APIC أيبك

2012

ANNUAL REPORT

APIC أيبك

Moving Forward With Strategic Clarity And Confidence

The Arab Palestinian Investment Company has consistently proven its agility in maneuvering through volatile economic and political conditions, coming ahead as a market leader in all commercial categories in which it operates. Its success in Palestine and its expansion in the region are driven by a solid team with a firm commitment to providing outstanding services and products that have elevated the standards of people's lives.

MSS

سنيورة siniora

Sky Advertising • Public Relations • Events

UNIPAL يونيبال

HYUNDAI NEW THINKING. NEW POSSIBILITIES.

مركز بلازا للتسوق PLAZA Shopping Center

نابكو NAPCO Aluminum of Palestine

UNIPAL Central & West Africa

Other Investments

الشركة الفلسطينية للكهرباء م.ع.م PALESTINE ELECTRIC COMPANY PLC

PPGC شركة فلسطين لتوليد الطاقة م.ع.م. Palestine Power Generating Company plc.

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TABLE OF CONTENTS

أيبك
APIC

Letter From The Chairman

My Fellow Shareholders,

Your company, APIC, operates in markets marked by persistent economic and political challenges, with 2012 being a particularly difficult year. In Palestine, the government continues to suffer from the worst financial crisis in its fledgling history, with salaries for all government employees delayed and payments to private sector suppliers, such as for several APIC subsidiaries, sporadic at best. In Jordan, higher cost of living and utilities have negatively impacted consumer spending as well as increased manufacturing costs, while logistical and supply chain obstacles in West Africa have hindered the company's ability to grow as much as originally intended.

These factors, in addition to the devaluation of the NIS, the company's main trading currency, against the US dollar, resulted in a drop of revenue from $390 million in 2011 to $368 million in 2012.

Nevertheless, net group profit increased by 320 percent from $1.996 million in 2011 to $6.4776 million in 2012, which while less than originally planned, is a marked improvement and hopefully a positive sign for better things to come.

One of APIC's major success stories in 2012 was Siniora Food Industries. The company's impressive year began with a strong listing on the Amman Stock Exchange under the Reuters symbol SNRA, gaining momentum after the full absorption of the Unium operation, which it acquired in 2011, as well with the takeoff of its trading arm in Saudi Arabia. As a result, Siniora's top line revenues grew by 27.5 percent to reach $43.9 million in 2012, translating into a record net income of $4 million versus an approximate breakeven result in the previous year. APIC is optimistic about Siniora's future outlook through expanded product lines as well as organic growth.

As always, Unipal General Trading Company Palestine and Medical Supplies and Services delivered on their bottom lines, with net incomes of $4.7 million and $2.2 million, respectively. A highlight this year for Unipal is its brand new 7,000-square-meter state-of-the-art distribution center in Ramallah, which is now fully operational. Built at a cost of approximately $6 million, it has the capacity to store 5,500 pallets and contains two turret lifts, the first of their kind in Palestine, as well as climate-controlled secured warehousing for sensitive and valuable products.

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The National Aluminum and Profile Company has shown noteworthy results despite formidable challenges posed by the unfair restrictions of the occupation, including the barring of essential raw materials for 50 percent of its manufacturing lines. Despite this, with its solid management team, the company has remained profitable and developed value-added products such as new proprietary window systems and fittings for its customer base.

APIC also operated diligently to overcome ongoing areas of concern. While nowhere near fully resolved, significant progress has been made to set the correct path to growth and profitability in each particular circumstance.

The prevalent economic downturn in Palestine and increased competition in the auto market have had a negative effect on sales for the Palestine Automobile Company. However, the company managed to maintain its leadership in its sector, albeit in tighter market conditions, and has identified new avenues of growth that have already given fruit in the first quarter of 2013.

After the decision to close four unprofitable branches and not to bid on government contracts due to late payments and low margins, results from the Arab Palestinian Shopping Centers are recovering steadily as losses decline and margins increase. While year-on-year sales dropped by 17 percent due to the closures, actions were taken in an effort to quickly streamline the business model, spurring a robust average growth rate of over 20 percent in the remaining five branches. Moreover, net losses were reduced by 34.5 percent, indicating that the company is on the right track to a real and stable turnaround in 2013.

Unipal Central and West Africa continues to drain financial resources; however, the nascent organization has begun to yield positive results in sales growth, which reached $9.7 million in 2012 compared to $7.8 million in 2011. With higher sales performance and improved cost control measures in place, losses decreased to $1.4 million in 2012 from over $2.5 million in the previous year. Ultimately, APIC is optimistic about its West African interests as the fundamentals are all solid given the fact that it operates in a cluster of countries with a population of 100 million people and in partnership with Procter & Gamble, the largest consumer goods company in the world.

While never satisfied until there is stellar performance across all subsidiaries, I am proud of APIC's accomplishments and truly appreciate the 1,250 employees who form the essential backbone of the company and who are able to operate under very difficult circumstances. I am certain that through their efforts, APIC will meet or exceed its performance targets in 2013 and beyond.

Stemming from a firm belief in its commitment to its stakeholders and the communities in which it operates, APIC maintained its corporate social responsibility efforts, particularly in the areas of education, entrepreneurship and youth development.

On behalf of myself and my colleagues on the board of directors, I am thankful to you, our shareholders, for your continued faith and support in our efforts to create sustainable employment opportunities while at the same time providing good returns to all our stakeholders.

Kind regards,
Tarek O. Aggad

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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

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Management Team

Tarek Omar Aggad
Chairman and Chief Executive Officer (CEO)

Ali Aggad
Group Chief Operation Officer (COO)

Tareq Abbas
Vice President of Business Development

Moutaz Qawas
Vice President and Chief Financial Officer (CFO)

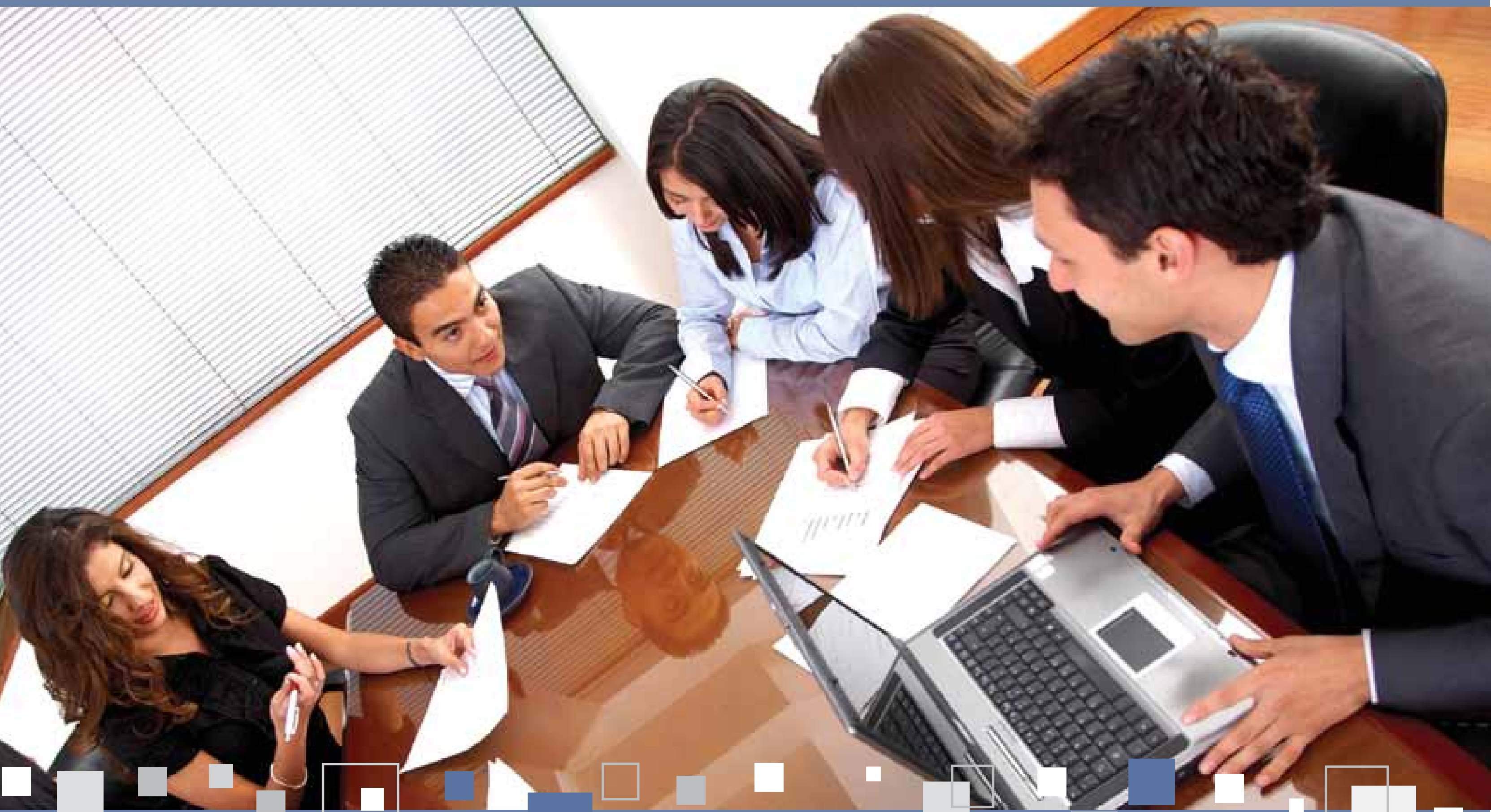
Ahmed Judeh
Chief Investment Officer (CIO)

Lina Al-Hadweh
Internal Control and Systems Development Director

Khaled Baradie
Finance Manager

Mohammed Hirzallah
Internal Operational Auditor

Murad Khatib
Internal Financial 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 communities in which it operates

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Algeria
Palestine
Jordan
Chad
Guinea
Central African Republic
KSA
Cameroon
Sao Tome
Gabon
Rep. of the Congo
Dem. Rep. of the Congo

International Partners

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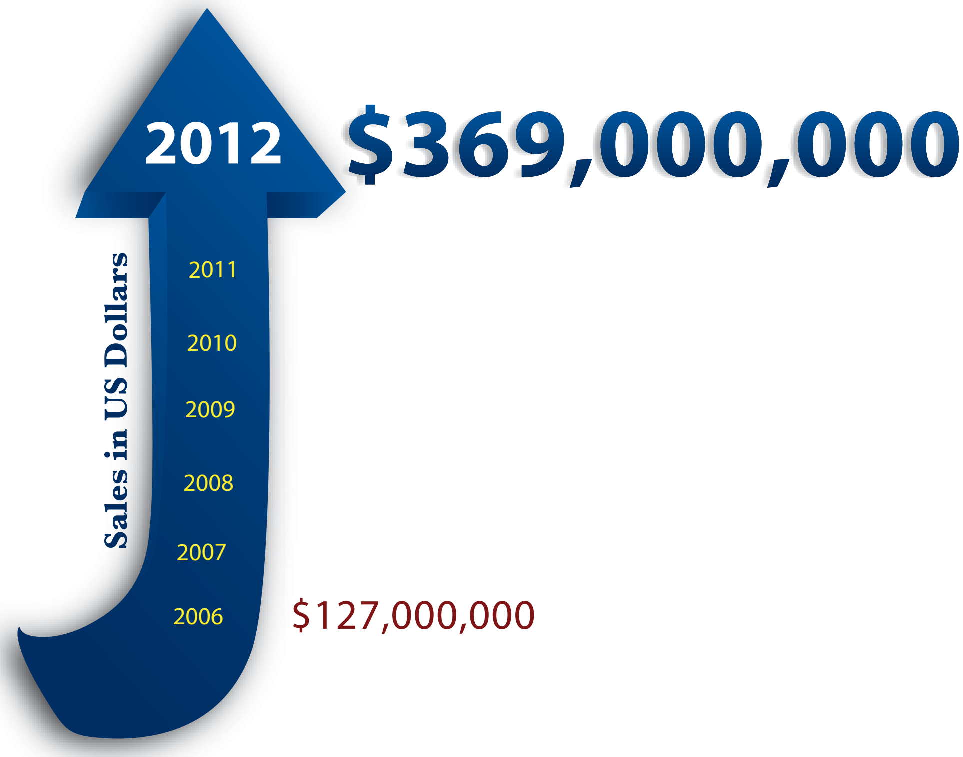
2012
$369,000,000
Sales in US Dollars
2011
2010
2009
2008
2007
2006
$127,000,000

Billion-Dollar Vision On Track In 2012

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.

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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 cooperation with the British Council, through its Higher Education Scholarships for Palestine (HESPAL) program, APIC has undertaken a commitment to fund full scholarships for three outstanding students to pursue advanced degrees at British universities. The program underscores APIC's belief in the importance of developing strong academic foundations as a way to empower Palestinian society.

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. For the second year, Ali Aggad, APIC's COO, has been elected chairman of the board for Injaz-Palestine. APIC also participated in a special needs employment day, supported by the Ruwwad Palestinian Youth Empowerment Project, which focuses on people with special needs.

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 teams of employees who have demonstrated creativity and innovation.

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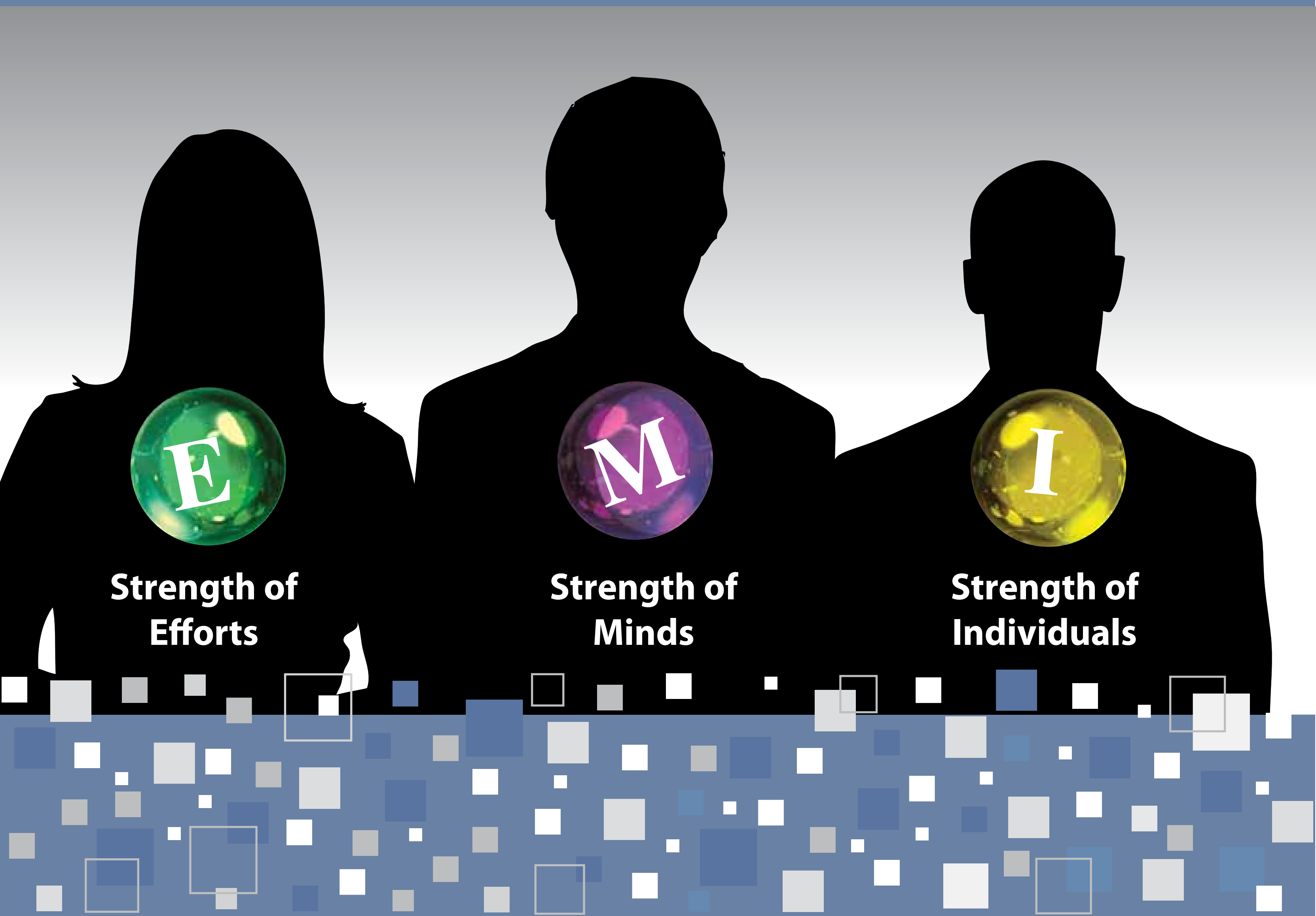
E
M
I
Strength of Efforts
Strength of Minds
Strength of Individuals

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 of 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 emphasizes 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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Main Office

Amman, Jordan

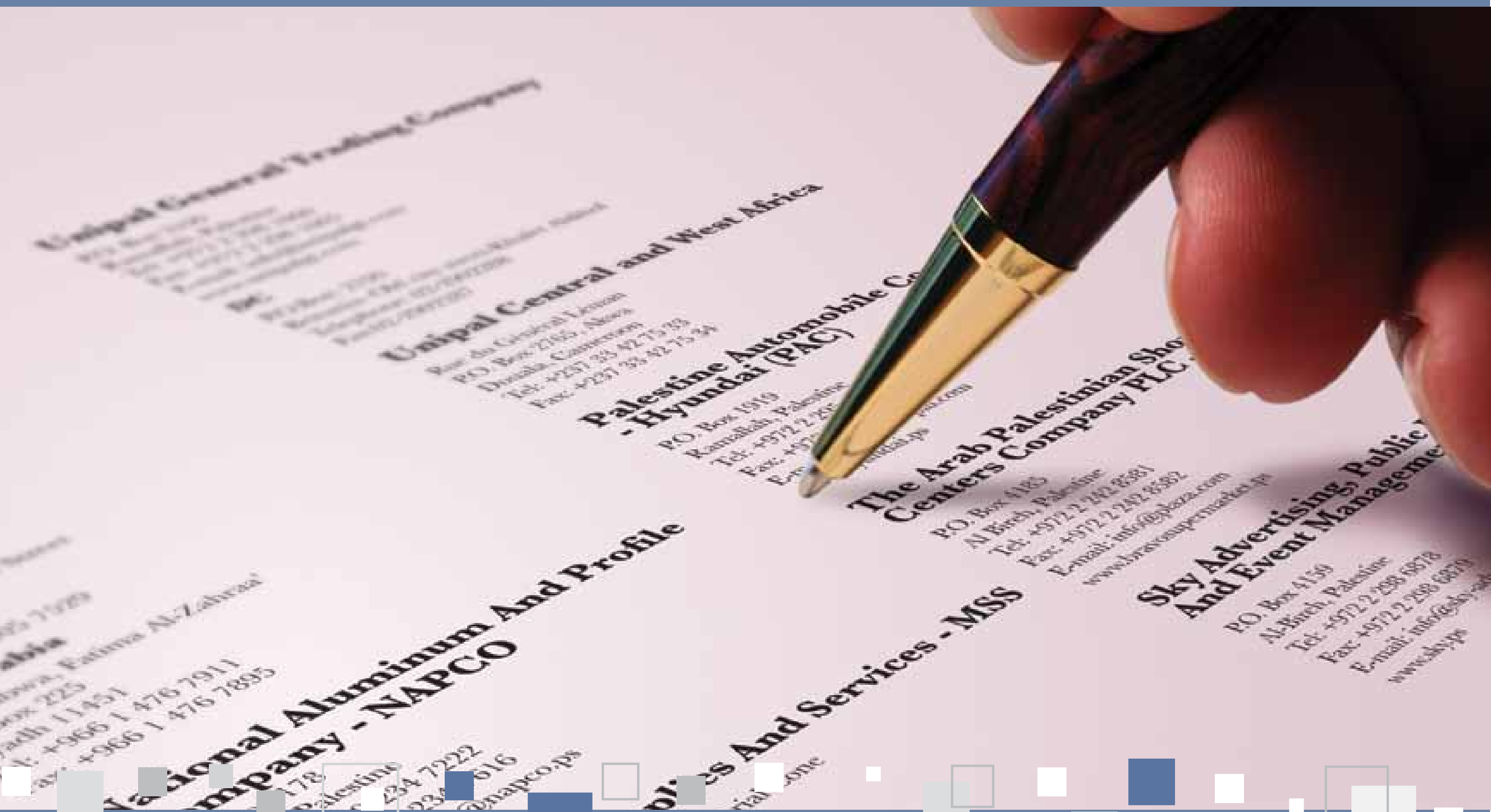
P.O. Box 941489
Amman 11194 Jordan
Tel: +962 6 556 2910
Fax: +962 6 556 2915

Branch

Ramallah, Palestine

P.O. Box 2396
Ramallah, Palestine
Tel: +970 2 296 1463
Fax: +970 2 298 1541

E-mail: apic@apic.com.jo
www.apic.ps



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APIC Subsidiaries

Siniora Food Industries

Jordan

King Abdullah II Industrial Estate Sahab
P.O. Box 191
Amman 11512 Jordan
Tel: +962 6 402 3772
Fax: +962 6 402 3773
www.siniorafood.com

Palestine

Bethany, Palestine
P.O. Box 132
Tel: +970 2 279 6804
Fax: +970 2 279 9088

Saudi Arabia

West Rabwa, Fatima Al-Zahraa'
P.O. Box 225
Riyadh 11451
Tel: +966 1 476 7911
Fax: +966 1 476 7895

National Aluminum And Profiles Company - NAPCO

Nablus, Palestine
P.O. Box 178
Tel: +972 9 234 7222
Fax: +972 9 234 7616
E-mail: napco@napco.ps
www.napco.ps

Medical Supplies And Services - MSS

Ramallah, Palestine
P.O. Box 1909
Tel: +972 2 295 9373
Fax: +972 2 295 9375
E-mail: info@msspal.com
www.msspal.com

Unipal General Trading Company

Ramallah, Palestine
P.O. Box 2190
Tel: +972 2 298 1060
Fax: +972 2 298 1065
E-mail: info@unipalgt.com
www.unipalgt.com

Unipal Distribution Center

Khalet Alskhol, Old City Street, Beitunia
P.O. Box 2190
Tel: +972 2 902 2288
Fax: +972 2 902 2287

Unipal Central And West Africa

Rue du Général Léman, Douala, Cameroon
P.O. Box 2765, Akwa
Tel: +237 33 42 75 33
Fax: +237 33 42 75 34

Palestine Automobile Company, Ltd - Hyundai (PAC)

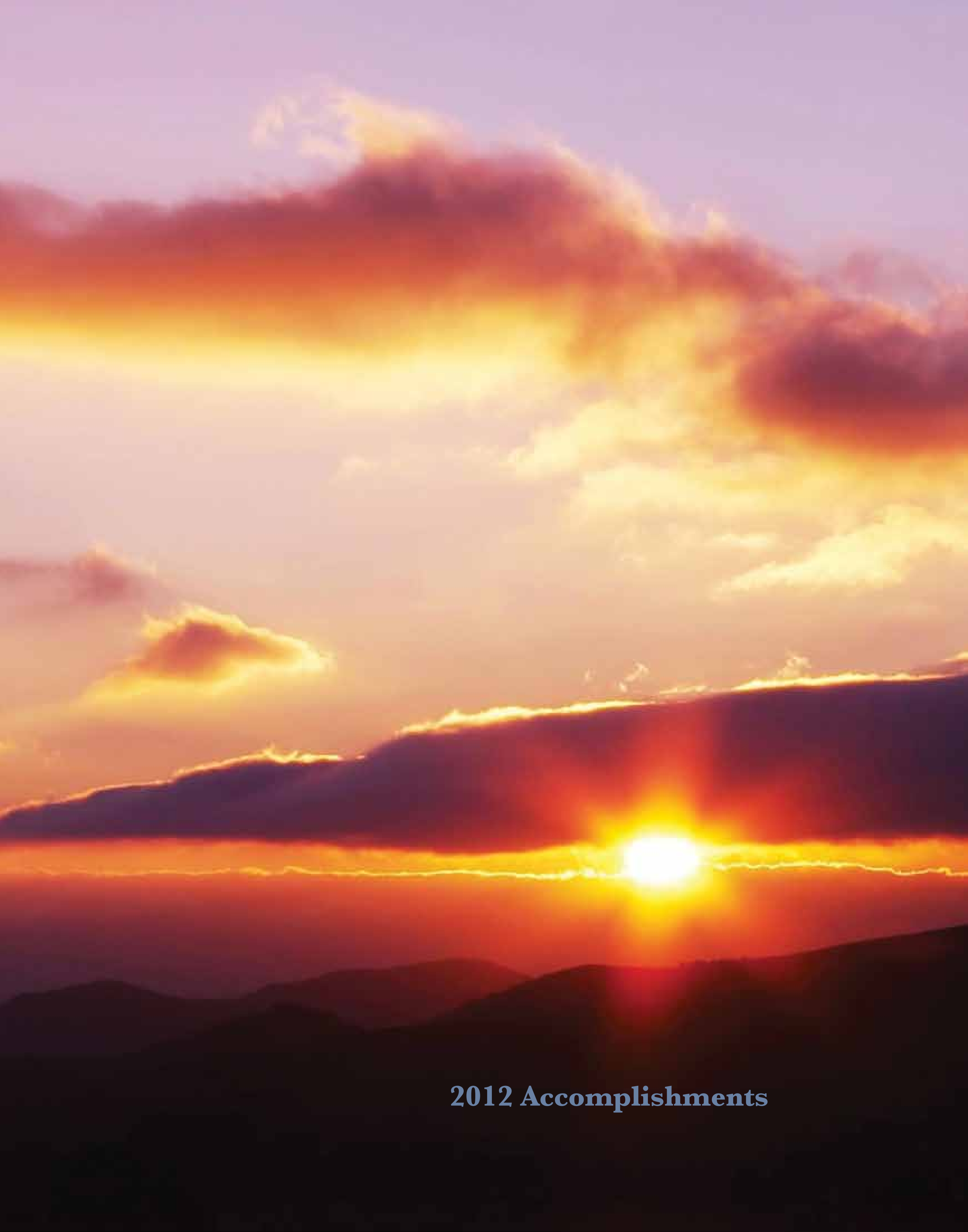
Ramallah, Palestine
P.O. Box 1919
Tel: +972 2 295 3943
Fax: +972 2 298 0662
E-mail: pac@pac-pal.com
www.hyundai.ps

The Arab Palestinian Shopping Centers Company PLC - Plaza

Al Bireh, Palestine
P.O. Box 4185
Tel: +972 2 242 8581
Fax: +972 2 242 8582
E-mail: info@plaza.com
www.bravosupermarket.ps

Sky Advertising, Public Relations And Event Management

Al-Bireh, Palestine
P.O. Box 4159
Tel: +972 2 298 6878
Fax: +972 2 298 6879
E-mail: info@sky-adv.com
www.sky.ps



2012 Accomplishments

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Manufacturing

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 is a market-leading multinational manufacturer of fine turkey, beef and chicken products in over 70 varieties, including roasts, sausages, frankfurters, luncheon meats, prime cuts, dried beefs and mortadella. Siniora utilizes state-of-the-art technologies to offer value-driven halal products that exceed international hygiene, quality and safety standards. Headquartered in Jordan's Sahab Industrial City, Siniora's delicatessen products are among the most well known and trusted in the regional food industry, distributed and sold in Jordan, Palestine, Saudi Arabia, the United Arab Emirates, Lebanon, Oman, Qatar and North and West Africa. Under the well-established trademarks of Siniora, Al-Nemeh, Al-Diftain, Al-Taj and Unium, these products have become family favorites. 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. In 2012, Siniora became public shareholding company and was listed on the Amman Stock Exchange.

Siniora Food Industries

As a result of expanded capacity and prudent management of operations, in 2012, Siniora Food Industries achieved an unprecedented net sales record of $43,750,240. This 27 percent increase over the previous year contributed to a net profit of $4,035,300, despite the backdrop of diminished purchasing power in Palestine and Jordan due to price increases in utilities and basic commodities.

The most significant factor that pushed sales growth forward was the strength of Siniora's cold-cuts product line, increasing by 35 percent in Palestine and 17 percent in Jordan, sustaining the company's leadership position in both markets.

After acquiring the Unium brand last year, Siniora reformulated the products and started production in its Jordan-based factory. With improved quality and taste, the luncheon meat line saw a marked increase of more than 60 percent of total market share in Jordan.

On a regional level, Siniora succeeded in doubling sales volume in the Saudi Arabian market in less than one year since its establishment, achieving a 230 percent growth to reach net sales of $3.4 million. Also exceeding expectations, the company witnessed a 30 percent increase in sales across the Gulf region, Lebanon and Iraq. As part of Siniora's larger growth strategy, the company commenced distribution of its luncheon products to Cameroon, in cooperation with Unipal CWA, another APIC subsidiary.

Through targeted training workshops, Siniora strives to constantly develop the technical and managerial skill sets of its employees. In this way, Siniora has retained its leadership position in its home markets and is expanding its presence throughout the region and abroad.

As always, Siniora 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 recognizes and appreciates the hard work of its team, whose buoyant and bright spirit has elevated Siniora, helping it to thrive and prosper in 2012.

Majdi Al-Sharif
Chief Executive Officer

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Manufacturing

Established in 1991, the National Aluminum and Profile Company (NAPCO), a publically-traded subsidiary of APIC, 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)

NAPCO's solid survival skills paid off in 2012, which was a challenging year for the Palestinian economy, particularly the industrial sector. Despite commercial and logistical obstacles, NAPCO managed to achieve a modest but noteworthy growth of 3 percent in its aluminum profile sales and 2.2 percent in its gross profit margin over the previous year.

A major milestone for the company this year has been securing a full income tax exemption for six years, from 2012 throughout the end of 2017, which came about because of NAPCO's $1.2 million investment for the upgrade of its main production line.

A remarkable 81 percent increase in hardware and accessories sales has boosted the company's overall margin and provides greater diversity in its sources of sales revenue. The success of the NAPCO+ product line was another significant achievement for the company. Launched last year, demand for the innovative aluminum and accessories system has risen from 20 metric tons in 2011 to nearly 110 metric tons this year.

Positive changes were realized throughout NAPCO's manufacturing lines. Both the extrusion and casting lines were revamped, yielding higher productivity and reduced labor costs. NAPCO's powder-coating line is efficiently meeting higher numbers of orders for color profiles, and is delivering the finished products in less time and with reduced powder usage per ton of aluminum.

All of NAPCO's product lines have been bolstered by the expertise of the technical department, which oversees the production line operations, assuring minimal downtime and contributing to the achievement of output targets and sales goals.

NAPCO is also pleased to report that all its financial commitments to banks and suppliers have been fulfilled, thereby reducing leverage by 8 percent while maintaining the same liquidity level.

Looking forward, the sourcing of a new raw material supplier has also diversified and strengthened NAPCO's supply chain, which was translated into remarkable savings and will enhance the profit margin in 2013.

Anan Anabtawi
General Manager

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Distribution

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. The most diversified 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 Diabetes Care, Hitachi Aloka, Sanofi-Aventis, Beiersdorf (Nivea), B. Braun, Boehringer Ingelheim's Pharmaton, Eli Lilly, GlaxoSmithKline, Nihon Kohden and Trisa.

Medical Supplies And Services (MSS)

Today, MSS is stronger and more focused than it has been in years. For the fifth consecutive year, MSS delivers an excellent performance record, with sales increasing by 11 percent and net profit rising 11 percent over 2011. The successful implementation of long-term growth strategies has generated these impressive results, which have affirmed the company's number one position in the market.

Due to close and productive relationships with the company's long-standing multinational suppliers, MSS has achieved all goals and targets for the year. The pharmaceuticals, diagnostics and FMCG divisions reported market share gains on double-digit sales growth. Furthermore, MSS has considerably strengthened its competitive position after signing distribution agreements with three new international brands.

This year's results once again demonstrate the ability of MSS to yield positive earnings regardless of the arduous economic and political situation in Palestine, largely due to the fact that the company has earned and maintained the trust of its customers.

Looking ahead, I am confident that MSS will continue to flourish and prosper. It has the right people and proven strategies backed by a solid organization that will enable it to realize my high expectations for the future. My appreciation and thanks go to the MSS team, which has shown unwavering commitment and dedication to the company over the years.

Samer Kreitem
General Manager

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Distribution

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, Siniora, 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

Once again, Unipal achieved success throughout 2012, with its steady market focus and proven operational strategy. Despite the unfavorable market backdrop, adversely affecting consumer purchasing power, combined with a devaluation of the currency and an unbudgeted increase in taxes by the government, the company met 93 percent of its operational, financial and strategic performance targets.

With its strong brands, expansive retail network and exceptional customer services, Unipal has maintained its position as the leading FMCG distributer in Palestine. The company has continuously developed its profitable growth platforms through the acquisition of popular new brands, cost-cutting measures and increased efficiency across all aspects of the organization.

In February 2012, Unipal completed its centralized distribution warehouse, which is now fully operational. The warehouse is designed in accordance with the company's long-term capacity projections of 5,500 pallets and is equipped with state-of-the-art storage systems and advanced warehouse management software. Unipal has also implemented an enterprise resource planning (ERP) system, the Balanced Scorecard performance tool and a mobile sales automation system to optimize business expansion outcomes.

The company's efforts in building capacity and investing in its team emanates from its core values and beliefs in continuously supporting its employees in terms of both their professional and personal enrichment. Unipal's commitment to remain an essential provider of goods in the Palestinian marketplace propels the company's leadership position, making it strong, resilient and well-positioned for the future.

Unipal thanks its customers, partners and employees for their unwavering confidence and support.

Imad Khoury
General Manager

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Distribution

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 Oral-B.

Unipal Central And West Africa (Unipal CWA)

In its second year of operations, Unipal CWA recorded a strong sales increase of 23 percent versus a year ago, closing the year with $10 million recording an average increase in sales of $1 million per month in the last two quarters of 2012.

With a clear focus on further developing the infrastructure necessary for continued market expansion that will directly translate into greater bottom line gains, the company introduced new food brands, including Siniora, Heinz, and Arcor, in addition to its investment in a separate food distribution fleet.

During the year 2012, Unipal CWA added two new fully functioning warehouse facilities, better enabling storage and logistics in the capital city of Yaoundé and in Bafoussam City.

The company has taken solid steps to cut costs by implementing efficient operational measures to manage a team that is now over 120 professionals, mainly concentrated in the sales and distribution departments, which cover 8,000 outlets in Cameroon and span a variety of trade channels.

In order to reach the company's breakeven point as soon as possible during 2013, Unipal CWA plans to expand its market coverage in terms of locations and portfolio offerings within Cameroon as well as begin to forge new territories, beginning with the Republic of Gabon.

Ali Al Aggad
Chairman

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Distribution

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, 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)

In 2012, PAC maintained its market leader position but faced challenges in the competitive automotive landscape against the constant backdrop of political and economic difficulties in Palestine. Despite these adverse conditions, PAC has the highest market share with 20.2 percent.

The decline in gross profits can be largely attributed to several essentially extraneous factors that PAC has been facing in recent years. First, there has been a marked slowdown in the number of vehicles purchased by the government compounded by an overall weak purchasing power among Palestinian consumers, especially as new cars are considered luxuries. Secondly, the market has been saturated with new vehicles that were purchased in the last three years as a result of the increased availability of long-term financing from banks. Finally, PAC's sales have been challenged by a competitor's price war waged last fiscal year, which dampened demand in the market this year.

To counter these negative trends, PAC has been constantly focusing on delivering outstanding after-sales services rendered by its highly qualified team of technical automotive experts backed by an integrated system of customer support throughout Palestine. Over the course of the coming year, PAC's professional and well-equipped team intends to concentrate on direct sales to targeted consumer groups, such as teachers, banks and insurance companies, offering them incentives and bank facilities to strengthen PAC's future outlook.

Ayman Sonnoqrot
General Manager

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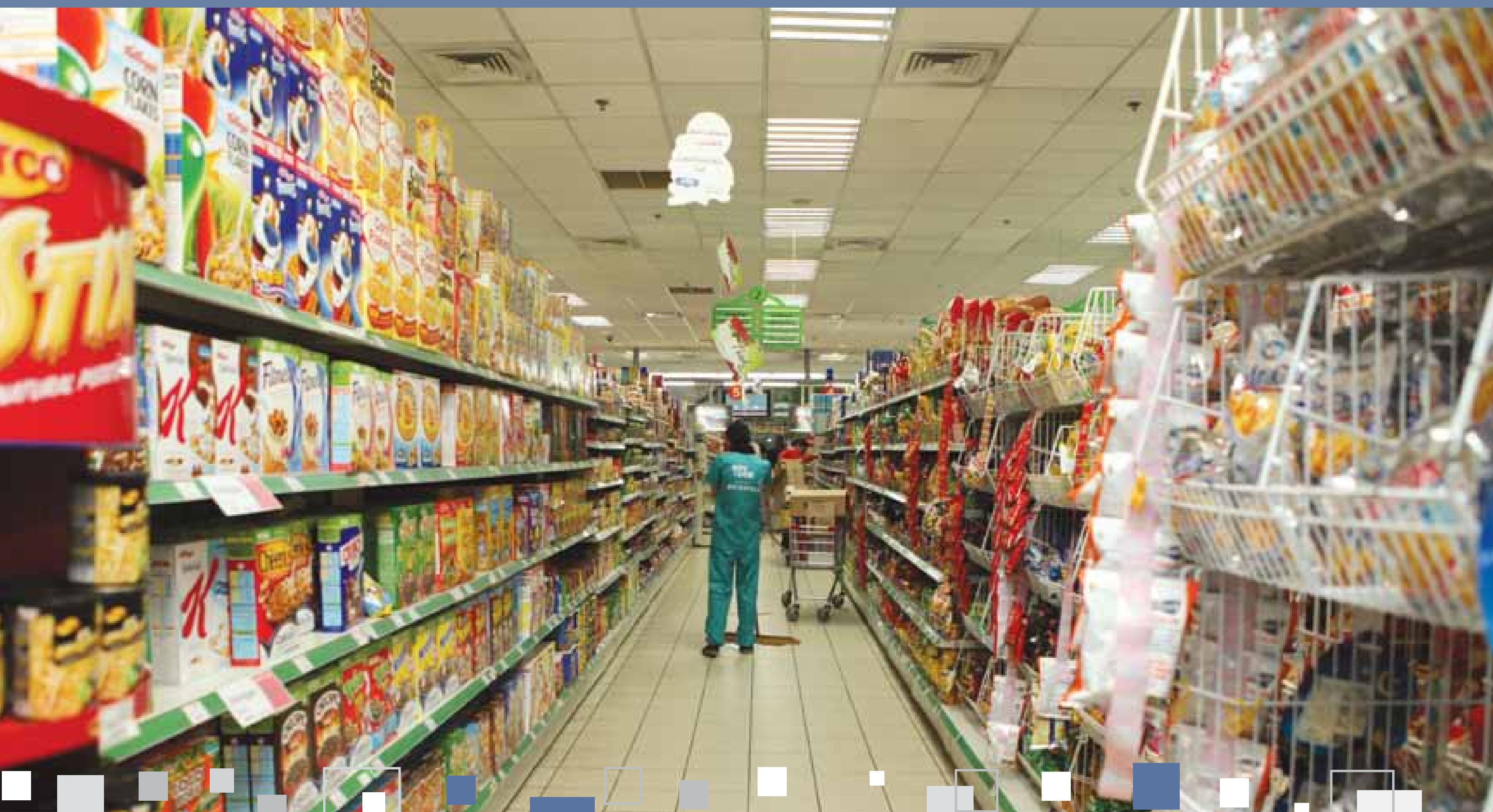
Retail

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 five Bravo supermarkets, two Plaza Shopping Centers and a children's indoor play area 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 150 people.



The Arab Palestinian Shopping Centers Company PLC – Plaza

While Plaza continues to be the leading shopping destination in Palestine, 2012 posed fundamental challenges to this relatively stable consumer sector. Overall, sales decreased by 17 percent, with total sales revenue standing at JD15.8 million, compared to JD19 million in 2011. The decline was due primarily to the residual effect of the closure of three Bravo branches in the previous year, as well as the suspension of government tenders because of its irregular payments, which had comprised 27 percent of the company's total sales in 2011.

On a positive note, the year closed with a 22 percent growth in sales and an increase in the profit margin of 18.6 percent from 16 percent in 2011 in existing branches. The scaling back of operations, including the closing of Bravo's Jerusalem Street branch in April 2012, allowed Plaza to concentrate on reducing wastage and attaining better terms of agreement with suppliers, resulting in a 6 percent reduction of costs over last year. Also this year, Plaza reconciled an accumulated property tax assessment of approximately JD84,400.

Looking forward, Plaza is working with an international consultant to form and implement a corporate development strategy with the aim of further raising profit margins and effectively managing costs throughout the company. Critical to this plan is the continued focus on the company's proven strengths, namely its popular promotional programs and fresh food departments as well as building the organizational capacity of the management team.

Samer Al Deik
General Manager

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Services

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 26 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 and has a strategic relationship with M&C Saatchi.

Sky Advertising, Public Relations And Event Management

In 2012, Sky for Advertising, Event Management and Public Relations experienced general economic challenges but responded positively and positioned the company to move forward in the coming year. Due to shrinking advertising budgets for most major companies in Palestine, Sky recorded gross sales of $6,392,310, compared with $7,815,000 in 2011.

Despite the difficult year, Sky secured a number of new accounts as well as stayed on course with its existing client list. In order to maximize productivity and outcomes, particularly in periods of budgetary constraints, the company focused on training the Sky team to develop new strategies to yield effective account management solutions.

Looking beyond and out into the future, Sky intends to broaden its client relationships on a regional level.

In order to become a more interactive and innovative agency, Sky launched a full array of social media management services targeting consumer markets on popular platforms such as Twitter, Facebook, YouTube and LinkedIn. The company's new in-house social media offerings give clients top-line exposure in this fast-growing and vital segment of the advertising industry.

Nader Maree
General Manager

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CASH FLOWS
650.2
251.1
399.1
0.0
$ 399.1
0.0
$1,465.4
193.18
275.84
0.0
656.5
43.7
$2,459.4

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

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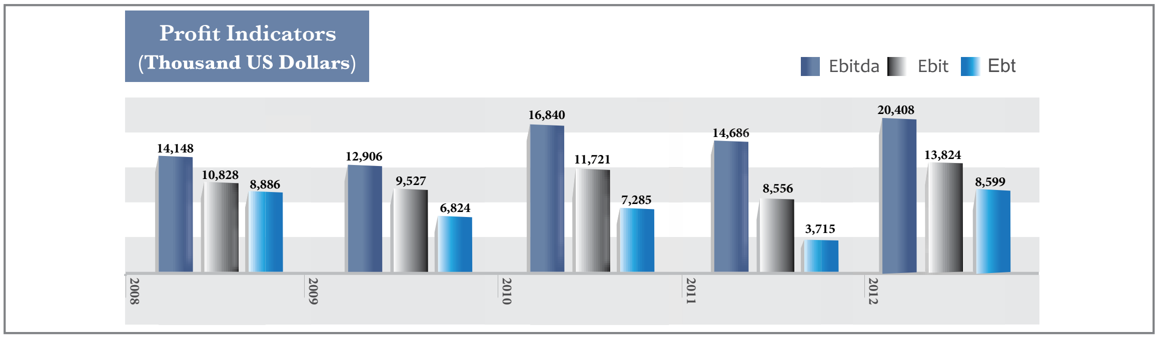
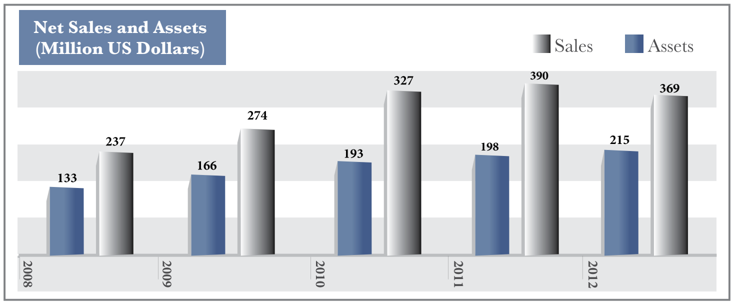
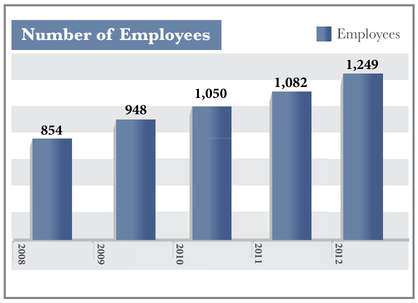
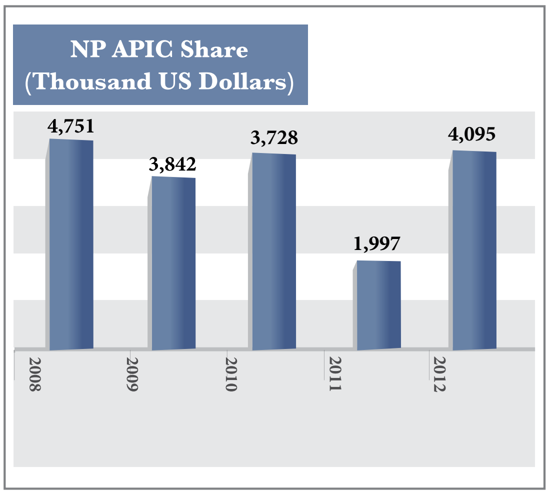
Charts

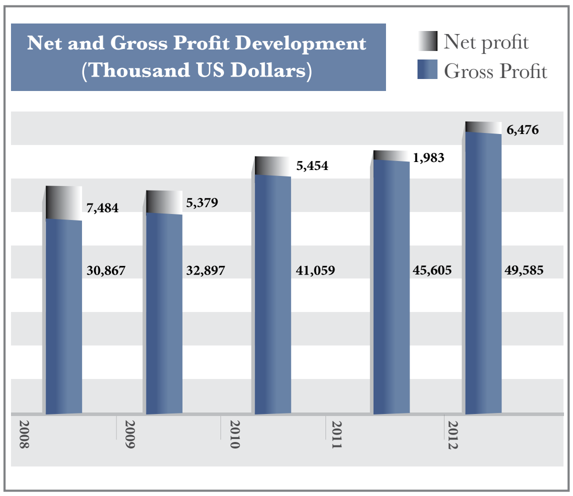
Total Sales And Assets Of The Group

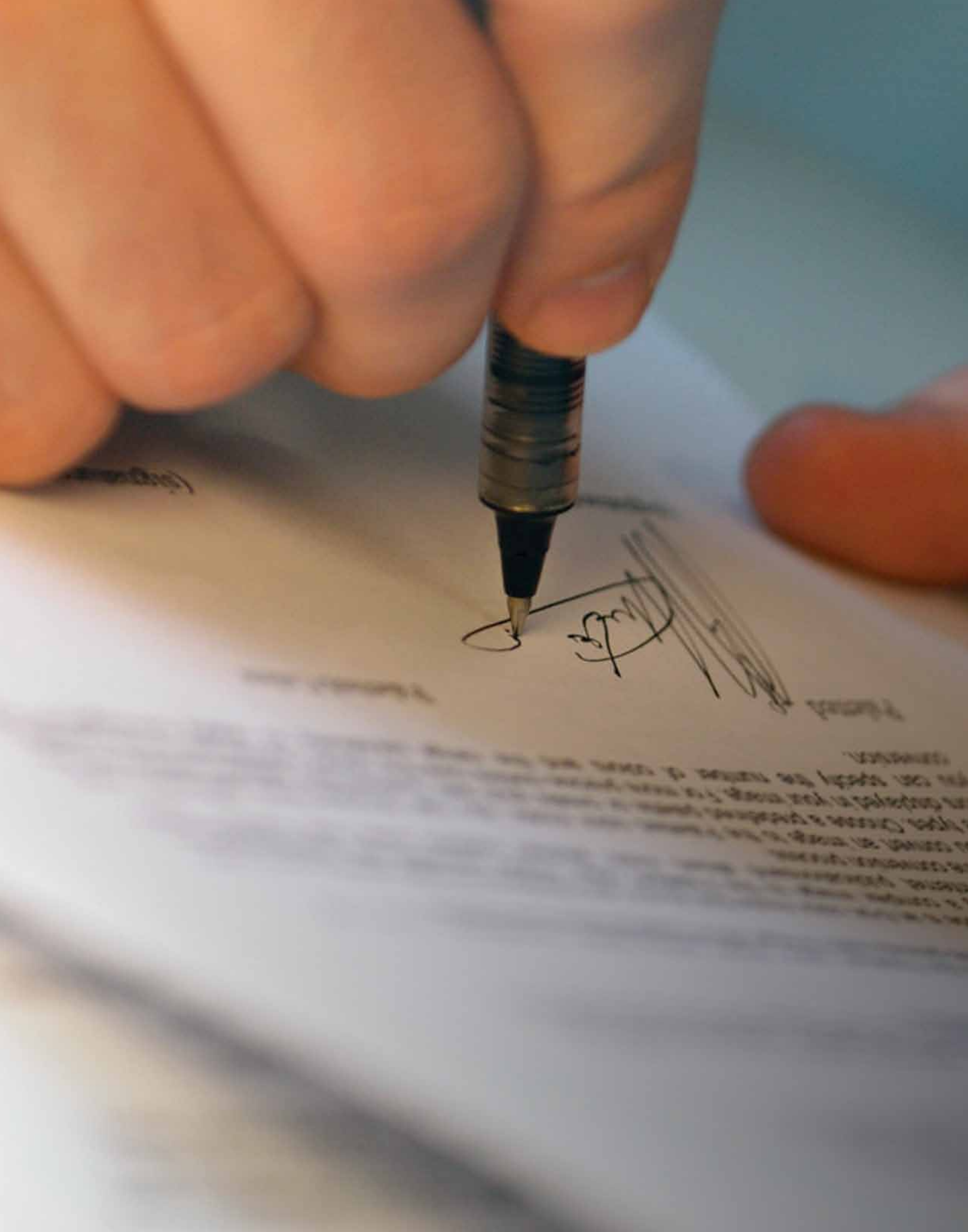












Consolidated Financial Statements

December 31, 2012

ARAB PALESTINIAN INVESTMENT COMPANY

(HOLDING COMPANY)

BRITISH VIRGIN ISLANDS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH INDEPENDENT

AUDITOR'S REPORT

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ARAB PALESTINIAN INVESTMENT COMPANY
(HOLDING COMPANY)
BRITISH VIRGIN ISLANDS
DECEMBER 31, 2012

TABLE OF CONTENTS

Independent Auditor's Report

Deloitte.

AM/ 30667

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, 2012, 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, 2012, 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

April 25, 2013

Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

ARAB PALESTINIAN INVESTMENT COMPANY
(HOLDING COMPANY)
BRITISH VIRGIN ISLANDS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	December 31, 2012 USD	December 31, 2011 USD
Current Assets:			
Cash on hand and at banks	5	5,344,520	7,343,738
Accounts receivable and checks under collection - net	6	54,910,120	52,603,303
Inventory - net	7	45,933,032	37,240,203
Due from related parties	36	935,490	263,305
Financial assets at fair value through the statement of income	8	36,227	36,135
Other debit balances	9	12,959,981	12,025,051
Total Current Assets		**120,119,370**	**109,511,735**
Long-term checks under collection	10	242,273	613,039
Deferred tax assets	31	1,531,908	1,077,270
Available-for-sale financial assets	11	9,517,912	6,057,755
Investment in associate company	12	231,941	183,576
Investment in lands	13	776,239	776,239
Intangible assets - net	14	7,908,192	7,865,263
Fixed Assets :			
Fixed assets at cost		112,221,026	102,391,079
Less: Accumulated depreciation		38,965,086	34,108,117
Net Book Value of Fixed Assets	15	73,255,940	68,282,962
Projects under construction	16	1,235,574	3,716,905
TOTAL ASSETS		**214,819,349**	**198,084,744**

LIABILITIES	Note	December 31, 2012 USD	December 31, 2011 USD
Current Liabilities:			
Due to banks	23	33,827,167	26,740,749
Accounts payable		24,314,748	22,801,531
Short - term notes payable	17	2,140	38,037
Due to related parties	36	2,466,997	3,609,109
Postdated checks	21	5,238,861	4,998,114
Short - term loan installments	19	17,112,062	20,975,278
Other credit balances	20	8,749,972	10,077,369
Income tax provision	31	2,272,395	2,379,035
Total Current Liabilities		**93,984,342**	**91,619,222**
Provision for end-of-service indemnity	24	6,172,325	5,290,604
Long-term bonds	18	20,000,000	-
Long-term loan installments	19	11,178,806	24,585,686
Total Liabilities		**131,335,473**	**121,495,512**
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	50,009,398
Retained earnings		7,298,942	3,204,288
Cumulative change in fair value		711,932	143,357
Revaluation of fixed assets reserve	25	2,931,895	2,931,895
Foreign currencies translation differences		(3,608)	(17,024)
Total Shareholders' Equity		**60,948,559**	**56,271,914**
Non - controlling interests	22	22,535,317	20,317,318
Total Owners' Equity		**83,483,876**	**76,589,232**
TOTAL LIABILITIES AND OWNERS' EQUITY		**214,819,349**	**198,084,744**

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

ARAB PALESTINIAN INVESTMENT COMPANY
(HOLDING COMPANY)
BRITISH VIRGIN ISLANDS
CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended December 31, 2012 USD	2011 USD
Services revenue		7,594,535	8,903,979
Less: Cost of services		5,884,399	7,150,171
Net Services Revenue		**1,710,136**	**1,753,808**
Net sales		361,200,371	381,507,597
Less: Cost of sales		313,325,349	337,656,607
Sales Gross Income	26	**47,875,022**	**43,850,990**
Less: General and administrative expenses	27	24,654,110	25,384,203
Selling and distribution expenses	28	11,308,610	11,506,646
Income from Operations		**13,622,438**	**8,713,949**
(Losses) from the revaluation of financial assets at fair value through the statement of income		(2,917)	(9,637)
Gains from available-for-sale financial assets	29	349,677	416,665
Borrowings interest and expenses		(5,224,686)	(4,841,345)
Company's share of associate companies gain (loss)	12	48,365	(17,123)
Gains from sale of investment land	13	-	111,341
Impairment of goodwill	14	-	(55,474)
Other expenses - net	30	(193,947)	(603,324)
Income for the Year before Income Tax		**8,598,930**	**3,715,052**
Income tax expense - subsidiary companies	31	(2,122,438)	(1,731,871)
Income for the Year		**6,476,492**	**1,983,181**
Attributable to:			
Company's shareholders		4,094,654	1,996,696
Non - controlling interests	22	2,381,838	(13,515)
		6,476,492	**1,983,181**
Earnings per share for the Company's Shareholders	38	0/82	0/04

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

ARAB PALESTINIAN INVESTMENT COMPANY

(HOLDING COMPANY)

BRITISH VIRGIN ISLANDS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2012	**2011**
	USD	**USD**
Income for the year	6,476,492	1,983,181
Comprehensive Income Items:		
Change in fair value - available-for-sale financial assets	568,575	35,378
Foreign currencies translation differences	23,322	(271)
Gross Comprehensive Income	**7,068,389**	**2,018,288**
Gross Comprehensive Income Attributable to:		
Company's shareholders	4,676,645	2,032,650
Non - controlling interests	2,391,744	(14,362)
	7,068,389	**2,018,288**

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

ARAB PALESTINIAN INVESTMENT COMPANY

(HOLDING COMPANY)

BRITISH VIRGIN ISLANDS

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	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 2012	USD	USD	USD	USD	USD	USD	USD	USD
Balance - beginning of the year 2012	50,009,398	3,204,288	143,357	2,931,895	(17,024)	56,271,914	20,317,318	76,589,232
Change in fair value	-	-	568,575	-	-	568,575	-	568,575
Foreign currencies translation differences	-	-	-	-	13,416	13,416	9,906	23,322
Income for the year	-	4,094,654	-	-	-	4,094,654	2,381,838	6,476,492
Total comprehensive income	-	4,094,654	568,575	-	13,416	4,676,645	2,391,744	7,068,389
Net change in non-controlling interests **	-	-	-	-	-	-	(173,745)	(173,745)
Balance - End of the Year 2012	**50,009,398**	**7,298,942**	**711,932**	**2,931,895**	**(3,608)**	**60,948,559**	**22,535,317**	**83,483,876**
Year 2011								
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
Change in fair value	-	-	35,378	-	-	35,378	-	35,378
Revaluation reserve	-	-	-	918	-	918	(918)	-
Foreign currencies translation differences	-	-	-	-	(342)	(342)	71	(271)
Income for the year	-	1,996,696	-	-	-	1,996,696	(13,515)	1,983,181
Total comprehensive income	-	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	-	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**

* 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 as free shares to shareholders at 10% of capital through capitalizing part of 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 2012 and 2011.

- Retained earning include an amount of USD 1,531,908 as of of December 31, 2012 relating to deferred tax assest. (USD 1,077,270 as of December 31, 2011).

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
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		**USD**	**USD**
Income for the year before tax		8,598,930	3,715,052
Adjustments for:			
(Gains) losses from sale of fixed assets	13	(37,322)	15,080
Depreciation of fixed assets	15	6,584,235	6,129,599
Losses from the revaluation of financial assets at fair value through the statement of income		2,917	9,637
Provision for doubtful debts	6	626,995	723,137
Provision for slow-moving inventory	7	282,783	156,748
Company's share of associate company (gain) loss	12	(48,365)	17,123
Impairment of goodwill	14	-	55,474
Impairment of available-for sale assets financial assets		87,823	-
(Gains) from sale of investment land	13	-	(111,341)
(Recovery) / Provision for contingent liabilities		(181,575)	303,320
Provision for employees end-of- service indemnity	24	1,358,975	1,450,430
Cash Flows from Operating Activities before Changes in Working Capital		**17,275,396**	**12,464,259**
(Increase) in accounts receivable and other debit balances		(3,868,743)	(4,107,349)
Decrease (increase) in inventory		(8,975,612)	1,051,523
(Increase) decrease in due from related parties		(1,814,297)	3,348,687
Decrease in long-term checks under collection		370,766	577,837
Increase in accounts payable and other credit balances		367,395	152,850
Net Cash Flows from Operating Activities before Employees End-of-Service Indemnity Paid and Income Tax Paid		**3,354,905**	**13,487,807**
End-of-service indemnity paid	24	(477,254)	(1,094,985)
Income tax paid	31	(2,683,716)	(1,988,392)
Net Cash Flows from Operating Activities		**193,935**	**10,404,430**
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Increase) in financial assets at fair value through the income statement		(3,009)	-
(Increase) in available-for-sale financial assets		(2,979,405)	(131,250)
(Increase) in intangible assets	14	(42,929)	(2,348,084)
Payments for investment in subsidiary company	17	-	897,401
Proceeds from sale of investment land	13	-	791,859
Additions of fixed assets		(6,256,059)	(8,794,405)
Proceeds from sale of fixed assets		491,344	2,292,186
Additions of projects under construction	16	(3,273,845)	(3,196,746)
Net Cash (used in) Investing Activities		**(12,063,903)**	**(10,489,039)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in due to banks		7,086,418	(3,381,099)
(Repayment) increase loans, checks and notes payable		(17,065,246)	2,927,961
Bonds		20,000,000	-
Foreign currencies translation differences		23,323	(271)
Net change in non - controlling interests		(173,745)	161,250
Net Cash Flows From (used in) Financing Activities		**9,870,750**	**(292,159)**
Net (decrease) in Cash		(1,999,218)	(376,768)
Cash on hand and at banks- beginning of the year		7,343,738	7,720,506
Cash on Hand and at Banks- End of the Year	5	**5,344,520**	**7,343,738**

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

ARAB PALESTINIAN INVESTMENT COMPANY

(HOLDING COMPANY)

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 as per the decision made by the general assembly of the company in its extraordinary meeting held on that same date, where the paid up capital of the company was increased by USD 4,546,309 thus the total paid up capital became USD 50,009,398. The increase was made through capitalizing part of the retained earnings. An approval was obtained 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 Head Office in Mecca Street, P.O. Box 941489 Amman 11194 – Jordan.

e. The Board of Directors approved the Company's consolidated financial statements on April 25, 2013.

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:

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	December 31, 2012		December 31, 2011			
	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	72/14	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	57/99	17,764,230	57/62	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	165,000	80	190,000	80	2008	Trading in cars and spare parts
Central & West Africa for Commercial Agencies Companies *	2,824,858	50	2,824,858	50	2011	General trading

- Subsidiaries results of operations are included in the consolidated statement of income from the date of its ownership i.e. the date in which the actual control is transferred over to the Company. In addition the results of operations for disposed subsidiaries are included 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 2012, the Arab Palestinian Investment Company acquired 46,429 shares of Siniora Food Industries Company for an amount of USD 117,707, the transaction resulted in a good-will of USD 42,179. The investment contribution of the Arab Palestinian Investment Company in Siniora Food Industries Company became 57/99 % of its capital.

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 for the year ended December 31, 2011 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 on active markets. The objective of holding these assets is to generate income from the short-term market price fluctuations or trading 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 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 Lands

Investment in lands is stated at cost while any gains or losses are recognized upon conclusion of a 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 reports its investments 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 net of accumulated depreciation and any impairment in value, whereas 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 lands) 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 booked in subsequent years as a change in accounting estimates.

h. Goodwill

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

- Goodwill is allocated over the cash generating unit(s) for the purpose of testing the impairment in its value.
- The value of goodwill is tested for impairment 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 booked 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 charged to the end-of-service indemnity provision. Moreover, the additional provision booked for the end-of-service indemnity is charged to 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.

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.

4. Adoption of new and revised International Financial Reporting Standards (IFRSs)

a. New and revised IFRSs applied with no material effect on the consolidated financial statements:

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

Amendments to IFRS 1 Severe Hyperinflation (Effective for annual periods beginning on or after 1 July 2011)	The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.
Amendments IFRS 1 removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 July 2011)	The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.
Amendments to IAS 12: Deferred Tax – Recovery of Underlying assets (Effective for annual periods beginning on or after 1 January 2012)	Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalue Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

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 and are available for early application but are not effective yet:

	Effective for annual periods beginning on or after
Amendments to IFRS 9 and IFRS 7 Mandatory Effective date of IFRS 9 and transition Disclosures	1 January 2015
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other entities	1 January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other entities: Transition Guidance	1 January 2013
IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (as revised in 2011)	1 January 2013
Amendments to IAS 32 Financial Statements Offsetting Financial Assets and Liabilities	1 January 2014
Amendments to IFRS 1 Government Loans	1 January 2013
Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements to IFRSs 2009 – 2011 Cycle	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Management anticipates that each of the above standards and interpretations will be adopted in the consolidated financial statements by its date mentioned above without having any material impact on the Company's consolidated financial statements.

5. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Cash on hand	1,006,935	2,195,140
Current accounts	4,337,585	5,148,598
	5,344,520	**7,343,738**

6. Accounts Receivable and Checks under Collection- Net

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Trade receivables	48,225,191	45,198,321
Less: Provision for doubtful debts	3,693,421	3,292,101
	44,531,770	41,906,220
Checks under collection *	9,670,446	10,288,421
Employees receivable	707,904	408,662
	54,910,120	**52,603,303**

* Checks under collection mature during the year 2013.

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

	2012	2011
	USD	USD
Balance - beginning of the year	3,292,101	3,114,989
Additions to the provision	626,995	723,137
Debts written-off	(253,646)	(464,981)
Currency exchange difference	27,971	(81,044)
Balance - End of the Year	**3,693,421**	**3,292,101**

- 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 44,531,770 as of December 31, 2012 (USD 41,906,220 as of December 31, 2011). The following are the details of due but not impaired receivables:

	December 31,	
	2012	2011
	USD	USD
Up to 90 days	27,348,256	25,606,181
91 days up to 180 days	4,715,406	12,109,718
181 days up to 365 days	12,468,108	4,190,320
	44,531,770	**41,906,220**

Due and impaired receivables amounted to USD 3,693,421 as of December 31, 2012 (USD 3,292,101 as of December 31, 2011).

- These receivables include amounts due from the Palestinian authority for around USD 21 million.

7. Inventory - Net

This item consists of the following:

	December 31,	
	2012	**2011**
	USD	**USD**
Finished goods	3,618,333	3,228,879
Medication	3,784,382	3,504,051
Medical materials	924,344	606,803
Consumable materials	19,281,699	13,130,290
Laboratory tools and materials	508,035	440,528
Medical equipment and machinery	699,209	484,654
Total Finished Goods	**28,816,002**	**21,395,205**
Raw materials	6,802,826	5,042,519
Scrap and other	122,152	253,494
Other materials	196,021	186,856
Cars and spare parts*	4,071,963	3,948,581
Total Inventory	**40,008,964**	**30,826,655**
Less: Provision for slow-moving inventory items**	486,005	449,673
Net Inventory	**39,522,959**	**30,376,982**
Goods in transit	2,583,052	1,885,356
Goods at bonded *	3,827,021	4,977,865
	45,933,032	**37,240,203**

* 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:

	2012	**2011**
	USD	**USD**
Balance - beginning of the year	449,673	348,200
Additions to the provision during the year	282,783	156,748
Inventory written-off during the year	(246,451)	(55,275)
Balance - End of the Year	**486,005**	**449,673**

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

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Arab Palestinian Shopping Centers Company	36,227	36,135
	36,227	**36,135**

9. Other Debit Balances

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Receivables and claims	1,865,996	446,189
Value added tax	2,090,590	2,143,672
Prepaid expenses	2,137,248	2,911,997
Refundable deposits against LGs', LCs and others	1,598,970	2,072,822
Accrued revenue	320,000	160,000
Korean Hyundai Company claims	844,438	367,739
Suppliers advance payment	3,061,651	2,964,358
Other debit balances	1,041,088	958,274
	12,959,981	**12,025,051**

10. Long-term Checks under Collection

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Palestine Automobile Company	242,273	613,039
	242,273	**613,039**

- The maturities of long-term checks under collection extends to November 15, 2017.

11. Available-for-Sale Financial Assets

This item consists of the following:

	Number of Shares	December 31, 2012 USD	Number of Shares	December 31, 2011 USD
Listed Shares:				
Bank of Palestine Limited	1675000	5,008,265	442237	1,538,984
		5,008,265		**1,538,984**
Unlisted Shares:				
Palestine Electricity Company *	3654550	3,654,550	3654550	3,654,550
Technology Acceladator Investment Company Limited	250000	275,000	250000	275,000
Catalyst Private Equity Fund **	14995	346,764	14995	401,558
Millennium Power Generation Company **	75000	-	75000	47,663
Palestine for Electricity Generation Company (under establishment)	233333	233,333	35000	140,000
		4,509,647		**4,518,771**
		9,517,912		**6,057,755**

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

** During the year 2012 an impairment was booked against these assets for USD 87,823.

12. Investment in Associate Company

This item consists of the following:

	Contribution %	December 31, 2012 USD	Contribution %	December 31, 2011 USD
Ultimate for Advance Turnkey Solutions Company	30	231,941	30	183,576
Company's share from gain (loss) of Ultimate Advanced Turnkey Solutions Company		48,365		(17,123)

- The investment as of December 31, 2012 and 2011 is stated according to the equity method.
- The financial details for the associate company according to the financial statements are as follows:

	2012 USD	2011 USD
Total Assets	894,653	793,828
Total Liabilities	121,515	181,909
Total Owner's Equity	773,138	611,919

13. Investment in Lands

The fair value of these plots of land amounted to USD 1,189,648 as of December 31, 2012 noting that part of these lands are mortgaged against bank credit facilities.

14. Intangible Assets - Net

This item consists of the following:

	2012	2011
	USD	USD
Goodwill - net*	5,635,021	5,592,842
Trademark**	2,273,171	2,272,421
	7,908,192	**7,865,263**

* Additions to goodwill resulted from the Company's acquisition 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 for the amount of USD 5,635,021, after deducting the provision for the impairment in goodwill of USD 6,934,700 throughout prior years, the movement on goodwill was as follows:

	2012	2011
	USD	USD
Balance – beginning of the year	5,592,842	5,572,653
Additions	42,179	75,663
Less: Disposals	-	-
Impairment of goodwill	-	55,474
	5,635,021	**5,592,842**

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

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15. Fixed Assets

a. This item consists of the following:

2012	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	9,474,371	26,857,564	5,316,029	2,534,615	7,480,160	3,498,194	45,254,315	1,975,831	102,391,079
Additions / transfers	91,176	3,858,947	161,193	174,163	2,008,286	254,275	3,644,943	1,818,252	12,011,235
Disposals	-	-	(517,322)	(23,780)	(871,280)	-	(590,070)	(178,836)	(2,181,288)
Ending Balance	**9,565,547**	**30,716,511**	**4,959,900**	**2,684,998**	**8,617,166**	**3,752,469**	**48,309,188**	**3,615,247**	**112,221,026**
Accumulated Depreciation:									
Beginning balance	-	8,981,116	3,192,980	1,220,703	2,614,847	678,415	15,830,864	1,589,192	34,108,117
Additions	-	932,589	564,853	294,704	989,371	286,316	3,006,916	509,485	6,584,235
Disposals	-	-	(541,069)	(18,738)	(400,358)	-	(571,497)	(195,604)	(1,727,266)
Ending Balance	**-**	**9,913,705**	**3,216,764**	**1,496,669**	**3,203,860**	**964,731**	**18,266,283**	**1,903,073**	**38,965,086**
Net Book Value as of December 31, 2012	**9,565,547**	**20,802,806**	**1,743,136**	**1,188,329**	**5,413,306**	**2,787,738**	**30,042,905**	**1,712,174**	**73,255,940**
2011									
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	9,529,852
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	571,259	495,419	836,025	251,531	2,975,829	154,796	6,129,599
Disposals	-	(53,068)	(70,066)	(168,222)	(429,490)	-	(106,421)	(24,177)	(851,444)
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**
Annual Depreciation Rates %	**-**	**2-4**	**6-15**	**15-25**	**20**	**15-25**	**10-20**	**6-10**	

b. Part of the company and the subsidiary companies’ fixed assets is mortgaged against bank facilities (Note 18) and (Note 19).

c. Part of the subsidiary companies’ building is contracted on lands leased from others.

d. Arab Palestinian Shopping Centers Company revalued the plot of land owned by the Company, stated it in the financial statement at its fair value, and recorded the difference in revaluation of USD 3,553,793 in the revaluation reserve within owners’ equity as of December 31, 2012 and 2011.

e. National Aluminum and Profiles Company revalued the plots of land owned by the Company, stated in the financial statement at its fair value, and recorded the difference in revaluation of USD 669,525 in the revaluation reserve within owner’s equity as of December 31, 2012 and 2011.

16. Projects under Construction

This item represents costs of works relating to constructing and equipping the production facilities and administration offices and the renovation of different production lines for the subsidiary companies; the National Aluminum and Profiles Manufacturing Company, Siniora Food Industries Company and Unipal for General Trading which were not yet completed as of December 31, 2012 and 2011.

The movement on the projects under construction is as follows:

	2012	2011
	USD	USD
Balance - beginning of the year	3,716,905	1,255,606
Additions	3,273,845	3,196,746
Transferred to fixed assets	(5,755,176)	(735,447)
Balance - End of the Year	**1,235,574**	**3,716,905**

17. Short – term Notes Payable

This item represents notes payable to the following companies:

	December 31	
	2012	2011
	USD	USD
Unipal for General Trade Company	2,140	38,037
	2,140	**38,037**

18. Bonds

During February 2012, the Arab Palestinian Investment Company issued bonds with a total nominal value of USD 20 million, each bond has a nominal value of USD 10,000, the issuance date was January 31, 2012 and the maturity date is January 31, 2017. The coupon rate of the bonds is 5.5% yearly fixed for the first 30 months while the coupon rate for the remaining 30 months is 6 months LIBOR + 2.5% without paying less than 5.5%.

The coupon rate is calculated on 360 days and paid every six months from the date of issuance.

Note that the issuing company has the right to amortize bonds for USD One million and multiples before its maturity date with a maturity price of 101% of the nominal value of the amortized bonds.

The total nominal value of the bonds is mortgaged against first grade mortgages which is not less than 125% of the nominal value of the bonds. These mortgages include shares and plots of land.

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19. Loans

a. The details of this item are as follows:

	Short-term	Long-term	Short-term	Long-term
	December 31, 2012		December 31, 2011	
	USD	USD	USD	USD
Bank of Palestine loans / Arab Palestinian Investment Company (holding company)	-	-	2,000,000	4,000,000
Cairo Amman Bank loan / Arab Palestinian Investment Company (holding company)	-	-	507,042	2,028,169
Bank of Jordan loan / Siniora Food Industries Company	-	-	167,039	-
Audi Bank loan / Siniora Food Industries Company	-	-	41,647	-
Bank of Palestine loan / Siniora Food Industries Company	695,725	2,317,891	659,018	3,013,568
Invest Bank loans / Siniora Food Industries Company	-	-	156,307	-
Amman Cairo Bank Loan/Siniora Food Industries Company	1,800,000	5,400,000	1,800,000	7,200,000
Jordan Ahli Bank loans / National Aluminum and Profiles Company	2,577,032	1,028,124	1,942,237	1,217,868
Arab Islamic Bank loan / National Aluminum and Profiles Company	2,977,417	-	2,725,397	-
Bank of Palestine for Investment Loan/ National Aluminum and Profiles Company	286,911	1,168,046	541,908	1,454,959
Cairo Amman Bank loans / National Aluminum and Profiles Company	907,703	300,000	1,474,854	-
Cairo Amman Bank loans / Palestine Automobile Company	295,670	-	999,892	3,112,543
Rafah Bank loans / Palestine Automobile Company	2,274,633	91,922	1,895,649	282,012
The Housing Bank for Trade and Finance loan / Palestine Automobile Company	455,112	-	-	-
Jordan Kuwait Bank/ Palestine Automobile Company	1,135,188	-	404,393	-
Egyptian Arab Land Bank loan / Palestine Automobile Company	1,948,112	-	2,804,621	-
Al Quds Bank loan / Palestine Automobile Company	-	-	975,261	-
Arab Islamic Bank loans/Arab Palestinian Shopping Centers Company	387,969	403,221	240,443	594,252
Palestinian Commercial Bank loan / Arab Palestinian Shopping Centers Company	292,090	221,477	249,466	493,240
The Housing Bank for Trade and Finance loans / Arab Palestinian Shopping Centers Company	308,748	162,252	326,001	471,000
Jordan Ahli Bank loans / Palestine Automobile Company	722,657	85,873	964,107	359,738
Al Quds Bank loan / Arab Palestinian Shopping Centers Company	-	-	99,996	358,337
HSBC loan / Arab Palestinian Shopping Centers Company	47,095	-	-	-
	17,112,062	**11,178,806**	**20,975,278**	**24,585,686**

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

	Loan Value USD	Last Installment Maturity Date	Payment Method	Guarantee
Bank of Palestine loan / Arab Palestinian Investment Company (holding company) *	10,000,000	October 31, 2014	20 quarterly installments	Company's guarantee + first grade mortgage on plot of land No. 203 + pledging 1/6 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 3/6 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, 2013	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	October 30, 2013	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.
Invest Bank loan / Siniora Food Industries Company	423,000	March 15, 2013	Installments within 6 months	Guarantee of Siniora Food Industries Company
Jordan Ahli Bank loans / National Aluminum and Profiles Company	2,500,000	During 2013	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, 2013	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 2013	12 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)

	Loan Value USD	Last Installment Maturity Date	Payment Method	Guarantee
Egyptian Arab Land Bank loan / Palestine Automobile Company	3,000,000	During 2013	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 2013	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 payment or cheques amounting to 100% of the financing amount
	600,000	During 2013	36 monthly Installments	
Jordan Kuwait Bank loan/ Palestinian Automobile Company	800,000	During 2013	12 monthly installments	Guarantee of Arab Palestinian Investment Company (holding company)
Cairo Amman Bank Loans / National Aluminum and Profile Company	1,500,000	During 2013	12 monthly Installments	Guarantee of the Company and Arab Palestinian Investment Company (holding company)
	300,000	During 2014	Quarterly	Guarantee of the Company and Arab Palestinian Investment Company (holding company)
Bank of Palestine loans/ National Aluminium and Profiles Company	1,500,000	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	9%
US Dollar	LIBOR + 1.5% - LIBOR + 3%

* During the year, 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 bonds with nominal value of USD 20 million.

20. Other Credit Balances

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
Accrued expenses	3,624,949	4,574,497
Accrued interest	509,324	622,230
Unearned revenues	268,680	244,831
Accrued salaries and bonuses	1,319,154	1,171,174
Accrued vacations	521,252	458,076
Social security deposits	38,014	50,917
Sales tax deposits	220,683	477,834
Income tax deposits – employees	86,821	125,355
Commitment against maintenance after sale	1,060,108	1,308,171
Customers advances	89,052	90,203
Other	1,011,935	954,081
	8,749,972	**10,077,369**

21. Postdated Checks

This item consists of the following:

	December 31,	
	2012	2011
	USD	USD
National Aluminum and Profiles Company	539,023	650,499
Arab Palestinian Shopping Centers Company	134,787	974,832
Siniora Food Industries Company	982,856	620,614
Medical Supplies and Services Company	3,582,195	2,752,169
	5,238,861	**4,998,114**

- The maturities of postdated checks extend to 2013.

22. Non - Controlling Intrests

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, 2012	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, 2012 Non - Controlling Interests	December 31, 2012 Non-Controlling Interest Share of Profit (Loss) for the Year	December 31, 2011 Non-Controlling Interest	December 31, 2011 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	-	-	-	-	(4,765,837)	(289,479)	(555,316)	(196,662)	(102,518)	(94,145)	(54,183)
Medical Supplies and Services Company	50	3,227,990	-	968,998	-	-	1,486,476	2,210,497	7,893,961	3,946,980	1,105,259	3,591,732	1,043,590
Unipal General Trading Company	16/31	4,929,577	-	2,891,966	-	-	654,858	4,814,893	13,291,294	2,168,272	785,477	2,208,485	861,368
National Aluminum and Profiles Company	27/86	9,718,310	669,525	2,043,397	22410	-	(198,585)	225,155	12,480,212	3,477,342	62,735	3,414,607	58,460
Siniora Food Industries Company	42/01	17,764,230	-	1,658,937	-	(6,221)	736,767	4,018,786	24,172,499	10,154,520	1,688,296	8,530,696	51,759
Arab Palestinian Shopping Centers Company	31/09	9,876,543	3,553,793	71,604	-	-	(4,737,466)	(1,284,842)	7,479,632	2,325,418	(399,457)	2,724,875	(462,983)
Jericho Natural Mineral Water Factory Company	15	4,803,734	-	-	-	-	(4,872,992)	538	(68,720)	(10,308)	81	(10,389)	884
Arab Palestinian Spare Parts and Vehicles Services Company	20	165,000	-	6,719	-	-	51,344	(518)	222,545	44,509	(104)	51,309	(129)
Centeral & West Africa Commercial Agencies	50	2,824,858	-	-	-	-	(58,504)	(1,515,861)	1,250,493	625,246	(757,931)	(99,852)	(1,512,281)
		57,810,242	4,223,318	7,641,621	22,410	(6,221)	(11,703,939)	8,179,169	66,166,600	22,535,317	2,381,838	20,317,318	(13,515)

23. Due to Banks

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

	December 31, 2012	December 31, 2011
	USD	USD
Siniora Food Industries Company	615,240	1,446,870
National Aluminum and Profiles Company	1,540,424	1,862,420
Medical Supplies and Services Company	13,132,355	10,567,359
Unipal General Trading Company	15,257,966	9,958,588
Arab Palestinian Shopping Centers Company	2,354,844	2,419,570
Palestinian Automobiles Company	926,338	485,942
	33,827,167	26,740,749

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**			
- 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 11,850,000	Guarantee of Arab Palestinian Investment Company (holding company) + personal guarantee of Dr. waleed kayali + transfer from ministry of Health by transferring all the company's worth in Bank of Jordan + assignment of insurance policy in an amount of USD 3,5 million
- Bank of Jordan	Overdraft + Letters of credit	Sheikel 24,800,000	
- 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 the favor of the Arab Islamic Bank for USD 667,000
- Arab Islamic Bank	Overdraft + Letters of credit	USD 5,100,000	
- 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 3,750,000	
- Palestinian Commercial Bank	Overdraft	Sheikel 4,000,000	Company's Guarantee and Guarantee of Arab Palestinian Investment Company (holding Company)

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	Nature of Credit Facilities	Credit Facilities Ceiling	Guarantees
*** 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 4,445,000	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	USD 2,000,000	Guarantee of Arab Palestinian Investment Company (holding company)
*** Arab Palestinian Shopping Centers Company**			
- Arab Islamic Bank	Overdraft	USD 200,000	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	USD 600,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Bank of Palestine	Overdraft	Sheikel 1,000,000	Guarantee of Arab Palestinian Investment Company (holding company)
- HSBC Bank	Overdraft	Shekel 600,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Bank of Jordan	Overdraft	Shekel 3,196,000	Guarantee of Arab Palestinian Investment Company (holding company)
*** Palestinian Automobile Company**			
- Al Quds Bank	Overdraft	USD 300,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Jordan Ahli Bank	Overdraft	USD 300,000	Guarantee of Arab Palestinian Investment Company (holding company)
- The Housing Bank for Trade and Finance	Overdraft	USD 250,000	Guarantee of Arab Palestinian Investment Company (holding company)
- Jordan Kuwait Bank	Overdraft	USD 100,000	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 + 4.75%
Israeli Sheikel	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,	
	2012	2011
	USD	USD
Arab Palestinian Storage Company	49,259	37,907
Medical Supplies and Services Company	1,070,281	904,710
Unipal General Trading Company	1,796,704	1,497,829
National Aluminum and Profiles Company	608,542	512,739
Palestine Automobile Company	544,305	600,338
Arab Palestinian Shopping Centers Company	362,303	337,169
Arab Palestinian Investment Company (holding Company)	449,100	363,237
Sky Advertising, Publication and Promotion Company	345,027	287,046
Siniora Food Industries Company	909,396	731,725
Central & West Africa for Commercial Agencies Companies	37,408	17,904
	6,172,325	**5,290,604**

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

	2012	2011
	USD	USD
Balance - beginning of the year	5,290,604	4,935,159
Additions	1,358,975	1,450,430
Paid from the provision	(477,254)	(1,094,985)
Balance - End of the Year	**6,172,325**	**5,290,604**

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25. Revaluation of Fixed Assets Reserve

This item consists of the following:

	December 31,					
	2012				2011	
	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
National Aluminum and Profiles Company **	669,525	72/14	482,976	186,549	482,976	186,549
	4,223,318		2,931,895	1,291,423	2,931,895	1,291,423

* Arab Palestinian Shopping Centers Company

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.

** National Aluminum and Profiles Company

During the year 2010, the General Assembly of the Company approved the revaluation of the plots 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. Sales Gross Income

This item consists of the following:

Company's Name	Sales	Inventory at the Beginning of the Year	Purchases	Cost of Production/ Operation	Inventory at the End of the Year	Cost of Sales	2012 Sales Gross Income	2011 Sales Gross Income
	USD	USD	USD	USD	USD	USD	USD	USD
Medical Supplies and Services Company	35,181,546	4,996,231	27,119,440	-	6,045,311	26,070,360	9,111,186	9,032,390
Unipal General Trading Company	218,384,315	8,787,425	210,544,734	-	15,291,924	204,040,235	14,344,080	15,373,735
National Aluminum and Profiles Company	20,042,107	3,095,562	13,356,181	5,068,434	4,467,492	17,052,685	2,989,422	2,635,423
Palestine Automobile Company	16,256,261	1,890,397	12,929,982	486,719	1,613,330	13,693,768	2,562,493	3,375,555
Siniora Food Industries Company	39,461,707	7,674,370	22,522,405	7,216,288	8,730,473	28,682,590	10,779,117	6,074,687
Arab Palestinian Shopping Centers Company	22,160,445	1,882,533	16,498,127	-	2,032,439	16,348,221	5,812,224	5,439,633
Central and West Africa for Commercial Agencies	9,713,990	2,500,137	6,765,348	-	1,827,995	7,437,490	2,276,500	1,747,796
Arab Palestinian Spare Parts and Vehicles Services Company	-	-	-	-	-	-	-	171,771
	361,200,371	**30,826,655**	**309,736,217**	**12,771,441**	**40,008,964**	**313,325,349**	**47,875,022**	**43,850,990**

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27. General and Administrative Expenses

This item consists of the following:

	2012	2011
	USD	USD
Salaries and wages	9,207,257	9,836,108
Bonuses and employees benefits	894,908	1,046,925
Provision for end-of-service Indemnity	981,296	1,038,724
Rents	1,345,673	1,515,949
Stationery and printing	231,326	225,758
Maintenance and cleaning	528,941	479,663
Communication	655,911	874,896
Entertainment	416,516	547,690
Donations	265,892	263,686
Transportation and travel expenses	896,260	847,140
Consultation, legal and professional expenses	944,117	1,092,329
Subscriptions, governmental expenses and fees	388,024	405,699
Board of Directors' expenses	196,481	143,734
Bank expenses	1,850	1,740
Insurance	575,638	586,521
Vehicles expenses	857,336	649,492
Water and electricity	1,065,410	1,018,996
Advertising & publications	48,673	130,414
Fixed assets depreciation	2,680,199	2,503,929
Provision for doubtful debts	747,706	723,137
Goods storage expenses	195,050	248,440
Provision for slow-moving inventory items	282,783	156,748
Training	132,918	115,288
Other	1,113,945	931,197
	24,654,110	**25,384,203**

28. Selling and Distribution Expenses

This item consists of the following:

	2012	2011
	USD	USD
Salaries and wages	4,056,011	4,280,721
Social security contributions	128,534	105,923
Advertising & publication	974,281	1,433,781
Sales bonuses and commissions	690,646	691,882
Cars and fuel expenses	1,861,105	1,910,692
Water and electricity	495,820	112,045
Communication	91,496	139,943
Insurance	251,431	208,786
Fixed assets depreciation	635,245	464,291
Maintenance	79,495	65,811
Marketing	473,318	537,061
Transportation	87,834	129,687
Export expenses	196,321	260,196
Provision for end-of-service indemnity	201,762	228,605
Showrooms	80,405	26,957
Governmental expenses	5,729	-
Portage expenses	572,203	526,978
Entertainment	827	944
Rent	109,590	110,123
Other	316,557	272,220
	11,308,610	**11,506,646**

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

This item consists of the following:

	2012	2011
	USD	USD
(Losses) of impairment of financial assets	(87,823)	-
Dividends income	437,500	416,665
	349,677	**416,665**

30. Other Expenses - Net

This item consists of the following:

	2012	2011
	USD	USD
Gains (losses) from sale of fixed assets	37,322	(15,080)
Currency exchange differences	(189,612)	80,667
Recovery from / Provision for contingent liabilities	181,575	(427,814)
Other (expenses) - net	(223,232)	(241,097)
	(193,947)	**(603,324)**

31. Income Tax – Subsidiary Companies

a- Deferred Tax Assets

This item consists of the following:

	2012					2011
	Beginning Balance	Released Amounts	Additions	Ending Balance	Deferred Tax	Deferred Tax
Accounts Included	USD	USD	USD	USD	USD	USD
Provision for doubtful debts	2,924,311	204,386	876,848	3,596,773	556,535	382,435
Provision for slow-moving inventory items	436,014	291,849	527,919	672,084	114,066	63,098
Provision for employees end-of-service indemnity	4,572,577	599,733	1,197,183	5,170,027	859,451	593,447
Prior years' losses	101,858	101,858	-	-	-	15,279
Lawsuits provision	13,258	-	-	13,258	1,856	1,856
Others	67,166	67,166	-	-	-	21,155
	8,115,184	**1,264,992**	**2,601,950**	**9,452,142**	**1,531,908**	**1,077,270**

- 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, Arab Palestinian Spare Parts and Vehicles Services 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:

	2012	2011
	USD	USD
Balance - beginning of the year	1,077,270	896,697
Additions	670,600	314,886
Disposals	215,962	134,313
Balance- End of the Year	**1,531,908**	**1,077,270**

b. Income Tax Provision

The movement on the income tax provision is as follows:

	2012	2011
	USD	USD
Balance - beginning of the year	2,379,035	2,454,983
Income tax paid	(2,683,716)	(1,988,392)
Accrued income tax	2,577,076	1,912,444
Balance – End of the Year	**2,272,395**	**2,379,035**

C. Income Tax expense

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

	2012	2011
	USD	USD
Accrued income tax for the year	2,577,076	1,912,444
Deferred tax assets for the year	(670,600)	(314,886)
Deferred tax assets amortized	215,962	134,313
	2,122,438	**1,731,871**

- The Arab Palestinian Investment Company (Holding Company) performed final tax settlement with the income tax department up to the year 2009 in Jordan and 2011 in Palestine.
- The following schedule shows the tax status of the subsidiary companies:

Company's Name	Final Settlement up to Year
Unipal General Trading Company	2011
Sky Advertising, Publication and Promotion Company	2010 Except 2005*
Medical Supplies and Services Company	2011
National Aluminum and Profiles Company	2011
Palestine Automobiles Company	2011
Arab Palestinian Storage Company	2005
Arab Palestinian Shopping Centers Company	2011
Siniora Food Industries Company (Jordan-Palestine)	2010 except 2007 and 2008 **-2009
Jericho Natural Mineral Water Factory Company	Tax exempted up till 2003
Arab Palestinian Spare Parts and vehicles services Company	Established in November,16 2008

* There's a claim from the income tax department for USD 248,518 relating to the year 2005. This claim was appealed and the case is still being looked at by the court. In the opinion of the legal advisor and the company's management, it's difficult to predict the verdict of this case at this stage hence no need to book a provision at this stage.

** These are claims from the income and Sales Tax Department for JD 728,800 relating to prior years 2007 and 2008. These claims have been appealed and are still being looked at in the court of appeal and the court of first instance of the income tax. In the opinion of both management and its tax advisor, the provisions are sufficient to settle any liabilities that may arise from these claims.

In the management's opinion, the provisions booked as of December 31, 2012 are sufficient to settle the tax liabilities.

32. Contingent Liabilities

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

	December 31,	
	2012	2011
	USD	USD
Letters of credit	4,212,428	4,654,968
Bank guarantees	11,727,597	14,380,285
Outstanding bills	1,587,140	1,047,365
Bills of collection	1,319,350	-
Contractual liabilities – projects under construction and others	-	1,483,524

33. Segmental Analysis

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

	Industrial	Trade	Service	Other	Total 2012	Total 2011
	USD	USD	USD	USD	USD	USD
Total revenues	94,685,360	266,515,011	7,594,535	395,125	369,190,031	390,912,822
Less: Cost of sales and services	71,805,635	241,519,714	5,884,399	-	319,209,748	344,806,779
Gross Profit	**22,879,725**	**24,995,297**	**1,710,136**	**395,125**	**49,980,283**	**46,106,043**
Expenses allocated to sectors	12,561,107	24,107,354	614,245	-	**37,282,706**	**38,295,963**
Less: Expenses not allocated to sectors	-	-	-	4,098,647	**4,098,647**	**4,095,028**
Income before Tax	10,318,618	887,943	1,095,891	(3,703,522)	**8,598,930**	**3,715,052**
Less: Income tax	316,636	1,620,380	135,422	50,000	2,122,438	1,731,871
Income for the Year	10,001,982	(732,437)	960,469	(3,753,522)	**6,476,492**	**1,983,181**
Other information					**2012**	**2011**
Sector's assets	75,496,346	4,251,063	118,788,402	-	198,535,811	186,280,425
Assets not allocated to sectors	-	-	-	16,283,538	16,283,538	11,804,319
	75,496,346	**4,251,063**	**118,788,402**	**16,283,538**	**214,819,349**	**198,084,744**
Sector's liabilities	38,096,780	1,978,886	69,611,252	-	109,686,918	111,185,747
Liabilities not allocated to sectors	-	-	-	21,810,555	21,810,555	10,309,765
	38,096,780	**1,978,886**	**69,611,252**	**21,810,555**	**131,497,473**	**121,495,512**

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, 2012		December 31, 2012	
		Revenues	Expenses	Assets	Liabilities
		USD	USD	USD	USD
Siniora Food Industries Company	Jordan	22,541,910	20,348,937	30,658,538	8,724,152
Central and West Africa for Commercial Agency Companies	Cameron	9,713,990	11,229,851	6,540,834	5,290,341

Company Name	Geographical Location	For the Year Ended December 31, 2011		December 31, 2011	
		Revenues	Expenses	Assets	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

34. Lawsuits

a. Siniora Food Industries Company

There are lawsuits raised against Siniora Food Industries Company with no identified amount. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

b. Arab Palestinian Shopping Centers Company

There is a lawsuits against Arab Palestinian Shopping Centers Company in the amount of JD 61,008, 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 a 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.

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, 2012	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets:				
Financial assets at fair value through the statement of income	36,227	-	-	36,227
Available-for-sale financial Assets	5,008,265	4,509,647	-	9,517,912
	5,044,492	**4,509,647**	**-**	**9,554,139**

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**

36. Related Parties Balances and Transactions

a. Below are the details of the related parties balances and transactions:

Due from related parties	December 31, 2012 USD	December 31, 2011 USD
Aqqad Investment Company – major Shareholder	590,449	263,034
Ultimate Advanced Turnkey Solutions – associate company	-	271
Related parties receivables for subsidiary companies	345,041	-
	935,490	**263,305**

Due to related parties	December 31, 2012 USD	December 31, 2011 USD
Executive management payables	74,517	-
Shareholders' payables – subsidiary Companies	2,392,480	3,609,109
	2,466,997	**3,609,109**

Transactions

Year 2012	Nature of Transaction	Amount USD
Al-Aqqad Investment Company – Major Shareholder	Travel and insurance expenses paid on behalf of the Company	302,583

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

b. The salaries, bonuses and other benefits of the executive management of the holding company and its subsidiaries amounted to USD 2,974,373 for the year 2012 (USD 2,709,145 for the year 2011).

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.

The following table shows the ratio of liabilities to equity as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
	USD	USD
Due to banks	33,827,167	26,740,749
Accounts payable	24,314,748	22,801,531
Short – term notes payable	2,140	38,037
Due to related parties	2,466,997	3,609,109
Post dated checks	5,238,861	4,998,114
Short – term loans installments	17,112,062	20,975,278
Other credit balances	8,749,972	10,077,369
Tax provision	2,272,395	2,379,035
Total Current Liabilities	93,984,342	91,619,222
Provision for end-of-service indemnity	6,172,325	5,290,604
Long-term Bonds	20,000,000	-
Long-term loans installments	11,178,806	24,585,686
Total Liabilities	131,335,473	121,495,512
Total Owners' Equity	83,483,876	76,589,232
Ratio of Debt to Owners' Equity	157%	159%

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,	
	2012	2011	2012	2011
	USD	USD	USD	USD
Jordanian Dinar	48,807,902	49,583,655	16,993,114	12,432,116
Sheikel	37,787,755	44,946,990	32,057,061	37,792,367
Euro	283,602	535,188	2,529,772	1,172,127
Central Africa Frank	4,481,901	3,848,389	308,559	1,764,939
Saudi Riyal	1,831,506	433,346	178,556	37,647

The sensitivity analysis of the accounts exposed to foreign currency exchange risk according to currency for the years 2012 and 2011 that impacts the statement of income and owners' equity is as follows:

	+1%		-1%	
	2012	2011	2012	2011
	USD	USD	USD	USD
Asset				
Sheikel	377,878	449,469	(377,878)	(449,469)
Euro	2,836	5,351	(2,836)	(5,351)
Central Africa Frank	44,819	38,483	(44,819)	(38,483)
Saudi Riyal	18,315	-	(18,315)	-
Liabilities				
Sheikel	(320,571)	(377,923)	320,571	377,923
Euro	(25,298)	(11,721)	25,298	11,721
Central Africa Frank	(3,086)	(17,649)	3,086	17,649
Saudi Riyal	(1,786)	-	1,786	-

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

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%	
	2012	2011	2012	2011
	USD	USD	USD	USD
Statement of income	(709,392)	(723,017)	709,392	723,017

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, 2012		
	Change in Indicator	Effect on Statement of Income	Effect on Equity
Indicator	USD	USD	USD
Palestinian Stock Market	- + 5%	- + 1,807	- + 250,413

	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

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,	
	2012	2011
	USD	USD
Income for the year	4,094,654	1,996,696
	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	0/82	0/04

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