income Tax Court of First Instance. In the opinion of the Company's management and its tax consultant, the provisions taken are adequate to meet any liabilities that may arise therefrom.

b. Arab Palestinian Shopping Centers Company

There is a lawsuits against Arab Palestinian Shopping Centers Company in the amount of JD 6,770, representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

c. Jericho Natural Mineral Water Factory Company

During the year 2008, the shareholder owning 15% of the Company's capital "Ahli Group Insurance Company" raised a lawsuit against Mr. Ali Al-Aqqad himself and against him as the chairman of Jericho Natural Mineral Water Factory Company and against the Arab Palestinian Investment Company (APIC) as a shareholder and a board member in Jerico Natural Mineral Factory Company, represented by Mr. Tarek Omar AL-Aqqad, claiming compensation for JD 511,598, representing the plaintiff's shares in the Company's capital. Moreover, the plaintiff objected against the Company's management which incurred losses as well as against its previous sale contract of the Company's assets.

On December 6, 2011 a verdict was issued to dismiss the case, in which the prosecutor appealed the verdict in the specialty court, thus the lawyer is still following up on the appeal.

In the opinion of the Company's management and its lawyer, the Company stands on solid ground regarding this case as the resolution objected to has been documented and is available at the Companies Controller's Office.

d. Unipal General Trading Company

There are several lawsuits against Arab Palestinian Shopping Centers Company in the amount of USD 72,937, representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

e. Sky Advertising, Publication and Promotion Company

There is a claim by the Income and Tax Deparatment amounting to USD 248,518 in respect to the year 2005, the claim was appealed and is still under consideration by the court. In the opinion of the Company's management and lawyer, it is difficult to predict the outcome of the case in this stage, and there is no need to provide any amount for it in the current stage.

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35. Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31,2011	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets:				
Financial assets at fair value through the statement of income	36,135	-	-	36,135
Available-for-sale financial Assets	1,538,984	4,518,771	-	6,057,755
	1,575,119	**4,518,771**	**-**	**6,093,890**

December 31,2010	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets:				
Financial assets at fair value through the statement of income	45,772	-	-	45,772
Available-for-sale financial Assets	1,503,606	4,387,521	-	5,891,127
	1,549,378	**4,387,521**	**-**	**5,936,899**

36. Related Parties Balances and Transactions

a. Below are the details Related Parties Balances and Transactions:

Due from related parties	December 31, 2011 USD	December 31, 2010 USD
Aqqad Investment Company – major Shareholder	263,034	34,489
Ultimate Advanced Turnkey Solutions – associate company	271	271
	263,305	34,760

Due to related parties	December 31, 2011 USD	December 31, 2010 USD
Shareholders' receivables – subsidiary Companies	3,609,109	31,877
	3,609,109	31,877

Year 2011	Nature of Transaction	Amount USD
Al-Aqqad Investment Company – Major Shareholder	Travel and insurance expenses paid on behalf of the Company	223,612

Year 2010	Nature of Transaction	Amount USD
Al-Aqqad Investment Company – Major Shareholder	Travel and insurance expenses paid on behalf of the Company	460,303

b. The salaries, bonuses, and other benefits of the executive management of the holding company and its subsidiaries amounted to USD 2.709.145 for the year 2011 (USD 2,983,977 for the year 2010).

37. Risk Management

a. Capital Risk Management

The Company manages its capital to ensure its ability to continue as a going concern and to maximize the return to stakeholders through achieving an optimal balance between equity and debts. Moreover, the Company manages and adjusts capital based on the changes in the economic conditions. The Company has increased its paid-up capital during 2011 by USD 4,546,309 to become USD 50,009,398. In addition, the capital is revised on a continuous basis upon the Board of Directors recommendations and the approval of the Company's General Assembly.

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The following table shows the ratio of liabilities to equity as of December 31, 2011 and 2010:

	December 31, 2011 USD	December 31, 2010 USD
Due to banks	26,740,749	30,121,848
Accounts payable	22,801,531	23,643,770
Short – term notes payable	38,037	148,190
Due to related parties	3,609,109	31,877
Post dated checks	4,998,114	7,079,048
Short – term loans installments	20,975,278	18,294,791
Other credit balances	10,077,369	8,778,960
Tax provision	2,379,035	2,454,983
Total Current Liabilities	**91,619,222**	**90,553,467**
Provision for end-of-service indemnity	5,290,604	4,935,159
Long-term loans installments	24,585,686	22,147,125
Total Liabilities	**121,495,512**	**117,635,751**
Total Owners' Equity	**76,589,232**	**74,901,611**
Ratio of Debt to Owners' Equity	**159%**	**157%**

b. Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Moreover, the Company manages liquidity risk through maintaining adequate reserves, banks facilities and continuously monitoring forecast and actual cash flows, and matches the maturities of financial assets with financial liabilities. Moreover, part of the Company's funds is invested in balances at banks, trading financial assets, accounts receivable and checks under collection which are readily available to fulfill the requirements of short – and medium – term funding and liquidity management.

c. Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with only creditworthy counterparties and obtaining adequate guarantees, as appropriate, to mitigate the risk of financial loss from defaults.

The Company's financial assets which consist mainly of accounts receivable, cheques under collection and cash and cash equivalents do not represent significant concentrations of credit risk in addition the debtors are spread widely among clients classifications and their geographic areas. Moreover, the Company maintains a strict credit policy by monitoring the credit limit for each client individually.

d. Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's major foreign currency transactions are denominated in Jordanian Dinar, Shekel and Euro. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the statement of financial position date are as follows:

	Assets		Liabilities	
	December 31,		December 31,	
	2011	2010	2011	2010
	USD	USD	USD	USD
Jordanian Dinar	49,583,655	44,010,252	12,432,116	21,204,813
Sheikel	44,946,990	44,500,843	37,792,367	39,340,181
Euro	535,188	3,415,591	1,172,127	3,280,428
Central Africa Frank	3,848,389	-	1,764,939	-

The sensitivity analysis of the accounts exposed to foreign currency exchange risk according to currency for the years 2011 and 2010 that impacts the statement of income and owners' equity is as follows:

	+1%		-1%	
	2011	2010	2011	2010
	USD	USD	USD	USD
Asset				
Sheikel	449,469	445,008	(449,469)	(445,008)
Euro	5,351	34,156	(5,351)	(34,156)
Central Africa Frank	38,483	-	(38,483)	-
Liabilities				
Sheikel	(377,923)	(393,402)	377,923	393,402
Euro	(11,721)	(32,804)	11,721	32,804
Central Africa Frank	(17,649)	-	17,649	-

Management believes that there is no risk associated with the U.S. Dollar since the Jordanian Dinar is pegged to the U.S. Dollar.

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e. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company manages its exposure to interest rate risk continuously and reassesses the various options such as refinancing, renewal of the current position, and alternative financing.

The sensitivity analysis below has been determined based on the exposure to interest rate risk for banks borrowings at the balance sheet date. The analysis is prepared assuming that the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. An increase or decrease amounting to 1% is used which represents management's assessment of the probable and acceptable change in market interest rate:

	+1%		-1%	
	2011	2010	2011	2010
	USD	USD	USD	USD
Statement of income	(723,017)	(673,243)	723,017	673,243

f. Shares Prices Risk

Shares prices risk is the result of the change in the shares fair value. The Company manages this risk by diversifying its portfolio into different geographical areas and economic sectors. Most of the investments owned by the Company are not listed in financial markets. The below sensitivity analysis refers to the investments listed on the Palestinian Stock Market.

	December 31, 2011		
	Change in Indicator	Effect on Statement of Income	Effect on Equity
Indicator	USD	USD	USD
Palestinian Stock Market	- + 5%	- + 1,807	- + 76,949

	December 31, 2010		
	Change in Indicator	Effect on Statement of Income	Effect on Equity
Indicator	USD	USD	USD
Palestinian Stock Market	- + 5%	- + 2,289	- + 75,180

g. Occupation and Sovereignty Risks

Occupation and Sovereignty risks are the risks to which the Palestinian Authority Territories (PATs) are exposed due to acts of invasion and violence stemming from the prevailing circumstances in those territories. These acts are coupled with curfew measures and suspension of work. Most of the operations of the subsidiary companies of Arab Palestinian Investment Company (holding company) are conducted in those territories, and therefore, are exposed to those risks.

The subsidiary companies of Arab Palestinian Investment Company (holding company) and their managements work to mitigate those risks to reduce the related financial risks through distributing the entities, stores, and distribution channels all over the Palestinian Authority Territories. All of the PATs subsidiary companies are covered by insurance policies against all types of risks.

38. Earnings per Share for the Company's Shareholders

	For the Year Ended December 31,	
	2011	2010
	USD	USD
Income for the year	1,996,696	3,728,383
	Share	Share
Weighted average number of shares	50,009,398	50,009,398
	USD/Share	USD/Share
Earnings per share for the year relating to the Company's shareholders	0/04	0/07

- The weighted average number of shares for the year 2010 has been adjusted to become USD 50,009,398 in accordance to IAS (33) whereas the company have capitalized its retained earning without any actual cash payments.

39. Comparative Number

Comparative numbers have been adjusted in order to combine the financial statements, whereas Unipal and Central and west Africa Companies have been combined since their establishment dated September 7, 2010 and up to December 31, 2010 with comparative numbers for the year 2010, thus resulting in an increase of the expenses in the amount of USD 491,517 and lowering the profits and owners equity (retained earnings) as of December 31, 2010 with the same amount.

40. Subsequent events

On January 31, 2012 debt bonds were issued with a nominal value of USD 15 Million and a period of 5 years, which matures on January 31, 2017, with a constant interest rate for the first 30 months amounting to 5.5% annually, and a fluctuating interest rate (differs every 6 months) +LIBOR in addition to a 2.5% margin. The liquidity from the debt bond issuance was used to settle the loans of Palestine Bank and Amman Cairo Bank on behalf of Arab Palestine Investment Company and Palestine Automobiles Company.

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