# Annual Report 2016


APIC أيبك

APIC أيبك

## Over Twenty Years of Excellence

The Arab Palestinian Investment Company (APIC) has seen remarkable growth and has successfully built its position in Palestine and beyond through effective administrative and financial systems, as well as constant investment in human resources.

APIC's work mechanisms, which are based on accumulated experiences and a thorough understanding of markets and economic realities, have consistently generated significant financial revenue and delivered substantial value for APIC, its subsidiaries, shareholders and the communities in which it operates.

### Trade and Distribution

UNIPAL يونيبال

Palestine Automobile Company
الشركة الفلسطينية للسيارات

Medical Supplies and Services Company
شركة التوريدات والخدمات الطبية

bravo برافو

### Manufacturing

siniora سنيورة

NAPCO نابكو
Aluminum of Palestine

### Services

Arab Leasing Company
الشركة العربية للتأجير التمويلي

Sky
Advertising • Public Relations • Events

### Other Investments

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

بنك فلسطين
BANK OF PALESTINE

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

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Follow us

# Subsidiaries

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www.pac.ps

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www.unipalgt.com

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Fax: +970 2 242 8582
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**Sky Advertising, Public Relations and Event Management Company**
www.sky.ps

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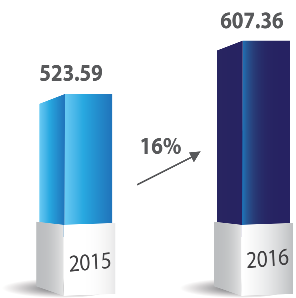
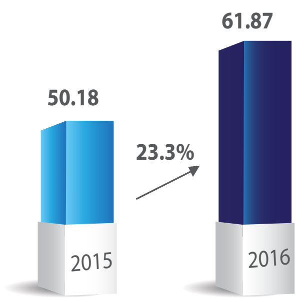
Fax: +970 2 298 6879
E-mail: info@sky-adv.com

# Financial Highlights 2016

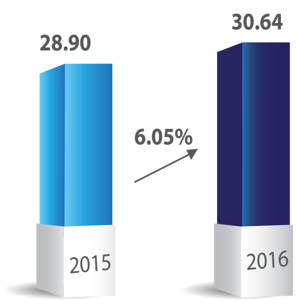
Revenues
(USD million)



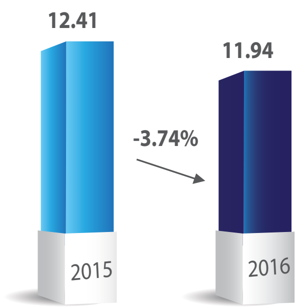

Expenses
(USD million)



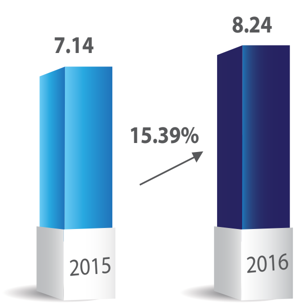

EBITDA
(USD million)



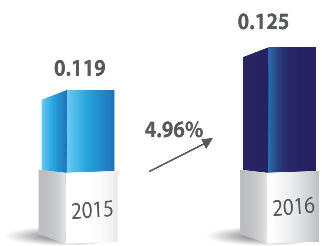

Net Profit After Tax
(USD million)




Net Profits Attributed to APIC Shareholders
(USD million)




Earnings Per Share
(USD)



# Chairman’s Statement

Dear Shareholders,

In 2016, the APIC group witnessed significant developments on both operational and financial levels, and achieved total revenues of USD607.4 million, a growth of 16% compared to 2015. Net profit after tax amounted to USD11.94 million, a slight drop of 3.7% compared to 2015, while net profit attributed to APIC shareholders grew by 15.4% and amounted to USD8.24 million in 2016.

This year, APIC increased its paid-up capital to USD66 million by distributing six million bonus shares to its shareholders (10% at par), and distributed USD3 million in cash dividends (5% at par). Accordingly, total dividend payout in 2016 amounted to 15%. By December 31, 2016, net equity attributed to APIC shareholders amounted to USD85.9 million, an increase of 5.3% over 2015 closing.

APIC's shares attracted numerous shareholders in 2016, and ranked amongst the top performing listed companies on the Palestine Exchange; share price surged by 70% by 2016’s closing, compared to the same period in 2015, and closed at USD1.90. This positively increased the company’s liquidity and turnover ratio, which was 55%.

Despite the constant economic and political challenges in Palestine and the region, APIC’s subsidiaries realized numerous achievements. Most noteworthy was the acquisition of the Diamond Meat Processing Company by Siniora Food Industries in a deal worth USD17 million, with Siniora's share amounting to USD12 million or 70%. This acquisition comes in line with APIC's expansion and development strategy to target new markets, and is expected to increase Siniora's share in regional markets and, more specifically, in the Gulf. Siniora also launched a new line of frozen meat products at its factory in Jordan, which includes a line-up of more than 35 products, while new frozen products were also launched in Jordanian and Saudi markets. Accordingly, Siniora's revenues amounted to USD67.4 million in 2016, an increase of 14.3% compared to 2015. Export sales represented 35% of Siniora’s net sales outside the Jordanian and Palestinian markets. However, Siniora's net profit dropped in 2016 compared to 2015 due to one-time extraordinary additional expenses for new investments and products which affected the results by some USD2.8 million. Naturally, we look forward to achieving good returns from these investments in the near future.

Unipal General Trading Company obtained exclusive distribution rights for Ferrero in Palestine. Ferrero is an Italian corporation that produces fine chocolate brands such as Nutella, Ferrero Rocher and Kinder. Unipal’s acquisition of the Ferrero brand confirms its leading position in the trading and marketing of consumer goods in Palestine. In 2016, Unipal achieved a new sales record of USD404 million, marking a 12% growth in revenues and 24% growth in profit over 2015. In 2016, APIC increased its shareholding ownership percentage to 93.4% in Unipal, an investment feat that will boost APIC returns.

National Aluminum and Profiles Company (NAPCO) attained record net profit of USD451,000, four times the amount achieved in 2015, which was USD103,000. This was a particularly favorable achievement as NAPCO faced serious challenges last year, due largely to the sharp drop in aluminum metal exchange in the first quarter of 2016. NAPCO revenues grew by 5% in 2016 compared to 2015, amounting to 5,000 tons. Export sales to the Jordanian market also grew by 45% in 2016, compared to 2015, confirming NAPCO's steady performance in realizing a substantial market share in the Jordanian market.

With the construction of its new Hyundai headquarters in Ramallah completed at a cost of USD4 million, Palestine Automobile Company (PAC) expanded its business with a focus on after-sale services. This center now boasts a state-of-the-art service center, a large spare parts division and a brand-new body/ paint workshop. The center will be the base for the future success of Hyundai in Palestine, and will offer customers the ideal conditions to service their vehicles, particularly with new motoring technology in the pipeline, such as hybrid and electric vehicles.

Early in 2016, Arab Palestinian Shopping Centers (Bravo) launched its new shopping center in Beit Wazan, Nablus, to augment its share in the Palestinian market. The new shopping center is the largest in Palestine, with a total retail area of 2,300 square meters built over a 10,000-square-meter plot, employing over 100 staff members. Unfortunately, Bravo's new investment did not pay off as expected and the company recorded a net loss of around USD1 million in 2016, despite growth in revenues by 13.6% compared to 2015. Accordingly, the company's management is exploring a restructuring of operations via a two-pronged approach: the first relates to supermarket operations as well as bringing in new investors; while the second is commercial-based, through the management and lease of its properties.

APIC's corporate social responsibility policy in recent years has focused on medium- to long-term strategic partnerships with vital institutions working in core sectors in the Palestinian society, namely education, health, youth, culture, as well as philanthropy. In 2016, APIC signed various agreements and undertook activities, both material and ethical, with total CSR investments in 2016 by APIC and its subsidiaries reached approximately USD830,000.

While we always aspire for more and strive to achieve higher performance levels, the overall achievements of APIC are worthy of praise, and I am grateful to our 1,600 employees who have worked tirelessly towards achieving our company's goals. I thank them and call upon them to continue on their resolute path to achieving the targets set for 2017.

Finally, and on behalf of my colleagues on the APIC Board of Directors and myself, I convey my gratitude to you, our shareholders, for your trust and continued support of this company.

Kindest regards,
Tarek Omar Aggad

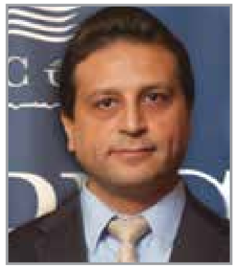
# Board of Directors

APIC’s Board of Directors as at December 31, 2016 are:

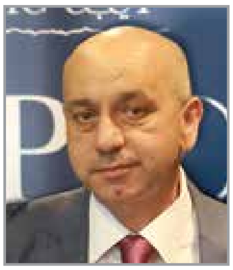
Mr. Tarek Omar Aggad
Chairman

Mr. Khaled Osaily
Vice Chairman

Dr. Mohammad Mustafa
Member - Representing
Palestine Investment Fund



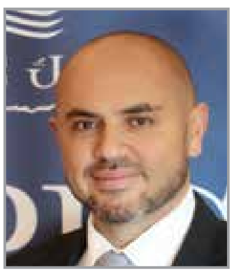
Dr. Durgham Maree
Member - Representing
Palestine Investment Fund



Mr. Tarek Shakaa
Member - Representing
Al-Said LTD

Mr. Bassam Aburdene
Member - Representing the
Al-Huda Holding Company

Mr. Fuad Kattan
Member



Mr. Tareq Abbas
Member

Dr. Mazen Hassounah
Member

Mr. Nashat Masri
Member

# About APIC

## Milestones

| | | |
|---|---|---|
| TODAY | • Public shareholding listed and traded on Palestine Exchange (PEX: APIC)<br>• Paid up capital of USD66 million<br>• Total revenues in 2016 amounted to USD607.4 million<br>• 1600 employees in Palestine, Jordan, Saudi Arabia and the United Arab Emirates | Growth |
| 2014 | • Listed its shares on Palestine Exchange (PEX) on March 2, 2014 (PEX: APIC)<br>• Established Arab Leasing Company, Palestine | Milestones |
| 2013 | • Transformed into a public shareholding company | |
| 2000 | • Established Arab Palestinian Shopping Centers Company, Palestine<br>• Acquired Sky Advertising, Public Relations and Event Management Company, Palestine | |
| 1998 | • Acquired Unipal General Trading Company, Palestine<br>• Acquired Palestine Automobile Company, Palestine<br>• Acquired Medical Supplies and Services Company, Palestine | Business Inauguration |
| 1996 | • Acquired Siniora Food Industries Company, Palestine and Jordan<br>• Registered in Palestine as a foreign private shareholding company | |
| 1995 | • Acquired National Aluminum and Profiles Company, Palestine | |
| 1994 | • Established and registered in BVI as a private investment holding company with a capital of USD70 million | |

## Total Revenues 2012-2016

## Establishment

The Arab Palestinian Investment Company (APIC) was founded by a number of Arab businessmen for the purpose of channeling funds and investments to Palestine, paving the way to greater development and creating new jobs in the country.
The company was established and registered on September 20, 1994, in the British Virgin Islands (BVI registration number 128626). On May 8, 1996, APIC was registered with the Ministry of National Economy in Palestine as a foreign private shareholding company (registration number 563600634).
APIC was transformed into a foreign public shareholding company on December 23, 2013 (registration number 562801563). On March 2, 2014, APIC listed its shares on the Palestine Exchange (PEX: APIC).
The company's authorized capital is USD70 million divided into 70 million shares (USD1.00 per share); while its paid-up capital is USD66 million as of December 31, 2016.

## Vision

To provide superior products and services of quality and value, leaving a positive and lasting impact on 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 resources, talent and economic development through:

- The provision of superior quality products and services.
- The employment of capable and experienced personnel, ensuring that they are equipped with opportunities for growth and improvement.
- The continuous application of efficient work systems to all aspects of the business cycle.
- The maintenance of a solid financial base that drives further growth.
- Partnering with key stakeholders in the region to effect real change in the Palestinian community.

## Objectives and Activities

As an investment holding company, APIC investments are diverse, spanning across the manufacturing, trade, distribution and service sectors, with a presence in Palestine, Jordan, Saudi Arabia and the United Arab Emirates through its nine subsidiaries, which include National Aluminum and Profiles Company (NAPCO); Siniora Food Industries Company; Unipal General Trading Company; Palestine Automobile Company; Medical Supplies and Services Company; Arab Palestinian Shopping Centers (BRAVO); Sky Advertising, Public Relations and Event Management Company; Arab Leasing Company; and the Arab Palestinian Storage and Cooling Company.
Subsidiaries of APIC offer a wide array of products and services through distribution rights agreements with multinational companies that include Philip Morris, Procter & Gamble, Kellogg's, XL Energy Drink, Ferrero, Hyundai, Chrysler, Dodge, Jeep, Alfa Romeo, Fiat, Fiat Professional, Abbott, B. Braun, Eli Lilly, GlaxoSmithKline, Sanofi Aventis, GE Healthcare and Nivea, among many others.
APIC is also one of the founding shareholders of Palestine Electric Company Holding and Palestine Power Generating Company and has a stake in Bank of Palestine.

## Corporate Culture

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

### Values

APIC's cultural values rest on the belief that all employees are equally important, differing only in their level of responsibilities, efficiency and commitment. The company values and rewards those with leadership, self-motivation and innovation.

### Structure

The foundation of APIC is built on its people, and to empower them is a strategic 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.

### 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.

### People

APIC's cumulative efficiency and knowledge lies within 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 five categories:

- **The Power of People:** Leadership and teamwork
- **The Power of Innovation:** Creativity, thinking and problem solving
- **Customer Service:** Facilitate and accelerate services
- **Driving Growth**
- **Safety and Quality**

## Executive Management

APIC's executive management team as at December 31, 2016 are:

Mr. Tarek Omar Aggad
Chief Executive Officer

Mr. Ali Aggad
Group Chief Operating Officer

Mr. Tareq Abbas
VP - Corporate Affairs

Mr. Nader Hawari
VP - Business Development

Mr. Ahmad Judeh
Chief Investment Officer

Mr. Khaled Baradei
Chief Financial Officer

Mr. Murad Khatib
Internal Financial Auditor

Mrs. Fida Musleh/Azar
Investor Relations and Corporate Communication Manager

## Corporate Governance

APIC and its subsidiaries operate within systems of governance that regulate management and operations at all levels. Members of the board are elected by the company's general assembly every four years. The board exercises its mandate based on the company's constitutional articles, which encompass the organizational structure and stipulate the powers delegated to the management, including those of the CEO.

For the purpose of creating sustainable governance policies, APIC has a specialized Internal Control Department with complete operational systems. Written policies and procedures are created for all administrative, financial and operational departments across APIC subsidiaries. The policies and procedures of each subsidiary are submitted to the board for approval and application. Additionally, at each board meeting, the APIC internal control manager presents routine updates of the internal audit findings for all subsidiaries.

Independent internal auditing for APIC and its subsidiaries is undertaken by Ernst & Young.

Since its listing, APIC has been committed to the Palestine Exchange's listing, trading and disclosure regulations.

## Legal Advisor

### A. F. & R Shehadeh - Law Firm

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## Global Partners

# Shareholders

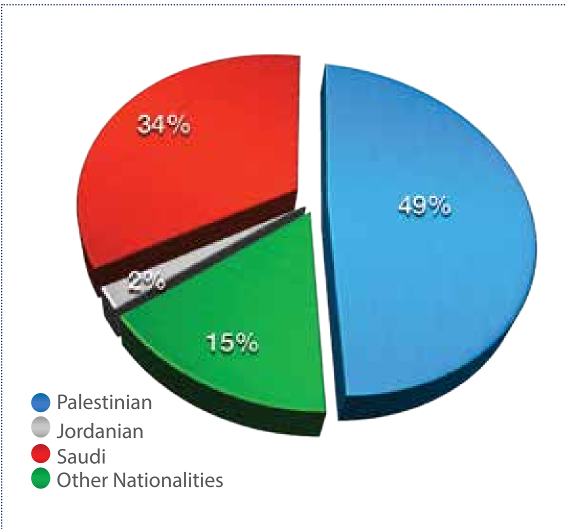
## Shareholder Structure

By the end of 2016, APIC had 542 shareholders comprising both individuals and institutions of various nationalities. Shareholders holding more than 5% of the capital represented 45.47%, while the remaining shareholders represented 54.53%.

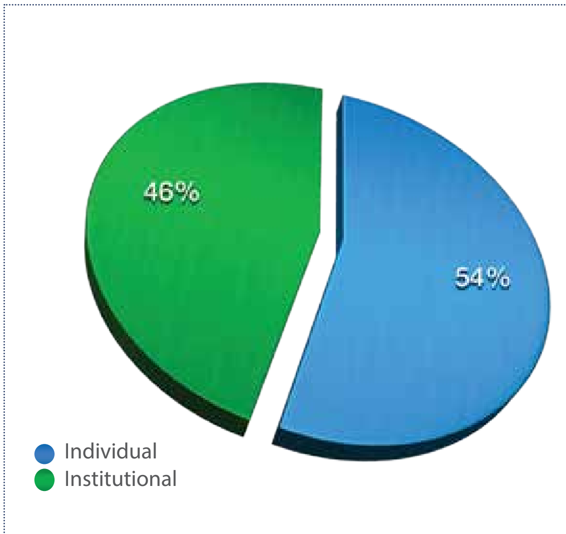
The following table illustrates the shareholders who directly and indirectly own more than 5% of the company's capital:

| Shareholder | Ownership % as at December 31, 2016 |
|---|---|
| Tarek Omar Aggad and related parties | 28% |
| Palestine Investment Fund and related parties | 17.47% |

Distribution of ownership between individual and institutional shareholders at the end of 2016:

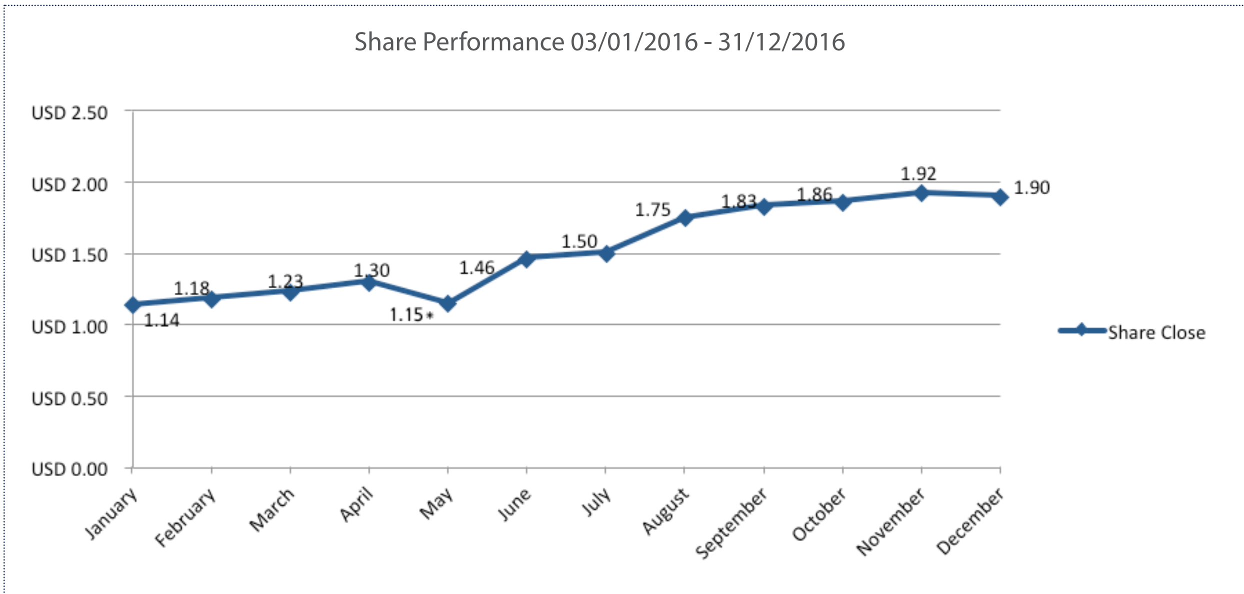



Distribution of shareholders' ownership by nationality at the end of 2016



## Share Performance

| APIC's share performance | 2016 | 2015 | % change |
|---|---|---|---|
| Trading volume | 36,385,481 | 13,563,353 | 168.3% |
| Trading value (USD) | 55,426,393 | 14,495,621 | 282.4% |
| Number of transactions | 4,556 | 1,815 | 151% |
| Number of trading days | 231 | 214 | 7.9% |
| Share close as at December 31 (USD) | 1.90 | 1.12 | 69.6% |
| Number of shareholders | 542 | 477 | 13.6% |
| Free float percentage as at December 31 | 52.72% | 46.35% | 13.7% |
| Market capitalization as at December 31 (USD) | 125,400,000 | 67,200,000 | 86.6% |




* Stock price was adjusted in May 2016 by the stock dividend payout ratio of 10%

| High: USD1.94 | Low: USD1.11 | Turnover ratio: 55% |
|---|---|---|

## Key Ratios (As at December 31, 2016)

| | |
|---|---|
| Earnings per Share (EPS) | 0.125 |
| P/E Ratio | 15.20x |
| P/B Ratio | 1.46x |

## Key Decisions of the General Assembly

- The general assembly ratified a dividend distribution of 15% in its regular meeting on May 18, 2016, for registered shareholders as at May 17, 2016 as per the following:
  - 10% bonus shares amounting to six million shares.
  - 5% cash dividend amounting to USD3 million.

- The general assembly ratified the issuance of USD35 million dollars in corporate bonds at its extraordinary meeting on December 8, 2016, pursuant to the following terms:
  - Bonds are not convertible into shares and not listed or traded on any stock exchange.
  - Bonds are based on a five-year term and bullet repayment.
  - Bonds are to be issued via a private offering in accordance with Securities Issuance Regulations issued in Palestine on September 22, 2008, by the board of directors of Palestine Capital Market Authority and in accordance with Article (23) of the Securities Law Number (12) of 2004.
  - The issuance proceeds will be utilized and used as follows:
    - » Repayment of the existing bonds, amounting to USD20 million that mature on January 31, 2017.
    - » Settlement of existing term loans, amounting to USD7.95 million.
    - » USD1 million will be allocated to raise the registered share capital of APIC's subsidiary Arab Leasing Company.
    - » The remaining balance of USD6.05 million will be utilized to finance general investments of the company, in addition to other general corporate uses.

## Communication with Shareholders

APIC maintains constant communication channels with its shareholders by distributing regular news and updates, periodical investor briefs, financial disclosures and annual reports. APIC communicates directly with its shareholders by emails, via its website and social media channels.

Furthermore, APIC launched a specialized Investor Relations section on its website (www.apic.ps) that provides shareholders and investors with all necessary information including:

- **APIC Share:** Share data and performance both current and historical
- **Financial Data:** Periodic financial statements and annual reports
- **Investor Brief:** Periodic publications that highlights APIC's share and financial performance, as well as other major business developments
- **General Assembly:** GA information, invitations, meeting minutes and approved dividend distribution.
- **IR Contact Information**

## Dividend Policy

There is no written policy dedicated for dividend distribution at APIC. The following table shows dividend distribution for the past three years:

| Fiscal Year | General Assembly Resolution Date | Dividend Type | Cash (USD) | Numbers of distributed bonus shares |
|---|---|---|---|---|
| 2015 | 18/05/2016 | Cash and Bonus Shares | 3,000,000 (5% of paid-up capital) | 6,000,000 shares (10% of paid-up capital) |
| 2014 | 29/04/2015 | Cash | 4,500,000 (7.5% of paid-up capital) | |
| 2013 | 29/04/2014 | Bonus Shares | | 9,990,602 shares (19.98% of paid-up capital) |

## Board Remuneration

The board remuneration policy stipulates that each board member receives the amount of USD25,000 as annual compensation. The total board remuneration in 2016 amounted to USD250,000.

## Executive Management Remuneration

The executive management's total benefits in 2016 amounted to USD1,363,545 as per the following:

- Salaries: USD849,380
- Bonuses: USD514,165

# APIC Investments

## Competitive Position

It is difficult to determine the overall competitive position of APIC given the diversity of its investments as well as the diversity of the sectors and markets in which it operations. However, the quality of its products and services both locally and regionally through its subsidiaries have led to APIC's strong competitive position and leading market share.

## Subsidiaries

| Company | Ownership % as at December 31, 2016 | Country of Registration | Country of Operations | Main Activities and Operations |
|---|---|---|---|---|
| **Manufacturing Sector** | | | | |
| National Aluminum and Profiles Company PLC | 70.96% | Palestine | Palestine, Jordan | Manufacturing of aluminum and profiles |
| Siniora Food Industries Company PLC | 61.18% | Jordan | Jordan, Palestine, Saudi Arabia, UAE | Manufacturing of cold cuts, luncheon canned meat and frozen meat |
| **Trade and Distribution Sector** | | | | |
| Unipal General Trading Company PSC | 93.4% | Palestine | Palestine | Distribution of consumer products |
| Palestine Automobile Company PSC | 100% | Palestine | Palestine | Distribution of cars and after sales service |
| Medical Supplies and Services Company PSC | 50% | Palestine | Palestine | Distribution of medical supplies and equipment and healthcare products. |
| Arab Palestinian Shopping Centers Company PLC | 88.54% | Palestine | Palestine | Shopping |
| **Services Sector** | | | | |
| Sky Advertising, Public Relations and Event Management PSC | 100% | Palestine | Palestine | Advertising, public relations and event management |
| Arab Leasing Company PSC | 100% | Palestine | Palestine | Leasing of vehicles and equipment |
| Arab Palestinian Storage and Cooling Company PSC | 68.47%* | Palestine | Palestine | Storage and cooling |

* This percentage represents APIC's direct ownership of 31.1% in addition to its indirect ownership of 37.37% through its subsidiary Unipal


# About APIC Subsidiaries

# Manufacturing Sector

## National Aluminum and Profiles Company (NAPCO)

## “The first and only aluminum profiles manufacturer in Palestine”

Founded in 1991, and acquired by APIC in 1995, NAPCO is the first and only aluminum profiles manufacturer in Palestine.

Located in the West Bank city of Nablus and originally launched to serve the basic needs of Palestinian residents, NAPCO's state-of-the-art 28,000-square-meter plant has an annual production capacity of over 7,000 tons of high quality products that comply with international standards and specifications.

NAPCO's innovative and enduring product solutions are exported to neighboring countries, and the company's profile systems serve numerous architectural and industrial branches. The company is accredited by both the Palestine Standards Institution and Lloyd's Register Quality Assurance Limited (OHSAS 18001:2007).

NAPCO has a subsidiary in Jordan in order to seize opportunities in the Jordanian market, as well as make Jordan a foothold for expansion in neighboring Arab markets.

NAPCO is a public shareholding company and is listed on the Palestine Exchange since November 2011 (PEX: NAPCO).

# Manufacturing Sector

## Siniora Food Industries Company

## “The leader in meat manufacturing sector in the region”

Siniora Food Industries is a market leader in the manufacture and sale of branded Siniora Al-Quds and Unium processed meat.

The company was founded in Jerusalem, Palestine, in 1920, established its factory in Jordan in 1992, and was acquired by APIC in Palestine and Jordan in 1996. Siniora acquired Diamond Meat Processing Company in Dubai in 2016.

Siniora Food Industries produces cold cuts and canned luncheon meat from three state-of-the-art processing plants built using the latest technologies, one located in East Jerusalem, Palestine, the second located in King Abdullah II Industrial Estate in Jordan and the third in United Arab Emirates. In 2015, Siniora Jordan established a factory for its new line of frozen meats.

Siniora Food Industries has been awarded the Food Safety System Certificate (FSSC 22000) and ISO 9001 certifications for quality and food control safety, in addition to the Palestinian Standard Certificate in Palestine and Halal Certificate issued by Jordanian Standards. Siniora factories in Jordan and Palestine have been maintaining the international certifications for Occupational Health and Safety Management Systems OHSAS 18001:2007 and Environmental Management Systems ISO14001:2004 since 2014.

The company markets its products through mass merchandisers, grocery stores, high-frequency stores and department stores in Jordan, Palestine, Saudi Arabia and the United Arab Emirates as well as in ten other countries in the Middle East. Siniora also has distribution centers in Saudi Arabia, the United Arab Emirates and a dedicated export department covering the Gulf and the Levant.

Siniora is a public shareholding company listed on the Amman Stock Exchange since January 2012 (ASE: SNRA).



# Trade and Distribution Sector

## Unipal General Trading Company

## “The leading fast-moving consumer goods (FMCG) distributer in Palestine”

Founded in 1994 as a private shareholding company and acquired by APIC in 1998, Unipal General Trading Company is by far the leading fast-moving consumer goods (FMCG) distributor in Palestine. The company possesses and services sole distribution rights for major multinationals such as Philip Morris International, Procter & Gamble, Kellogg's, Heinz, XL Energy Drink, Ferrero, Americana, as well as Siniora and other well-known international brands.

The company's highly efficient distribution system delivers leading quality products that fulfill the Palestinian consumer's needs. 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. Moreover, Unipal owns a state-of-the art storage centers with a capacity of 8,100 pallets.

# Trade and Distribution Sector

Palestine Automobile Company
الشركة الفلسطينية للسيارات

## Palestine Automobile Company

## “Excellence in after-sale services via state-of-the-art service centers”

Founded in 1996 as a private shareholding company, and acquired by APIC in 1998, Palestine Automobile Company (PAC) is the sole distributor for the Hyundai Motor Company’s entire line-up of passenger cars, trucks and vans, in addition to Fiat Chrysler Automobiles vehicles, which include the Fiat, Fiat Professional, Alfa Romeo, Chrysler, Jeep, Dodge and Ram brands.

PAC’s guiding principle is to provide its customers with top-notch services, achieved through its large state-of-the-art service and parts facilities, staffing them with qualified engineers and technicians in order to guarantee customer satisfaction and increased sales. PAC owns and operates four sales showrooms, three service centers and three spare parts warehouses in major Palestinian cities, along with its network of authorized dealers across Palestine.


# Trade and Distribution Sector

## Medical Supplies and Services Company

## “The exclusive distributor of various pharmaceuticals, healthcare products and medical equipment”

Founded in 1994 as a private shareholding company, and acquired by APIC in 1998, Medical Supplies and Services Company (MSS) has consistently maintained its position as one of the top Palestinian companies in its field.

As the most diversified healthcare product 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 GlaxoSmithKline, Sanofi-Aventis, Merck Sharp & Dohme, Abbott International, GE Healthcare, Eli Lilly, Beiersdorf (Nivea), Janssen, Abbott Diabetes Care, Hitachi, Nihon Kohden, B. Braun, Abbott Vascular, Abbott Diagnostics and Trisa.

# Trade and Distribution Sector

## Arab Palestinian Shopping Centers Company (Bravo)

## The largest modern shopping and entertainment destinations in Palestine

The Arab Palestinian Shopping Centers Company offers the first and largest modern shopping and entertainment destinations in Palestine, Bravo Supermarkets.

The company has grown to become the nationwide leader in the retail industry, with six Bravo supermarkets in three major West Bank cities, three of which are in Ramallah and Al-Bireh, two in Nablus and one in Hebron.

The main Bravo Shopping Centers in Al-Bireh and Nablus include various restaurants, a children's indoor play area as well as retail shops, among other services.

## Sky Advertising Public Relations and Event Management Company

## A pioneer in advertising, public relations and event management

Founded in 1996 as a private shareholding company, and acquired by APIC in 2000, Sky is recognized as a pioneer in the fields of advertising, public relations and event management in Palestine, offering a full range of customized promotional services designed to maximize client profiles in competitive markets.

Aiming to enhance the role of its clients in the market, the company employs staff specialized in various essential creative areas that include graphic design and printing, public relations, event management, promotion, media, outdoor advertising and digital communications.

## Arab Leasing Company

## “Developing innovative solutions in the field of financial leasing”

Established by APIC in 2014, as a private shareholding company, Arab Leasing Company’s (ALC) operations are in the field of leasing of Hyundai, Jeep, Fiat, Dodge and Chrysler vehicles. ALC aims to expand its services in the future to include financial leasing of equipment and machines, as well as the development of innovative solutions in the field of financial leasing. Moreover, ALC seeks to maintain a leading position in the leasing sector and excellence in customer service.


## Other Investments as at December 31, 2016

| Company Name | Security Type | Number of Shares | Ownership % |
|---|---|---|---|
| Palestine Electric Company Holding* | Shares | 1,827,275 | 9.09% |
| Palestine Power Generating Company | Shares | 600,000 | 4.00% |
| Bank of Palestine | Shares | 4,436,035 | 2.27% |

*Unipal owns the same number of shares in Palestine Electric Company Holding

## Future Objectives

APIC aims to sustain the performance, success and competitive position it has acquired. In addition, APIC seeks to reinforce its expansion and development policy by targeting new markets and sectors, as well as upgrading the products and services of its subsidiaries. APIC consistently pursues steady annual growth while maintaining its focus on its core values and principles




# Corporate Social Responsibility

# “USD830,000 Invested in Social Responsibility in 2016”

Since its establishment, APIC has had an effective social role in the communities within which it operates. APIC’s company-wide strategic social responsibility vision lies in its support to and investment in the education and health sectors, entrepreneurial projects, youth as well as through its support of social, charitable, humanitarian and cultural institutions.

Over the past few years, APIC’s policy has focused on forming medium- and long-term strategic partnerships with institutions that play an active role in the Palestinian society, assisting them in fulfilling their missions. In 2016, the amount of USD830,000 was invested in social responsibility by APIC and its group of subsidiaries.

## SOS Children's Villages in Palestine

SOS CHILDREN'S VILLAGES PALESTINE

APIC has regularly supported SOS Children's Villages in Palestine, helping the institution fulfil its humanitarian mission of providing quality education as well as stable, secure and loving care to children who have lost parental and community care. In 2016, APIC allocated funding for a family of eight children in Bethlehem's SOS Children's Villages to cover three consecutive years, through 2018. Also in 2016, and for three consecutive years, APIC dedicated a fund for the **Education for a Better Future** program, which will enable the Palestinian children of the SOS Children's Villages to receive good quality education at the schools they attend.

APIC's social and humanitarian commitment extends to providing moral support as well. It was in this spirit that APIC sponsored a fun-filled Ramadan iftar for the children, mothers and administrators of the SOS Children's Village in Bethlehem. The evening included recreational activities as well as the distribution of gifts to the children.

APIC also celebrated the new year with the family it sponsors, presenting the children with gifts on this occasion.

SOS Children's Villages International works in over 134 countries worldwide, providing loving homes and families to children who have lost their parents or who face the risk of losing parental care. It also supports families going through challenging living conditions by providing care, education and health services.

## Star Mountain Rehabilitation Center

APIC announced its three-year strategic support for Star Mountain Rehabilitation Center, which will assist the organization in fulfilling its mission of providing rehabilitation to persons with intellectual disabilities, providing them with training and other opportunities needed in order to be contributing members of society. APIC's contribution to organizations that provide skills training to persons with intellectual disabilities reflects the company's strong belief in equal opportunities, respect for others and the importance of human rights.

Star Mountain Rehabilitation Center in Palestine is an organization that contributes to the securing of a dignified life for persons with intellectual disabilities by providing rehabilitation and training, integration and inclusion as well as awareness building and community mobilization through love, dignity, justice and equality. The center's four programs include an inclusive kindergarten, a school curriculum, vocational training and community work. Additionally, Star Mountain offers specialized programs for physiotherapy, speech therapy, art and physical education, music, drama and psycho-social support/counseling for both students and their families. The center currently supports 190 persons with intellectual disabilities of all ages.

## The Society of Inash El Usra

In 2016, APIC signed a three-year strategic support agreement, covering the years 2016 through 2018, with the Society of Inash El Usra to assist the organization in fulfilling its national, social and humanitarian missions. Established in Al-Bireh, Palestine, the Society of Inash El Usra is a non-profit developmental and charitable organization launched by a group of committed Palestinian volunteer women in 1965. The society relies on its executive committee for volunteer work as a means to achieve its national objectives, which include social, humanitarian, cultural and economic efforts to empower women and facilitate professional access to community development roles and family support. Other objectives include the preservation of Palestinian cultural heritage from loss, plagiarism or theft, as well as child care in recognition of the role youth play in forming a better future of Palestine.

## The Palestinian Initiative for the Promotion of Global Dialogue and Democracy – MIFTAH

APIC has a three-year strategic partnership with MIFTAH to support its Palestinian Youth Leadership Empowerment program, which seeks to enable young leaders in building their capacities and effectively contributing to sustainable development efforts.

MIFTAH is a national non-profit organization that was established in Jerusalem in 1998. It seeks to promote the principles of democracy and good governance within various components of Palestinian society and engage local and international public opinion and official circles on the Palestinian cause. MIFTAH's strategic objectives are to enable young leaders to effectively participate in reinforcing democracy and good governance as well as to raise community awareness on good citizenship.

## Stock Simulation Program – Palestine Exchange

Since 2014, APIC has been the exclusive sponsor of the Stock Simulation competition organized by the Palestine Exchange (PEX). APIC's sponsorship of the Stock Simulation competition comes as part of its belief in the importance of education, enabling youth to enhance their capabilities and equipping them with necessary practical skills for the future.

The Stock Simulation competition is an applied educational tool that targets students from economic and financial faculties in Palestinian universities and enables them to combine theory with practice. It also allows them to leverage their practical skills and enhances their financial competence in trading securities. It offers students first-hand experience in trading securities in a virtual environment that simulates the real trading environment at PEX, under the same rules and regulations. The competition kicked off in 2008, and saw the participation of three universities. To date, 13 universities across all governorates of Palestine have benefited from this experience with more than 1,800 students taking part. Each year, APIC participates in the graduation ceremony organized by PEX, and distributes certificates to all participants and prizes to the winners.

## Dual Studies Program – Al-Quds University

In May 2016, APIC signed a memorandum of understanding with Al-Quds University's Dual Studies program, to host 10 students during their undergraduate studies. Students in the faculties of electrical engineering, information technology and business administration will get the opportunity to intern during their four-year undergraduate studies at APIC's subsidiaries including Siniora Food Industries Company, Unipal General Trading Company, National Aluminum and Profiles Company (NAPCO), Arab Palestinian Shopping Centers Company (Bravo), Palestine Automobile Company, Medical Supplies and Services Company, and Sky Advertising, Public Relations and Event Management Company.
The Dual Studies program, launched in 2015 by Al-Quds University with the support of the German government, is the first of its kind in Palestine and the Middle East, aiming to create jobs for Palestinian university graduates by providing them with the skills required by the private sector by emulating the successful German model in this regard. The program combines theory with practice to develop the professional level of the Palestinian youth and bridge the gap between the academic educational outcomes and the needs and requirements of the Palestinian labor market. The program offers students a unique opportunity to simultaneously study and acquire practical experience at specialized Palestinian companies throughout their undergraduate studies.

## King's Academy

Since 2014, APIC has supported distinguished students from Palestine to study at King's Academy in Jordan.
King's Academy is a non-profit private coeducational boarding and day school inaugurated in 2007 in Jordan that provides middle and high school education (Grades 7 to 12). It provides a comprehensive curriculum based on the American Advanced Placement program and the College Board's QUEST framework for teaching and learning. The dynamic curriculum includes an integrated co-curricular program of athletics, activities and community service, and boarding students live in a nurturing residential environment that allows them to flourish personally and intellectually. King's students currently number 640 and hail from Jordan and 42 other countries.

## Mahmoud Abbas Foundation

Since 2015, APIC has provided scholarships to Palestinian students in Lebanon through the Mahmoud Abbas Foundation.
Mahmoud Abbas Foundation is a non-profit Palestinian organization founded in 2011 in response to the dire situation Palestinians face in refugee camps in the Diaspora, especially in Lebanon. The foundation has two programs: the Student's Scholarship program that provides scholarships to Palestinian students, with scholarship amounts directly deposited in the universities' accounts, and the Family Interdependence program that aims to build bridges and create communication channels between the donating and receiving families. Currently, over 1290 students benefit from this program, and over 1000 grant-beneficiary students have graduated, with 700 families having benefited from the program by the end of 2016.

## INJAZ Palestine

APIC has maintained its support for INJAZ Palestine since 2007, through generous donations and with volunteers from APIC and its subsidiaries.
INJAZ Palestine is an independent Palestinian organization run and sponsored by a group of pioneer Palestinian companies. It is a member of the Junior Achievement Worldwide organization, which was established in 1919. INJAZ Palestine is dedicated to giving young people the knowledge and skills they need to own their economic success, plan for their future and make smart academic and economic choices. INJAZ programs are delivered by corporate and community volunteers who provide relevant, hands-on experiences that give students from high school knowledge and skills in financial literacy, work readiness and entrepreneurship.

## The American International School in Gaza

In 2016, APIC provided support to the American International School (AIS) in Gaza to help the school effectively provide educational services to students. AIS was established in Gaza in 2000 to provide primary, preparatory and secondary education to students within an American curriculum (SAT), and to help students attain the educational standards needed to enroll at American, Canadian, British, Turkish and Arab universities.

## APIC's Scholarship for the Children of its Employees

Every year, APIC awards full four-year scholarships to the highest scoring Tawjihi students among the children of its employees at a Jordanian or Palestinian university.

# Health and Medical Care

## King Hussein Cancer Center

King Hussein Cancer Foundation
King Hussein Cancer Center


APIC's subsidiary Siniora Food Industries Company continues its annual support for the King Hussein Cancer Center in Jordan. The King Hussein Cancer Center is a pioneering medical institution in the Middle East that provides the latest scientific developments in holistic cancer care for patients, both children and adults. The center is accredited by the Joint Commission International (JCI) as a specialized center in comprehensive cancer care. It is the only medical center outside the United States of America to be awarded the Joint Commission International Clinical Care Program Certificate (CCPC) for its Oncology Program.

# Preserving the Cultural Heritage in Palestine

## Cultural Festivals

In 2016, APIC supported the cultural sector in Palestine to contribute to the preservation of Palestinian cultural heritage, encourage cultural and artistic creativity among the youth as well as to help cultural institutions fulfill their national missions.

In this spirit, APIC sponsored the **Palestine International Festival**, held in the Palestinian cities of Ramallah, Gaza, Jerusalem, Jenin and Hebron.

APIC also sponsored **Wadi Al-Sha'eer Fifth Festival of Culture**, **Tourism and Arts**, held in Anabta in Tulkarem, Palestine.



## El-Funoun Palestinian Popular Dance Troupe

APIC signed a three-year sponsorship agreement, covering the years 2016 through 2018, with El-Funoun Palestinian Popular Dance Troupe.

El-Funoun Palestinian Popular Dance Troupe is an independent, non-profit organization that is entirely volunteer-based. El-Funoun was established in 1979 by a number of talented and committed artists. Since then, the troupe has been recognized as the leading Palestinian dance group with an impressive track record of over 1500 performances locally and internationally, 15 productions and tens of dance pieces. El-Funoun has won several awards from local and international festivals for its presentation of Palestinian folklore and contemporary culture through elaborate choreographed forms that embody its own unique vision of Palestinian dance. The troupe is widely recognized as the cultural entity that has played the most significant role in reviving and reinvigorating Palestinian dance and music folklore.

## The Palestine's Exporter Award - Palestine Trade Center - Paltrade

For the second consecutive year, APIC has supported the Palestine Exporter's Award, organized by the Palestine Trade Center-Paltrade. This year, APIC sponsored the Promising and Ambitious Exporter category as part of the Palestine's Exporter Award for 2016. APIC's partnership with Paltrade aims to develop Palestinian exports and enable Palestinian products to penetrate regional and international markets. It also aspires to encourage entrepreneurs and allow them access to international markets, which APIC believes are qualified to compete on the global spheres.

## Suzanne Al Houby – Climbing Mount Denali

APIC sponsored the first Palestinian woman to climb the seventh highest mountain in the world. Palestinian mountain climber Suzanne Al Houby climbed Alaska's Mount Denali, whose summit stands at 6,144 meters. Suzanne Al Houby was also the first Arab woman to summit Mount Everest (8,848 meters). It took her 51 days to reach the peak as part of a team of four, only three of whom succeeded in reaching the summit. Al Houby enjoys the spirit of adventure and extreme challenge. She started mountain climbing in 2002, and has successfully scaled the seven highest peaks in the world so far.

# Other Areas of Support

During 2016, APIC and its subsidiaries provided financial and in-kind support to various groups and organizations. These include:

- Benevolent Society for the Deaf
- Orphanage Industrial School
- Palestinian General Union of People with Disability
- Birzeit University Friends Association
- Ibdaa Foundation
- Al-Raja' [Hope] Christian Fund
- Beitunia Municipality
- Palestinian Red Crescent Society
- World Cup for Women under 17 Years of Age – Jordan (FIFA)
- Jordan River Foundation
- Supporting the participation of some students from Birzeit University in the international Hult Prize
- Funding a research on higher education
- Sports, cultural and youth centers and clubs
- A number of institutions working to increase global awareness of the socio-economic, political and cultural characteristics of Palestine

# Financial Performance 2016

## Summary of Financial Performance

The year 2016 witnessed an increase in total revenues by 16% in comparison with 2015, amounting to USD607.36 million. APIC Group's total expenses increased by 23.3% over the previous year, noting that 13% of the increase in revenues and 51% of the increase in the group's expenses are related to Siniora Food Industries' acquisition of Diamond Meat Processing Company in the United Arab Emirates in the second quarter of 2016. Diamond Meat Processing financials were incorporated in APIC's consolidated results for 2016.

APIC Group's earnings before interest, taxes, depreciation and amortization (EBITDA) were up by 6.1% compared with 2015, and amounted to USD30.7 million in 2016.

The group's net profit, including minority rights, witnessed a slight drop of 3.7% compared to 2015, and amounted to USD11.94 million in 2016, whereas net profit attributed to APIC shareholders grew by 15.4% over 2015, and amounted to USD8.24 million in 2016.

## APIC's Financial Position

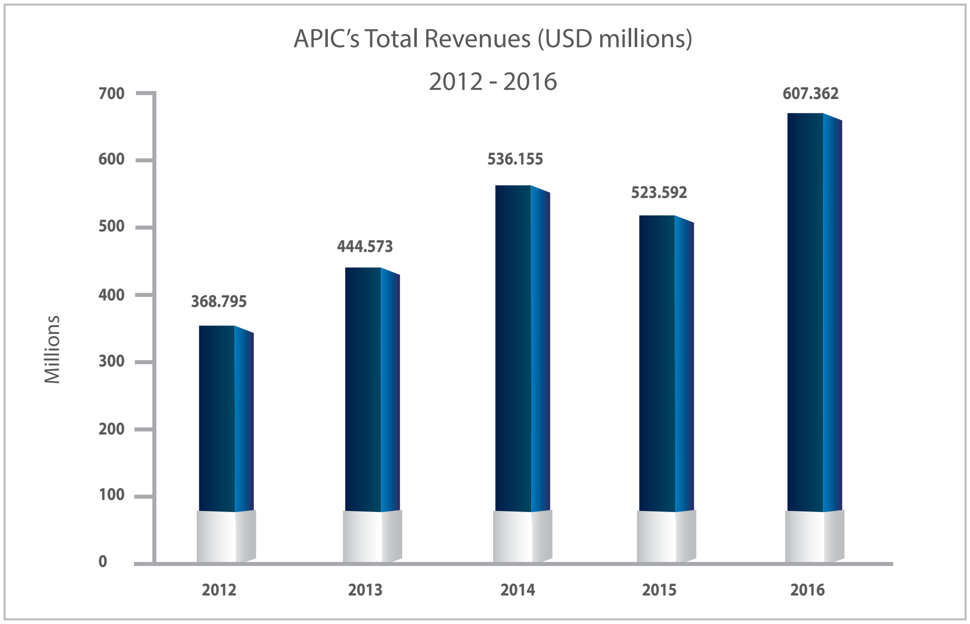
Total assets at the end of 2016 amounted to USD329.8 million, an increase of 15.5% over 2015, of which current assets amounted to USD187.4 million, with an increase of 14% over 2015.

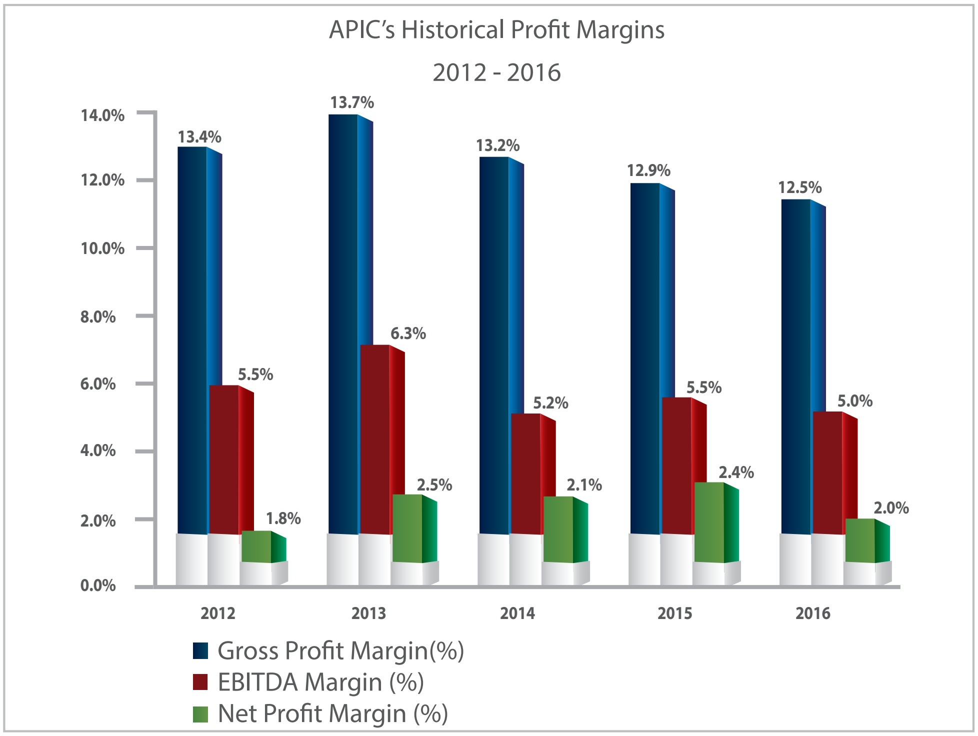
APIC's working capital amounted to USD51.7 million at the end of 2016, compared to USD51.6 million at the end of 2015.

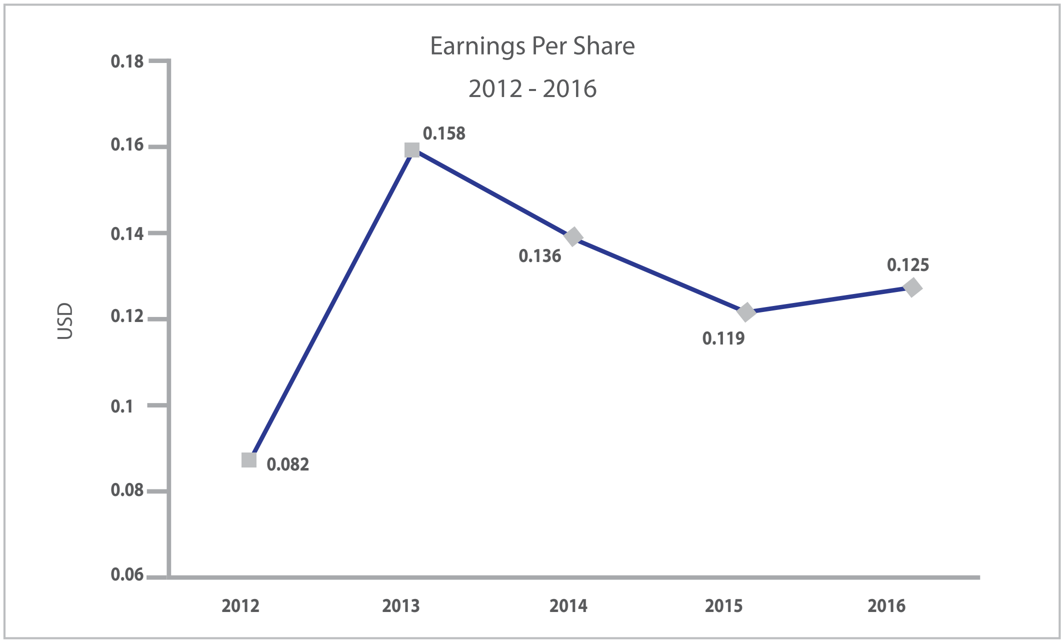
Bank borrowing rose by 21% in 2016 compared to 2015, with much of the increase attributed to long-term borrowing related to capital expansions, primarily the acquisition of Diamond Meat Processing Company in the United Arab Emirates by Siniora at a cost of USD12 million, the new Bravo shopping center in Nablus at a cost of USD8 million and the new Hyundai headquarters in Ramallah at a cost of USD4 million, among other investments and capital expansions.

In 2016, cash dividends totaling USD3 million were distributed to shareholders against realized group net profit of USD11.94 million, of which USD8.24 million in profit were attributed to APIC shareholders. Hence, total shareholders' equity, including minority rights, amounted to USD118.3 million, an increase of 6.2% over 2015. Shareholders' equity, excluding minority rights, amounted to USD85.9 million, an increase of 5.3% over 2015.

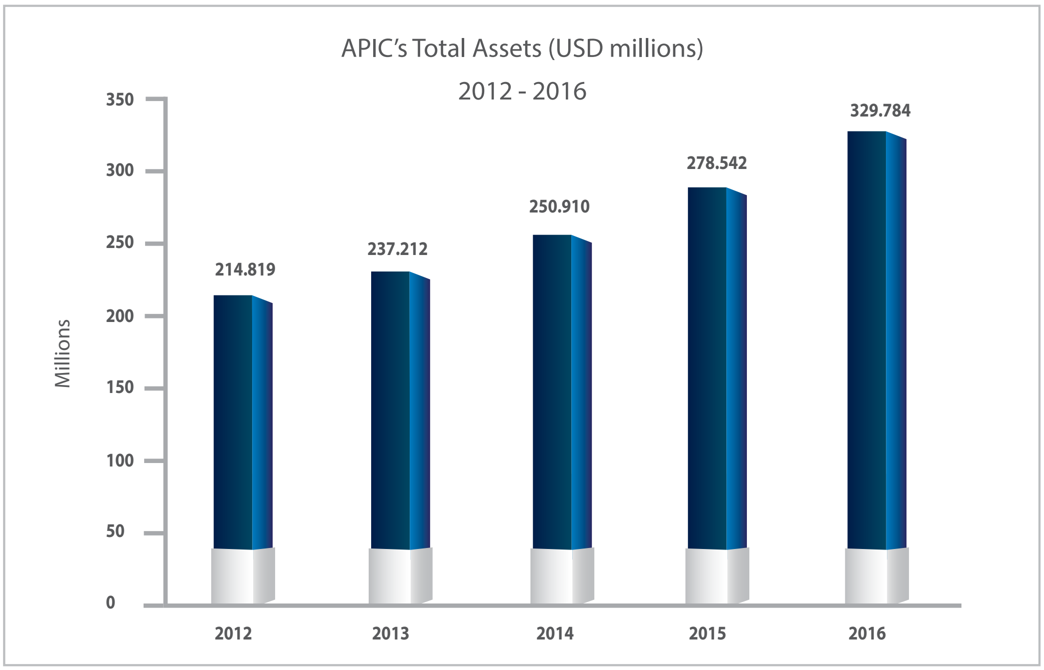
The following charts demonstrate the development of revenues, various profit margins and ratios, as well as earnings per share achieved between 2012 and 2016:

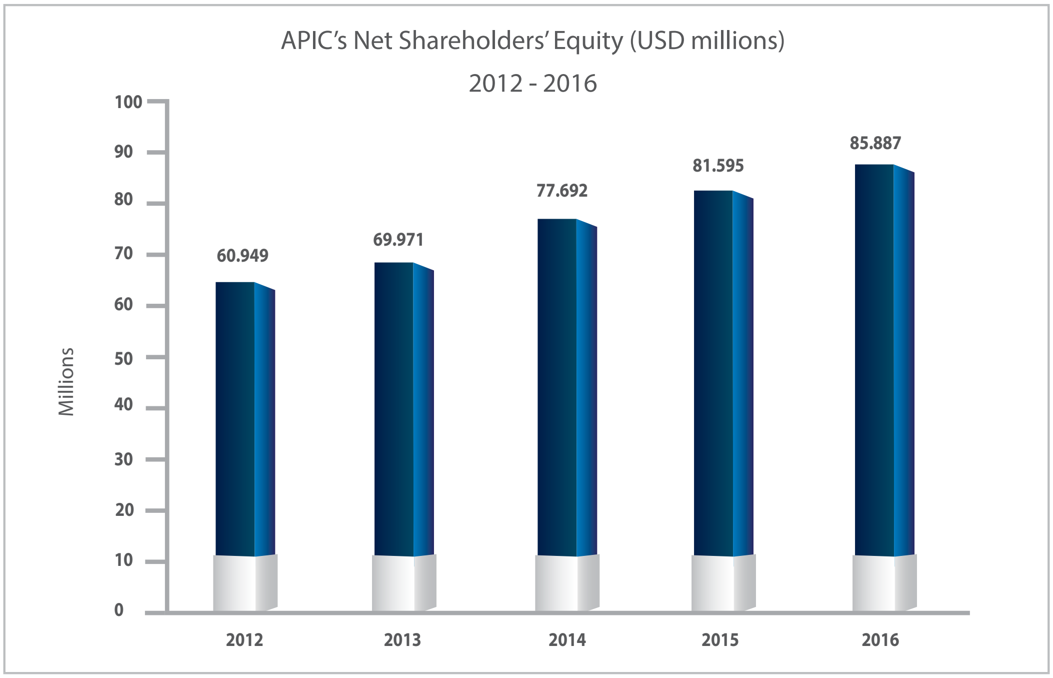


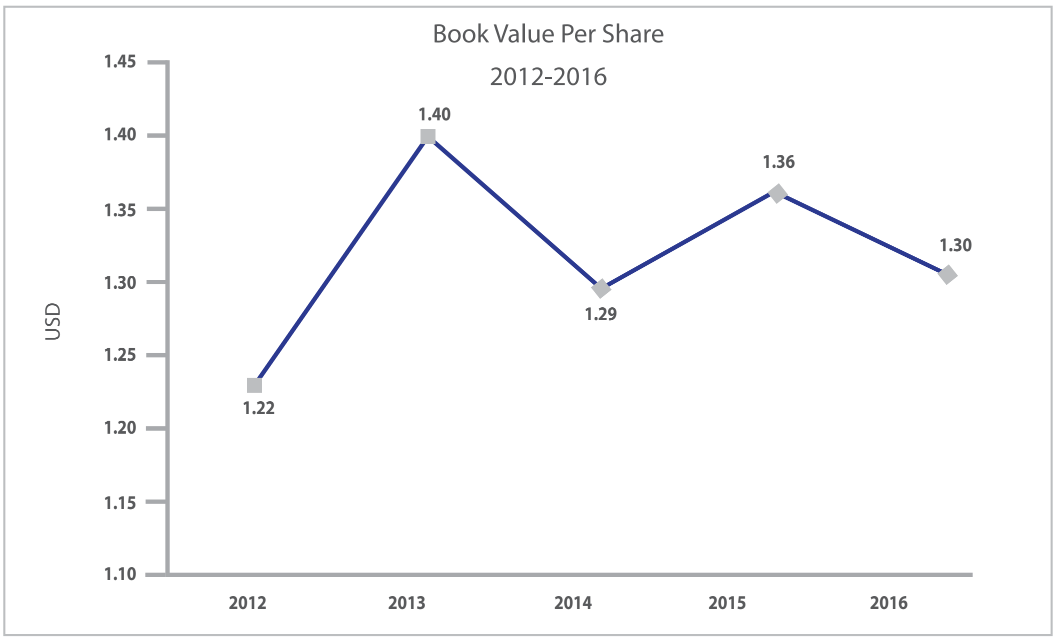



The charts below demonstrate total assets and net shareholders' equity from 2012 – 2016:






The following chart demonstrates the company's book value per share from 2012 – 2016:



## Discrepancy Between Initial Disclosure And Final Audited Results

In February 2017, APIC disclosed its consolidated financial statements for 2016 before audit. No major discrepancies were found after the completion of auditing; the following amendments and classifications were made to the financial statements:

### Income Statement

- Revenues were 0.03% lower than the preliminary results after eliminating intercompany commercial transactions within the group's subsidiaries, involving sales and their related expenses, in addition to the elimination of revenues and expenses of the first quarter 2016 from the net revenue of Diamond Meat Processing Company prior to its acquisition by Siniora as well as reclassification of these revenues and expenses. Also, part of the revenues and their related costs were reclassified among the revenues from services and sales.
- Net profit, including minority rights, were USD186,700 less than the preliminary results. This was largely due to the reclassification of the net profit of the first quarter of Diamond Meat Processing Company prior to its acquisition by Siniora. Minority rights in Diamond Meat Processing Company for the same period were also eliminated from the group's net profit.  The effect of this settlement was largely related to minority rights. Net profit attributed to APIC shareholders were only less by USD22,900 than preliminary results.

### Balance Sheet

Some balance sheet items have been reclassified by the auditors. In addition, the impact of the revaluation value carried out on the land of Arab Palestinian Shopping Centers Company last year has been excluded from the net revaluation reserve of the property, plant and equipment reserve in the shareholder equity. The reason for this is that the group's fixed asset valuation policy must be consolidated either at historical cost or at fair value as required by IFRS. This policy should apply to all similar assets at all subsidiaries. Accordingly, net shareholders' equity after excluding this valuation item decreased by USD1.1 million.

**ARAB PALESTINIAN INVESTMENT COMPANY**
**(HOLDING COMPANY)**
**BRITISH VIRGIN ISLANDS**

**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2016**
**TOGETHER WITH THE INDEPENDENT**
**AUDITOR'S REPORT**

**ARAB PALESTINIAN INVESTMENT COMPANY**
**(HOLDING COMPANY)**
**BRITISH VIRGIN ISLANDS**
**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

**AM/ 30667**

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the consolidated financial statements of Arab Palestinian Investment Company (Holding Company) and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Company's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Explanatory Paragraph

The accompanying consolidated financial statements are a translation of the statutory financial statements which are in the Arabic Language to which references should be made.

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## Key Audit Matters

Key audit matters, in our professional judgment, are the most significant matters in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Provision for Accounts Receivable

The provision for accounts receivable is a key audit matter. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to USD 86,013,721, representing approximately 26% of the assets amount as of December 31, 2016.

The nature and characteristics of accounts receivable are varied. They include export, local sales, governmental receivables and other receivables. This requires making assumptions and using estimates to take the provision for the impairment in these receivables.

### Scope of Audit to Address Risks

The followed audit procedures included understanding accounts receivable and the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to payment and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Furthermore, we recalculated the provisions to be taken and reviewed the aging of receivables which has been obtained from the company's management.

### Inventory

Inventory is a key audit matter. It requires the company's management to use assumptions to its net realizable value and whether there's a need for a provision for impairment or to write-off part of it. The balance of net inventory amounted to USD 66,065,747 representing approximately 20% of the assets amount of December 31, 2016.

The nature and characteristics of inventory are varied. They include food, medical supplies and spare parts. This requires making assumptions and using estimates to take the impairment for the inventory.

### Scope of Audit to Address Risks

The followed audit procedures included understanding Inventory and the adopted internal control system in following up on and monitoring risks of storing and disposing it. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for slow moving inventory and obsolete. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also participated in the stock count process to select a sample from the warehouses after taking into consideration the material importance of the goods stored in the warehouses. In addition, we discussed with management the evaluation of the net realizable value. Furthermore, we recalculated the required provisions which was provided by the management.

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Deloitte.

**Consolidating Financial Statements**
Arab Palestinian Investment Company's subsidiaries are consolidated from their acquisition date, which is the date on which the company assumes effective control over the subsidiaries. Furthermore, the consolidated financial statements reflect the financial position and results of operations at the Company's consolidated level. The total assets and liabilities are distributed in several countries, and most of these investments are in Palestine. The evaluation of control following the requirements of IFRS (10) is considered a key Audit matter

**Scope of Audit to Address Risks**
The audit procedures included reviewing Arab Palestinian Investment Company's ability to control the financial and operational policies for the subsidiaries, and obtaining benefits from its activities. Through appointing member for these companies' Board of Directors and Executive Management, the Company controls and monitors their financial and operating policies. In addition, the Company's audit requirements were sent to the subsidiaries. We also communicated with those companies' auditors and obtained the appropriate related audit evidence.

**Other Information**
Management is responsible for the other information. The other information comprises the other information in the annual report excluding the financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Deloitte.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on effectiveness of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard procedures.

From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Deloitte & Touche (M.E.) – Jordan
Amman – Jordan
March 26, 2017

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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, 2016 USD | December 31, 2015 USD |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash on hand and at banks | 6 | 10,314,805 | 18,851,385 |
| Accounts receivable and checks under collection - net | 7 | 86,013,721 | 63,289,509 |
| Inventory - net | 8 | 66,065,747 | 61,586,581 |
| Due from related parties | 37 | 622,165 | 931,836 |
| Financial assets available for trading | 9 | 144,661 | 168,217 |
| Other debit balances | 10 | 22,693,504 | 14,974,826 |
| Financial leasing contracts - short term | 11 | 1,496,842 | 1,260,637 |
| **Total Current Assets** | | **187,351,445** | **161,062,991** |
| Financial leasing contracts - long term | 11 | 4,715,411 | 768,577 |
| Long-term checks under collection | 12 | 1,146,235 | 817,310 |
| Deferred tax assets | 32 | 1,461,959 | 1,503,028 |
| Financial assets available for sale | 13 | 19,544,112 | 16,795,239 |
| Investment in lands | 14 | 776,239 | 776,239 |
| Intangible assets - net | 15 | 17,085,612 | 8,334,551 |
| **Property, Plant and Equipment:** | | | |
| Property, Plant and Equipment at cost | | 159,319,016 | 126,121,307 |
| Less: Accumulated depreciation | | 65,600,397 | 56,350,934 |
| Net Book Value of Property, Plant and Equipment | 16 | 93,718,619 | 69,770,373 |
| Projects under construction | 17 | 3,983,948 | 18,714,156 |
| **TOTAL ASSETS** | | **329,783,580** | **278,542,464** |

| LIABILITIES | Note | December 31, 2016 USD | December 31, 2015 USD |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Due to banks | 24 | 43,154,556 | 32,969,459 |
| Accounts payable | | 43,363,783 | 27,762,705 |
| Short-term notes payable | 18 | 5,212,078 | 31,280 |
| Due to related parties | 37 | 852,344 | 6,083 |
| Postdated cheques | 22 | 2,255,500 | 6,625,200 |
| Short-term loans installments | 20 | 31,595,701 | 26,342,945 |
| Other credit balances | 21 | 16,540,740 | 12,984,663 |
| Tax provision | 32 | 1,970,625 | 2,733,591 |
| **Total Current Liabilities** | | **144,945,327** | **109,455,926** |
| Provision for end-of-service indemnity | 25 | 9,909,246 | 8,436,992 |
| Long-term bonds | 19 | 20,000,000 | 20,000,000 |
| Long-term loans installments | 20 | 36,631,472 | 29,269,327 |
| **Total Liabilities** | | **211,486,045** | **167,162,245** |
| **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) | 66,000,000 | 60,000,000 |
| Retained earnings | | 14,913,594 | 16,046,951 |
| Cumulative change in fair value | | 1,966,894 | 2,877,978 |
| Revaluation of Property, Plant and Equipment reserve | 26 | 3,634,105 | 3,561,814 |
| Differences in foreign currency translation | | 319 | (7,844) |
| Difference in purchase of non-controlling interest | | (627,918) | (883,756) |
| **Total Shareholders' Equity** | | **85,886,994** | **81,595,143** |
| Non - controlling interest | 23 | 32,410,541 | 29,785,076 |
| **Total Owners' Equity** | | **118,297,535** | **111,380,219** |
| **TOTAL LIABILITIES AND OWNERS' EQUITY** | | **329,783,580** | **278,542,464** |

**THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.**

**ARAB PALESTINIAN INVESTMENT COMPANY**

**(HOLDING COMPANY)**

**BRITISH VIRGIN ISLANDS**

**CONSOLIDATED STATEMENT OF INCOME**

| | Note | For the Year Ended December 31, 2016 USD | For the Year Ended December 31, 2015 USD |
|---|---|---|---|
| Net sales | | 600,360,225 | 516,941,578 |
| Less: Cost of sales | | 526,515,420 | 452,929,574 |
| **Sales Gross Profit** | 27 | **73,844,805** | **64,012,004** |
| Service revenue | | 7,001,520 | 6,650,715 |
| Less: Service cost | | 4,678,624 | 3,330,216 |
| **Net Service revenue** | | **2,322,896** | **3,320,499** |
| Less: General and administrative expenses | 28 | 33,636,595 | 30,023,520 |
| Selling and distribution expenses | 29 | 21,495,703 | 14,829,975 |
| **Profit from Operations** | | **21,035,403** | **22,479,008** |
| Unrealized Gain from financial assets available for trading | | 56,808 | - |
| Gain from financial assets available for sale | 30 | 714,904 | 382,338 |
| Borrowing interest and expenses | | (6,740,860) | (5,326,804) |
| Loss from sale of associate | | - | (12,330) |
| Other revenue (expenses) - net | 31 | 379,356 | (1,482,314) |
| **Profit for the Year before Income Tax** | | **15,445,611** | **16,039,898** |
| Income tax expense - the Company and the subsidiary companies | 32 | (3,501,192) | (3,631,666) |
| **Profit for the Year** | | **11,944,419** | **12,408,232** |
| **Attributable to:** | | | |
| Company's shareholders | | 8,243,818 | 7,144,166 |
| Non-controlling interest | 23 | 3,700,601 | 5,264,066 |
| | | **11,944,419** | **12,408,232** |
| Earnings per share for the Company's Shareholders / Basic and Diluted | 39 | -/125 | -/108 |

**THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.**

**ARAB PALESTINIAN INVESTMENT COMPANY**

**(HOLDING COMPANY)**

**BRITISH VIRGIN ISLANDS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | For the Year Ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Profit for the year | 11,944,419 | 12,408,232 |
| **Other Comprehensive Income Items:** | | |
| **Comprehensive Income items which are transferable to Consolidated Statement of Income:** | | |
| Change in fair value - financial assets available for sale | (911,084) | 1,650,273 |
| Differences in foreign currency translation | 8,163 | (7,844) |
| **Total Comprehensive Income** | **11,041,498** | **14,050,661** |
| **Total Comprehensive Income Attributable to:** | | |
| Company's shareholders | 7,340,897 | 8,786,595 |
| Non-controlling interest | 3,700,601 | 5,264,066 |
| | **11,041,498** | **14,050,661** |

**THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.**

**ARAB PALESTINIAN INVESTMENT COMPANY**

**(HOLDING COMPANY)**

**BRITISH VIRGIN ISLANDS**

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

| | Paid -up Capital | Retained Earnings | Cumulative Change in Fair Value | Revaluation of Property, Plant and Equipment Reserve | Difference in Purchase of Non-Controlling Interest ** | Difference in Foreign Currency Translation | Total Shareholders' Equity | Non - Controlling Interest | Total Owners' Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Year 2016** | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Balance - beginning of the year 2016 | 60,000,000 | 16,046,951 | 2,877,978 | 3,561,814 | (883,756) | (7,844) | 81,595,143 | 29,785,076 | 111,380,219 |
| Change in fair value | - | - | (911,084) | - | - | - | (911,084) | - | (911,084) |
| Differences in currency translation | - | - | - | - | - | 8,163 | 8,163 | - | 8,163 |
| Profit for the year | - | 8,243,818 | - | - | - | - | 8,243,818 | 3,700,601 | 11,944,419 |
| Total comprehensive income | - | 8,243,818 | (911,084) | - | - | 8,163 | 7,340,897 | 3,700,601 | 11,041,498 |
| Capital Increase | 6,000,000 | (6,000,000) | - | - | - | - | - | - | - |
| Dividends *** | - | (3,000,000) | - | - | - | - | (3,000,000) | - | (3,000,000) |
| Purchase of subsidiaries shares difference effect during the year *** | - | (377,175) | - | - | 255,838 | - | (121,337) | - | (121,337) |
| Net change in revaluation of property, plant and equipment reserve | - | - | - | 72,291 | - | - | 72,291 | - | 72,291 |
| Net change in non-controlling interest * | - | - | - | - | - | - | - | (1,075,136) | (1,075,136) |
| **Balance - End of the Year 2016** | **66,000,000** | **14,913,594** | **1,966,894** | **3,634,105** | **(627,918)** | **319** | **85,886,994** | **32,410,541** | **118,297,535** |
| **Year 2015** | | | | | | | | | |
| Balance - beginning of the year 2015 | 60,000,000 | 13,402,785 | 1,227,705 | 3,561,814 | (500,398) | - | 77,691,906 | 25,951,185 | 103,643,091 |
| Change in fair value | - | - | 1,650,273 | - | - | - | 1,650,273 | - | 1,650,273 |
| Differences in currency translation | - | - | - | - | - | (7,844) | (7,844) | - | (7,844) |
| Profit for the year | - | 7,144,166 | - | - | - | - | 7,144,166 | 5,264,066 | 12,408,232 |
| Total comprehensive income | - | 7,144,166 | 1,650,273 | - | - | (7,844) | 8,786,595 | 5,264,066 | 14,050,661 |
| Dividends *** | - | (4,500,000) | - | - | - | - | (4,500,000) | - | (4,500,000) |
| Purchase of subsidiaries shares difference effect during the year | - | - | - | - | (383,358) | - | (383,358) | - | (383,358) |
| Net change in non-controlling interest * | - | - | - | - | - | - | - | (1,430,175) | (1,430,175) |
| **Balance - End of the Year 2015** | **60,000,000** | **16,046,951** | **2,877,978** | **3,561,814** | **(883,756)** | **(7,844)** | **81,595,143** | **29,785,076** | **111,380,219** |

* This item represents the net change in non-controlling interest resulting from the decrease in the non-controlling interest's share in some of the subsidiary companies' capital during the years 2016 and 2015.

** This item represents the difference between the acquisition cost of the subsidiary companies and and it's net book value in accordance with the requirements of International Financial Reporting Standards. This item includes the incrued losses from the liquidation of Central and West Afriga agencies company

*** The General Assembly decided in its meeting held on May 18, 2016 to distribute 5% of the capital which is equivalent to USD 3,000,000 to the shareholders.

- Retained earnings include an amount of USD 1,461,959 as of December 31, 2016 relating to deferred tax assets (USD 1,503,028 as of December 31, 2015).

**THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.**

**ARAB PALESTINIAN INVESTMENT COMPANY**
**(HOLDING COMPANY)**
**BRITISH VIRGIN ISLANDS**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Note | For the Year Ended December 31, 2016 | 2015 |
|---|---|---|---|
| | | USD | USD |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Profit for the year before tax | | 15,445,611 | 16,039,898 |
| Adjustments for: | | | |
| Loss (Gain) from the sale of property, plant and equipment | 31 | 29,296 | (58,038) |
| Depreciation of property, plant and equipment | 16 | 8,461,334 | 7,533,342 |
| Unrealized Gain from financial assets available for trading | | 56,808 | - |
| Provision for doubtful debts | 7 | 1,334,228 | 1,010,693 |
| Provision for slow-moving inventory | 8 | 563,573 | 521,810 |
| End-of- service indemnity provision | 25 | 2,291,126 | 1,643,104 |
| Uneared leasing provision | 11 | 10,300 | 5,250 |
| **Cash Flows from Operating Activities before Changes in Working Capital** | | **28,192,276** | **26,696,059** |
| (Increase) in accounts receivable and other debit balances | | (31,628,274) | (10,106,791) |
| (Increase) in inventory | | (2,031,962) | (719,398) |
| Increase (decrease) in due from / to related parties | | 1,152,932 | (459,886) |
| (Increase) decrease in long-term checks under collection | | (477,769) | 1,667,932 |
| (Increase) decrease in financial leasing contracts | | (4,193,339) | 2,758,415 |
| Increase (decrease) in accounts payable and other credit balances | | 16,421,377 | (6,136,866) |
| **Net Cash Flows from Operating Activities before End-of-Service Indemnity and Income Tax Paid** | | **7,435,241** | **13,699,465** |
| Paid from End-of-service indemnity provision | 25 | (818,872) | (980,563) |
| Paid from Income tax provision | 32 | (4,223,089) | (3,906,548) |
| **Net Cash Flows from Operating Activities** | | **2,393,280** | **8,812,354** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| (Increase) in financial assets available for trading | | (33,252) | (1,167,670) |
| (Increase) in financial assets available for sale | | (2,748,873) | (2,274,971) |
| Acquisition of a subsidiary (Al - Masa for meat processing company) * | | (12,199,862) | - |
| Property, plant and equipment - net | | (9,638,581) | (5,007,051) |
| Additions to projects under construction | 17 | (9,362,206) | (14,347,495) |
| **Net Cash Flows (used in) from Investing Activities** | | **(33,982,774)** | **(22,797,187)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Dividends Distributed | | (3,000,000) | (4,500,000) |
| Increase in due to banks | | 10,185,097 | 3,959,280 |
| Increase in loans, checks and notes payable | | 17,429,896 | 21,432,973 |
| Net change in non - controlling interest and foreign currency translation differences | | (2,027,103) | (1,821,377) |
| **Net Cash Flows from Financing Activities** | | **22,587,890** | **19,070,876** |
| Net (Decrease) Increase in Cash | | (9,001,604) | 5,086,043 |
| Cash on hand and at banks- beginning of the year | | 18,851,385 | 13,765,342 |
| Cash on hand and at banks from acqusition of a subsidiary | | 465,024 | - |
| **Cash on Hand and at Banks- End of the Year** | 6 | **10,314,805** | **18,851,385** |

* This item represent the paid amont ageanist the 70% acquistion of Al - Masa meat processing company - Dubai, United Arab Emirates by Siniora Food Industries company.

**THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.**

**ARAB PALESTINIAN INVESTMENT COMPANY**
**(HOLDING COMPANY)**
**BRITISH VIRGIN ISLANDS**
**NOTES TO THE 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 70 million divided into 70 million shares at USD 1 par value per share.

b. Several amendments were made to the Company's capital, in which the latest was made on May 18, 2016 as per the decision made by the Company's general assembly in its meeting held on that date, where the paid up capital of the company was increased by USD 6,000,000 to become USD 66,000,000. The increase was made through capitalizing part of the retained earnings. The approvals were obtained from the regulatory authorities in Palestine and the British Virgin Islands.

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

d. The headquarters are located in Mecca Street, P.O. Box 941489 Amman 11194 – Jordan.

e. During the year 2013, the Company's General Assembly approved the conversion of the Company's legal status from a Foreign Private Shareholding Company to a Foreign Public Company and to list the Company's shares in Palestine stock exchange. The procedures for the conversion were completed on January 15, 2014. The Company's shares were listed in the Palestine stock exchange on March 2, 2014.

f. The Board of Directors approved the Company's consolidated financial statements on March 2, 2017.

## 2. Basis of Preparation of the consolidated financial Statements

- The consolidated financial statements include the financial statements of the Company, its subsidiaries and entities under its control. Control is achieved when the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. All intercompany transactions, balances, revenues and expenses between the Company and its subsidiaries are eliminated.

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

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

| | December 31, 2016 | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|
| | Paid-up Capital | Equity Share | Paid-up Capital | Equity Share | Ownership Date | Main Activity |
| | USD | % | USD | % | | |
| Arab Palestinian Storage Company | 4,500,000 | 68/47 | 4,500,000 | 64/59 | 1997 | Management of refrigerated stores |
| Medical Supplies and Services Company * | 4,000,000 | 50 | 3,227,990 | 50 | 1998 | Trade of medicine and medical supplies |
| Unipal General Trading Company | 7,042,253 | 93/41 | 7,042,253 | 83/69 | 1998 | General trading |
| National Aluminum and Profiles Company | 9,718,310 | 72/99 | 9,718,310 | 72/76 | 1995 | Manufacturing of aluminum |
| Palestine Automobile Company | 11,000,000 | 100 | 7,500,000 | 100 | 1998 | Trading of cars |
| Sky Advertising, Public Relations and Events Company | 845,068 | 100 | 845,068 | 100 | 2000 | Advertising, public relations and events |
| Siniora Food Industries Company | 25,387,870 | 61/18 | 21,156,559 | 61/18 | 1996 | Food industries |
| Arab Palestinian Shopping Centers Company | 9,877,240 | 88/54 | 9,877,240 | 86/55 | 1999 | Establishing and owning commercial / shopping malls |
| Jericho Natural and Mineral Water Factory Company | 4,803,734 | 85 | 4,803,734 | 85 | 2001 | Natural and mineral water |
| Arab Leasing Company | 2,000,000 | 100 | 1,000,000 | 100 | 2015 | Financial Leasing |
| Arab Palestinian Investment Company / Jordan (Exempted) | 70,400 | 100 | 70,400 | 100 | 2011 | Trading of cars and commercial agencies |

The following are the most important financial information for the subsidiary companies for the year 2016:

| Company's Name | December 31, 2016 Total Assets | December 31, 2016 Total Liabilities | For the year ended December 31, 2016 Total Revenue | For the year ended December 31, 2016 Total Expenses |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| Arab Palestinian Storage Company | 1,075,499 | 2,436,460 | 341,458 | 579,930 |
| Medical Supplies and Services Company | 52,883,540 | 37,445,083 | 52,397,622 | 47,094,751 |
| Unipal General Trading Company | 64,109,071 | 39,114,268 | 407,760,291 | 394,754,897 |
| National Aluminum and Profiles Company | 32,214,880 | 17,622,207 | 20,841,530 | 19,364,197 |
| Palestine Automobile Company | 42,107,590 | 28,703,565 | 33,139,093 | 32,538,173 |
| Sky Advertising, Public Relations and events Company | 4,063,653 | 2,136,245 | 6,096,968 | 5,563,752 |
| Siniora Food Industries Company ** | 83,571,422 | 39,072,671 | 67,496,244 | 61,859,817 |
| Arab Palestinian Shopping Centers Company | 26,769,312 | 14,522,893 | 30,227,053 | 30,783,517 |
| Jericho Natural and Mineral Water Factory Company | 6,724 | 68,186 | - | - |
| Arab Leasing Company | 7,863,090 | 5,619,974 | 520,127 | 197,741 |
| Arab Palestinian Investment Company / Jordan (Exempted) | 13,071,607 | 9,189,151 | 1,499,047 | 509,188 |

- The results of the subsidiaries' operations are included in the consolidated statement of income from the date of ownership i.e. the date in which the actual control over the subsidiary is transferred to the Company. The results of operations of disposed subsidiaries are included in the consolidated statement of income up to the date of disposal i.e. the date in which the Company lost its control over the subsidiary.

- Non-controlling interest represents the part of a subsidiary's equity that is not owned by the Company.

- All the subsidiary companies operate in the Palestinian Authority Territories, except for Siniora Food Industries Company and Arab Palestinian Investment Company / Jordan (exempted) as they operate in Jordan.

* The Company has actual control over the Medical Supplies and Services Company as it controls its Management Committee; consequently, controlling the Company's financial and operating policies.

** On April 5, 2016, Siniora Food Industries company has completed all the legal procedures related to the acquisition of 70% of Al – Masa meat Processing company – Dubai, United Arab Emirates. The share of the Company from the acquisition amounted to 44,817,109 UAE Dirham (equivalent to 12,199,862 USD). The company's operations were consolidated for Al – Masa meat processing company as of April 1, 2016.

## 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, emanating from the International Standards Board.

- The reporting currency of the consolidated financial statements of the Company and its subsidiaries is the US Dollar, which is also the 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, 2015 except for what is mentioned in note (5/a) of the consolidated financial statements.

The following are the most significant accounting policies adopted:

### a. Financial Assets for Trading

- Financial assets for trading stated at Fair Value in the statement of income represent investments in companies' shares traded in active markets. The objective of holding these assets is to generate income from short-term market prices' fluctuations or trading profit margin.

- Financial assets for trading are stated at cost in the statement of income 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. Financial Assets Available-for-Sale

- Represent financial assets for which the Company does not intend to classify as financial assets available for trading or held to maturity.

- Available-for-sale investments are stated at cost at the date of acquisition, and revalued to their fair values at the fiscal year-end. The gain or loss resulting from revaluation is taken to a separate account in the consolidated statement of comprehensive income and in the consolidated statement of owners' equity. When these assets are fully or partially sold, or determined to be impaired, the resulting gain 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. 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. Furthermore, investments for 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. Any gains or losses are recognized upon completion of a sale and taken to the consolidated statement of income. Moreover, the 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 provision for damaged 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 value. 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. Cost consists of all expenses incurred by the Company until the inventory is delivered to the Company's warehouses and showrooms or the warehouses at the Company's port (Bonded).

- Spare parts are stated at the lower of cost or net realizable value based on the weighted average method.

**e. Sales and Service Revenue**

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

- When the Company has transferred the significant risks and rewards of ownership of the goods to the buyer;

- When the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;

- When it is probable that the economic benefits associated with the transaction will flow to the Company;

- When the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

**f. Property, Plant and Equipment**

- Property, Plant and equipment are stated at cost net of accumulated depreciation and any impairment in value, whereas the lands of the Arab Palestinian shopping centers Company; and National Aluminum and Profiles Company (subsidiary companies) are stated at fair value at the date of ownership transfer to the group. Property, plant and equipment (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 Property, Plant and equipment is less than its net book value, the net book value is reduced to the expected recoverable amount, and an impairment loss (if any) is taken to the consolidated statement of income.

- The useful lives of the Property, Plant and equipment are reviewed at the end of each year. If the expected useful life differs from the previous estimate, the difference is booked in subsequent years as a change in accounting estimates.

**g. Goodwill**

- Goodwill is recorded at cost, which represents the excess amount paid to acquire or purchase an 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 acquisition of a subsidiary company is booked as a separate item within the 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 at the date of the consolidated 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.

**h. 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.

**i. Bank Interest Revenues and Expenses**

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

**j. End-of-Service Indemnity Provision**

- End-of-service indemnity provision for employees 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 resigned and terminated employees is charged to the end-of-service indemnity provision. Moreover, the additional provision booked for the end-of-service indemnity for employees is charged to the consolidated statement of income.

**k. Income from Investments**

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

**l. 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 consolidated 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 in.

- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or the 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.

**m. 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.

**n. Capital**

- Cost of issuing or purchasing the Bank's shares

The cost of issuance or purchase of the Company's shares is recognized in the Retained Earnings (net after tax effect if any). If the purchase/issue transaction has not been completed, then the cost will be recognized as an expense in the consolidated statement of income.

**o. Operational Leasing Contracts**

Operational leasing contracts are recognized as expense based on the straight method and on the rent duration, unless there is another basis for the time duration when the economic benefits from the lessee are expected. The expected rents resulting from the financial lease contract are recorded as expense in the period in which incurred.

## 4. Accounting Estimates

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

We believe that the estimates adopted in the consolidated financial statements are reasonable and the details are as follows:

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

- The fiscal year is charged with its portion of income tax expenditure in accordance with the regulations and 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 the tangible and intangible assets for the purpose of calculating the 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. The study highlights the 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 values. 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 categorized in their entirety, segregating fair value measurements in accordance with the levels defined in International Financial Reporting Standards. 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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, and have been adopted in the preparation of the company's consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

### 5. b. New and revised IFRSs in issue but not yet effective

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

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28 | The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017 |
| Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealized losses | January 1, 2017 |

| | |
|---|---|
| Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. | January 1, 2017 |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration*<br>The interpretation addresses foreign currency transactions or parts of transactions where:<br>• there is consideration that is denominated or priced in a foreign currency;<br>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and<br>• the prepayment asset or deferred income liability is non-monetary. | January 1, 2018 |
| Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions | January 1, 2018 |
| Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard. | January 1, 2018 |
| Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. | January 1, 2018 |
| Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9 | When IFRS 9 is first applied |
| IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | When IFRS 9 is first applied |

| | |
|---|---|
| IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)<br>IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.<br><br>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:<br><br>• **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.<br><br>• **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised<br><br>• **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.<br><br>• **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. | January 1, 2018 |
| Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. | January 1, 2018 |

| | |
|---|---|
| IFRS 15 *Revenue from Contracts with Customers*<br>In May 2015, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. | January 1, 2018 |

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

| | |
|---|---|
| IFRS 16 *Leases*<br>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. | January 1, 2019 |
| Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. | Effective date deferred indefinitely |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 , may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019.

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practical to provide a reasonable estimate for the implementation of these standards until the company reviews these.

## 6. Cash on Hand and at Banks

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Cash on hand | 3,424,789 | 983,351 |
| Current accounts | 6,869,695 | 14,499,762 |
| Time Deposits * | 20,321 | 3,368,272 |
| | **10,314,805** | **18,851,385** |

* The time deposits are held on monthly basis with an average rate of (1%) Annually .

## 7. Accounts Receivable and Checks under Collection- Net

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Trade receivables | 70,546,404 | 50,317,606 |
| Less: Provision for doubtful debts | 4,734,008 | 3,591,050 |
| | 65,812,396 | 46,726,556 |
| Checks under collection * | 18,176,920 | 15,145,587 |
| Employees receivable | 2,024,405 | 1,417,366 |
| | **86,013,721** | **63,289,509** |

* The maturities of checks under collection extend up to the end of the year 2017.

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

| | **2016** | **2015** |
|---|---|---|
| | **USD** | **USD** |
| Balance - beginning of the year | 3,591,050 | 3,143,361 |
| Additions to the provision | 1,334,228 | 1,010,693 |
| Additions due to the acquisition * | 5,451 | - |
| Written-off debts | (196,942) | (562,220) |
| Currency differences | 221 | (784) |
| **Balance - End of the Year** | **4,734,008** | **3,591,050** |

* This item represents additions to the accounts receivables provision as a result of the acquisition of Al – Masa meat processing company.

- The Company adopts a policy of dealing with only creditworthy counterparties with good market reputation so as to mitigate the risk of financial losses from defaults. The Company takes a provision for receivables not collected for more than 365 days. Due but not impaired receivables amounted to USD 65,812,396 as of December 31, 2016 (USD 46,726,556 as of December 31, 2015). The following are the details of due but not impaired receivables:

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Up to 90 days | 43,154,259 | 40,704,443 |
| 91 days - 180 days | 13,409,708 | 2,462,301 |
| 181 days - 365 days | 9,248,429 | 3,559,812 |
| | **65,812,396** | **46,726,556** |

Due and impaired receivables amounted to USD 4,734,008 as of December 31, 2016 (USD 3,591,050 as of December 31, 2015).

- Receivables include amounts due from The Palestinian Authority with an amount of approximately USD 21 Million .

## 8. Inventory - Net

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Finished goods | 5,472,893 | 7,706,681 |
| Medicine | 4,938,724 | 2,919,981 |
| Medical material | 1,164,617 | 1,221,138 |
| Consumable material | 22,809,611 | 18,991,518 |
| Laboratory tools and material | 843,551 | 558,575 |
| Medical equipment and machinery | 3,723,081 | 1,825,670 |
| **Total Finished Goods** | **38,952,477** | **33,223,563** |
| Raw materials | 9,060,263 | 8,511,126 |
| Scrap and others | 863,982 | 2,490,241 |
| Other material | 3,100,289 | 100,437 |
| Costumed cars and spare parts* | 7,831,622 | 2,930,388 |
| **Total Inventory** | **59,808,633** | **47,255,755** |
| Less: Provision for slow-moving inventory ** | 1,596,041 | 1,359,193 |
| **Net Inventory** | **58,212,592** | **45,896,562** |
| Goods in transit | 2,317,406 | 8,509,520 |
| Goods at bonded * | 5,535,749 | 7,180,499 |
| | **66,065,747** | **61,586,581** |

* Includes mortgaged vehicles in favor of banks in exchange of commercial loans.

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

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Balance - beginning of the year | 1,359,193 | 1,102,387 |
| Additions to the provision during the year | 563,573 | 521,810 |
| Additions due to the acquisition * | 36,622 | - |
| Written-off inventory during the year | (363,347) | (265,004) |
| **Balance - End of the Year** | **1,596,041** | **1,359,193** |

* This item consists of addition to the slow moving inventory as a result of the acquisition of Al – Masa meat processing company.

## 9. Financial Assets for Trading

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Listed Shares in Palestine Stock Exchange | 144,661 | 168,217 |
| | **144,661** | **168,217** |

## 10. Other Debit Balances

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Receivable Claims | 6,942,839 | 5,104,649 |
| Value added tax | 2,097,319 | 536,494 |
| Prepaid expenses | 2,219,620 | 1,627,600 |
| Refundable deposits against LGs', LCs and others | 2,266,577 | 2,270,298 |
| Advance payments to Suppliers | 7,390,645 | 4,578,175 |
| Other debit balances | 1,776,504 | 857,610 |
| | **22,693,504** | **14,974,826** |

## 11. Financial Leasing Contracts Receivable

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Leasing contracts receivable – short term | 1,496,842 | 1,260,637 |
| Leasing contracts receivable – long term | 4,715,411 | 768,577 |
| | **6,212,253** | **2,029,214** |

| December 31, 2016 | Minimum Lease Payments | Current amount of the Minimum Lease Payments |
|---|---|---|
| | USD | USD |
| Lease payments due within one year or less | 1,936,283 | 1,512,392 |
| Lease payments due within one year or more and Less than 5 years | 5,672,866 | 4,715,411 |
| | **7,609,149** | **6,227,803** |

| December 31, 2015 | Minimum Lease Payments | Current amount of the Minimum Lease Payments |
|---|---|---|
| | USD | USD |
| Lease payments due within one year or less | 1,544,136 | 1,265,887 |
| Lease payments due within one year or more and Less than 5 years | 1,132,365 | 768,577 |
| | **2,676,501** | **2,034,464** |

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| The Total investment cost in the financial leasing | 7,609,149 | 2,676,501 |
| Less: Unearned value | (1,381,346) | (642,037) |
| Current amount of the financial leasing contract | 6,227,803 | 2,034,464 |
| Less: Provision for unpaid leases | (15,550) | (5,250) |
| Financial lease installments due within on year | (1,496,842) | (1,260,637) |
| Financial leasing receivables (long term) | 4,715,411 | 768,577 |

## 12. Long-term Checks Under Collection

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Palestine Automobile Company | 1,048,764 | 785,010 |
| Medical Supplies and Services Company | - | 32,300 |
| Unipal General Trading Company | 97,471 | - |
| | **1,146,235** | **817,310** |

- The maturities of long-term checks under collection extend up to March 2019.

**13. Financial Assets Available-for-Sale**

**This item consists of the following:**

| | Number of Shares | December 31, 2016 USD | Number of Shares | December 31, 2015 USD |
|---|---|---|---|---|
| **Listed Shares:** | | | | |
| Bank of Palestine limited * | 4,436,035 | 11,764,460 | 3,384,827 | 10,154,484 |
| Wataniya Mobile Company | - | - | 1,000,000 | 850,000 |
| | | 11,764,460 | | 11,004,484 |
| **Unlisted Shares:** | | | | |
| Palestine Electricity Company | 3,654,550 | 3,654,550 | 3,654,550 | 3,654,550 |
| Technology Accelator Investment Company Limited | 250,000 | 275,000 | 250,000 | 275,000 |
| Catalyst Private Equity Fund | 14,995 | 187,997 | 14,995 | 187,997 |
| Palestine for Electricity Generation Company | 800,000 | 600,000 | 400,000 | 400,000 |
| EuroMena Fund | - | 424,720 | | 339,190 |
| Lumia Capital | - | 1,932,376 | | 834,018 |
| Ibtikar Fund | - | 150,000 | | - |
| Liv Dublin | 500 | 555,008 | | - |
| | | 7,779,652 | | 5,690,755 |
| **Unlisted Bonds:** | | | | |
| Bonds of Palestine Commercial Bank * | - | - | 100 Bond | 100,000 |
| | | - | | 100,000 |
| | | 19,544,112 | | 16,795,239 |

* Most of the shares and bonds are mortgaged against bank credit facilities and Board of Directors membership.

**14. Investment in Lands**

The fair value of these lands amounted to USD 1,485,443 as of December 31, 2016 noting that part of these lands are mortgaged against bank credit facilities.

**15. Intangible Assets - Net**

**This item consists of the following:**

| | December 31, 2016 USD | December 31, 2015 USD |
|---|---|---|
| Goodwill – net * | 14,718,773 | 6,061,380 |
| Trademarks ** | 2,366,839 | 2,273,171 |
| | 17,085,612 | 8,334,551 |

* Goodwill resulted from the Company's acquisition of new shares at a value exceeding the book value of the share in some of its subsidiary companies. During the year ended December 31, 2016, Siniora Food Industries Company (subsidiary company) bought and acquired 70% from the shares of Al – Masa meat processing company. A goodwill of USD 6,195,317 resulted from this acquisition, making the total goodwill in Arab Palestinian Investment Company (holding company) USD 14,718,773 after recording an impairment provision of USD 6,940,471 from previous years.

** This item represents the value of the trademarks bought from Quality Food Company for Siniora Food Industries Company (Subsidiary Company) and ownership transfer fees.

**16. Property, Plant and Equipment**

**a. This item consists of the following:**

| 2016 | Lands | Buildings and Constructions | Furniture and Fixtures | Computers | Vehicles | Leasehold Improvements | Machinery and Equipment | Tools | Total |
|---|---|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Cost:** | | | | | | | | | |
| Beginning balance | 11,351,165 | 35,245,499 | 7,925,934 | 2,657,519 | 7,795,812 | 6,301,459 | 53,493,930 | 1,349,989 | 126,121,307 |
| Additions | 2,259,974 | 6,455,441 | 1,118,308 | 16,020 | 922,768 | 2,276,117 | 2,270,149 | 13,720,003 | 29,038,780 |
| Disposals | - | (11,166) | (287,967) | (53,180) | (942,250) | (353,618) | (370,511) | (1,708) | (2,020,400) |
| Transfers | - | 6,160,906 | 979,307 | - | 561,282 | - | 5,939,351 | (13,640,846) | - |
| Additions due to the acquistion | - | 1,545,219 | 188,701 | - | 403,574 | - | 4,041,835 | - | 6,179,329 |
| **Ending Balance** | **13,611,139** | **49,395,899** | **9,924,283** | **2,620,359** | **8,741,186** | **8,223,958** | **65,374,754** | **1,427,438** | **159,319,016** |
| **Accumulated Depreciation:** | | | | | | | | | |
| Beginning balance | - | 12,946,096 | 5,447,088 | 1,934,155 | 3,844,237 | 2,572,786 | 28,606,483 | 1,000,089 | 56,350,934 |
| Additions | - | 1,474,800 | 822,626 | 151,071 | 867,918 | 638,265 | 4,421,522 | 85,132 | 8,461,334 |
| Disposals | - | (11,166) | (249,938) | (52,531) | (437,669) | (98,219) | (284,666) | (717) | (1,134,906) |
| Transfers | - | (223,511) | 223,511 | - | - | - | - | - | - |
| Additions due to the acquistion | - | 80,869 | 133,385 | - | 337,317 | - | 1,371,464 | - | 1,923,035 |
| **Ending Balance** | - | **14,267,088** | **6,376,672** | **2,032,695** | **4,611,803** | **3,112,832** | **34,114,803** | **1,084,504** | **65,600,397** |
| **Net Book Value as of December 31, 2016** | **13,611,139** | **35,128,811** | **3,547,611** | **587,664** | **4,129,383** | **5,111,126** | **31,259,951** | **342,934** | **93,718,619** |
| **2015** | | | | | | | | | |
| **Cost:** | | | | | | | | | |
| Beginning balance | 11,352,736 | 33,380,840 | 6,266,897 | 3,254,530 | 8,432,325 | 5,357,835 | 51,118,812 | 4,144,583 | 123,308,558 |
| Additions | - | 2,487,925 | 1,212,614 | 337,874 | 919,514 | 311,441 | 2,739,748 | 60,174 | 8,069,290 |
| Disposals | - | (855,975) | (136,924) | (516,309) | (1,873,923) | (470,549) | (1,402,861) | - | (5,256,541) |
| Transfers | (1,571) | 232,709 | 583,347 | (418,576) | 317,896 | 1,102,732 | 1,038,231 | (2,854,768) | - |
| **Ending Balance** | **11,351,165** | **35,245,499** | **7,925,934** | **2,657,519** | **7,795,812** | **6,301,459** | **53,493,930** | **1,349,989** | **126,121,307** |
| **Accumulated Depreciation:** | | | | | | | | | |
| Beginning balance | - | 12,095,420 | 4,111,671 | 2,366,597 | 3,627,536 | 2,101,239 | 24,731,213 | 2,434,245 | 51,467,921 |
| Additions | - | 1,181,286 | 738,556 | 206,735 | 860,979 | 508,976 | 3,932,060 | 104,750 | 7,533,342 |
| Disposals | - | (330,282) | (73,992) | (133,385) | (774,299) | (53,732) | (1,284,639) | - | (2,650,329) |
| Transfers | - | (328) | 670,853 | (505,792) | 130,021 | 16,303 | 1,227,849 | (1,538,906) | - |
| **Ending Balance** | - | **12,946,096** | **5,447,088** | **1,934,155** | **3,844,237** | **2,572,786** | **28,606,483** | **1,000,089** | **56,350,934** |
| **Net Book Value as of December 31, 2015** | **11,351,165** | **22,299,403** | **2,478,846** | **723,364** | **3,951,575** | **3,728,673** | **24,887,447** | **349,900** | **69,770,373** |
| **Annual Depreciation Rates %** | - | 2-4 | 6-15 | 15-25 | 20 | 15-25 | 10-20 | 6-10 | |

b. Some of the Company's and the subsidiary companies' assets are mortgaged against bank credit facilities.

c. Some of the subsidiary companies' buildings are constructed on lands leased from others.

* This item represents additions to property, plant and equipment as a result of the aquisiton of Al - Masa meat processing company.

** Arab Palestinian Shopping Centers Company revalued its land and stated it at its fair value, differences in revaluation of 669,525 USD was recorded in the revaluation reserve within owners' equity as of Decebmer 31, 2016 and 2015.

**17. Projects under Construction**

This item represents costs of work relating to constructing and equipping the production facilities and administration offices and the renovation of different production lines for the subsidiary companies represented by National Aluminum and Profiles Company, Siniora Food Industries Company, Unipal General Trading Company and Arab Palestinian Shopping Centers Company, which were not yet completed as of December 31, 2016.

The movement on the projects under construction is as follows:

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Balance - beginning of the year | 18,714,156 | 5,191,009 |
| Additions | 9,362,206 | 14,347,495 |
| Transferred to property, plant and equipment | (24,092,414) | (824,348) |
| **Balance - End of the Year** | **3,983,948** | **18,714,156** |

**18. Short-term Notes Payable**

**This item represents notes payable to the following companies:**

| | December 31 | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| National Aluminum and Profiles Company | 1,464,618 | - |
| Medical Supplies and Services Company | 3,747,460 | - |
| Unipal General Trading Company | - | 31,280 |
| | **5,212,078** | **31,280** |

**19. 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. Noting 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 degree mortgages which is not less than 125% of the nominal value of the bonds. These mortgages include shares and lands.

During the subsequent period on January 31, 2017 the bonds matured. Arab Palestinian Investment company issued new bond during January of the same year for USD 35,000,000 for 5 years in a special underwriting with the collaboration of nine banks and companies from Palestine, Jordan and Bahrain. The net total obtained will be used to settle the outstanding bank loan of the company.

**20. Loans**

The details of this item are as follows:

| | Short-term | Long-term | Short-term | Long-term |
|---|---|---|---|---|
| | December 31, 2016 | | December 31, 2015 | |
| | USD | USD | USD | USD |
| **Arab Palestinian Investment Company:** | | | | |
| National Bank loans ** | 1,712,022 | - | 375,000 | 2,077,597 |
| Cairo Amman Bank Loan ** | 3,500,000 | - | - | 3,500,000 |
| Arab Bank Loan | 1,300,000 | 2,700,000 | - | - |
| Al Quds Bank Loans ** | 2,744,631 | - | - | - |
| **Siniora Food Industries Company:** | | | | |
| Jordan Ahli Bank Loan | 740,480 | 2,223,695 | 741,044 | 2,974,385 |
| Arab Bank Loan | 4,400,282 | 16,299,295 | 1,301,834 | 11,716,502 |
| Bank of Palestine limited Loan | - | - | 692,008 | - |
| **National Aluminum and Profiles Company:** | | | | |
| Jordan Ahli Bank Loans | 2,094,746 | 24,142 | 2,194,504 | 14,341 |
| Arab Islamic Bank Loan | - | - | 1,129,885 | - |
| Bank of Palestine for Investment Loans | 291,079 | 643,466 | 1,372,479 | 642,727 |
| Cairo Amman Bank Loans | 1,429,480 | 698,446 | 1,060,455 | - |
| Palestinian Commercial Bank Loan | - | 570,770 | 129,230 | 570,770 |
| Arab Bank Loan | 864,417 | - | 1,235,397 | - |
| Egyptian Arab Land Bank Loan | 76,870 | - | 129,042 | - |
| **Palestinian Automobile Company:** | | | | |
| National Bank Loans | 3,069,545 | - | 3,159,722 | 208,941 |
| The Housing Bank for Trade and Finance Loan | 441,518 | - | 878,000 | - |
| Jordan Kuwait Bank Loans | 1,860,312 | - | 1,312,222 | - |
| Arab Bank Loan | 665,210 | - | 919,529 | - |
| Al Quds Bank Loans | 1,360,899 | 843,805 | 4,091,737 | 400,000 |
| Jordan Ahli Bank Loans | 2,547,906 | 492,604 | 3,348,918 | 893,468 |
| Bank of Palestine limited Loan | 1,302,473 | - | 1,404,891 | - |
| Arab Islamic Bank Loan | - | 1,249,000 | - | - |
| **Arab Leasing Company:** | | | | |
| National Bank Loan | 417,099 | 745,973 | 198,682 | 392,275 |
| Jordan Ahli Bank Loan | 298,405 | 740,032 | - | - |
| Al Quds Bank Loan | 62,527 | 188,860 | - | - |
| Italian development coorperation agency * | - | 784,356 | - | - |
| **Arab Palestinian shopping centers company:** | | | | |
| Arab Islamic Bank Loan | 65,800 | 588,028 | 88,121 | 653,598 |
| Palestinian Commercial Bank Loan | - | - | 157,622 | 1,341,849 |
| The Housing Bank for Trade and Finance Loans | - | - | 247,353 | 3,269,425 |
| Cairo Amman Bank Loan | 350,000 | 7,839,000 | 175,270 | 613,449 |
| | **31,595,701** | **36,631,472** | **26,342,945** | **29,269,327** |

- The loan rates above are ranging from 3.25% to 5.50% and are granted in Palestine and Jordan.

* This loan is granted by the Italian development coorperation agency in Palestine without interest and with a grace period of up to 5 years.

** The Arab Palestinian Investment company granted bonds in the subsequent period which was used to pay these loans and based on that the loans were transferred to short - term.

## 21. Other Credit Balances

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Accrued expenses | 6,179,927 | 5,755,960 |
| Accrued interest | 1,271,649 | 507,854 |
| Unearned revenues | 756,400 | 263,891 |
| Accrued salaries and bonuses | 2,746,627 | 1,665,111 |
| Accrued vacations | 750,304 | 625,069 |
| Social security deposits | 67,513 | 62,066 |
| Sales tax deposits | 40,144 | 19,324 |
| Income tax deposits – employees | 732,751 | 123,142 |
| Obligations against after-sale maintenance | 376,672 | 750,000 |
| Customers advances | 1,262,802 | 1,224,832 |
| Various provision * | 1,665,749 | - |
| Others | 690,202 | 1,987,414 |
| | **16,540,740** | **12,984,663** |

* This amount includes the advance payments made by non-controlling interest to increase the capital of Central and West Africa Commercial Agencies which was not included in the accompanying financial statements as it is under liquidation.

## 22. Postdated Checks

**This item consists of the following:**

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Medical Supplies and Services Company | - | 3,797,500 |
| National Aluminum and Profiles Company | - | 640,134 |
| Arab Palestinian Shopping Centers Company | 2,225,611 | 1,813,309 |
| Arab Leasing Company | 800 | - |
| Unipal General Trading Company | 29,089 | - |
| Siniora Food Industries Company | - | 374,257 |
| | **2,255,500** | **6,625,200** |

- The maturities of postdated checks extend up to the end of the year 2017.

## 23. Non - Controlling Interests

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

| Company's Name | Non-Controlling Interest Share as of December 31, 2016 | Paid-up Capital | Assets Revaluation Reserve | Statutory Reserve | Voluntary Reserve | Cumulative Change in Fair Value | Accumulated (Losses) Gains | Profit (Loss) for the Year | Total Shareholders' Equity | December 31, 2016 Non - Controlling Interest | 2016 Non-Controlling Interest Share of Profit (Loss) for the Year | 2015 Non-Controlling Interest | 2015 Non-Controlling Interest Share of Profit (Loss) for the Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Arab Palestinian Storage Company | 31/53 | 4,500,000 | - | - | - | - | (5,622,489) | (238,472) | (1,360,961) | (429,111) | (75,188) | (397,473) | (23,081) |
| Medical Supplies and Services Company | 50 | 4,000,000 | - | 1,000,000 | - | - | 7,131,662 | 3,306,157 | 15,348,457 | 7,719,229 | 1,653,079 | 6,058,978 | 1,312,271 |
| Unipal General Trading Company | 6/59 | 7,042,253 | 3,584 | 4,879,618 | 22,410 | - | 2,868,174 | 10,278,617 | 25,072,246 | 1,575,248 | 677,361 | 3,233,389 | 1,365,052 |
| National Aluminum and Profiles Company | 27/01 | 9,718,310 | 669,525 | 2,314,362 | - | - | 1,029,884 | 451,444 | 14,205,935 | 3,840,289 | 122,018 | 3,581,525 | 27,966 |
| Siniora Food Industries Company | 38/82 | 25,387,870 | - | 4,484,107 | - | - | 9,225,821 | 3,330,463 | 42,537,955 | 18,472,357 | 1,440,328 | 15,726,109 | 2,685,887 |
| Arab Palestinian Shopping Centers Company | 11/46 | 9,876,543 | 4,953,793 | 71,604 | - | - | (1,653,084) | (1,032,437) | 12,216,419 | 1,241,748 | (118,338) | 1,593,109 | (103,578) |
| Jericho Natural and Mineral Water Factory Company | 15 | 4,803,734 | - | - | - | - | (4,874,138) | 8,942 | (61,462) | (9,219) | 1,341 | (10,561) | (451) |
| | | 65,328,710 | 5,626,902 | 12,749,691 | 22,410 | - | 8,105,830 | 16,104,714 | 107,958,589 | 32,410,541 | 3,700,601 | 29,785,076 | 5,264,066 |

## 24. Due to Banks

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

| | December 31, 2016 | 2015 |
|---|---|---|
| | USD | USD |
| National Aluminum and Profiles Company | 4,419,483 | 3,477,301 |
| Medical Supplies and Services Company | 22,144,936 | 15,083,144 |
| Unipal General Trading Company | 14,963,205 | 13,026,997 |
| Palestinian Automobile Company | 1,551,406 | 1,382,017 |
| Arab Leasing Company | 75,526 | - |
| | 43,154,556 | 32,969,459 |

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## 25. End-of-Service Indemnity Provision

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

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Medical Supplies and Services Company | 1,699,194 | 1,525,192 |
| Unipal General Trading Company | 2,746,692 | 2,461,559 |
| National Aluminum and Profiles Company | 905,913 | 892,830 |
| Palestine Automobile Company | 859,049 | 750,476 |
| Arab Palestinian Shopping Centers Company | 365,364 | 362,718 |
| Arab Palestinian Investment Company (Holding Company) | 580,450 | 509,549 |
| Sky Advertising, Public Relations and Events Company | 479,219 | 402,922 |
| Siniora Food Industries Company | 2,201,382 | 1,467,874 |
| Arab Palestinian Storage Company | 69,864 | 63,872 |
| Arab Leasing Company | 2,119 | - |
| | **9,909,246** | **8,436,992** |

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

| | **2016** | **2015** |
|---|---|---|
| | **USD** | **USD** |
| Balance - beginning of the year | 8,436,992 | 7,774,451 |
| Additions | 2,291,126 | 1,643,104 |
| Paid from the provision | (818,872) | (980,563) |
| **Balance - End of the Year** | **9,909,246** | **8,436,992** |

## 26. Revaluation of Property, Plant and Equipment Reserve

**This item consists of the following:**

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | |
| | Revaluation Reserve | Ownership Percentage | Company's Share | Minority Interest Share | Company's Share | Minority Interest Share |
| | USD | % | USD | USD | USD | USD |
| Arab Palestinian Shopping Centers Company * | 3,552,540 | 88.54 | 3,145,419 | 407,121 | 3,074,663 | 477,877 |
| National Aluminum and Profiles Company ** | 669,525 | 72.99 | 488,686 | 180,839 | 487,151 | 182,374 |
| | **4,222,065** | | **3,634,105** | **578,960** | **3,561,814** | **660,251** |

* **Arab Palestinian Shopping Centers Company**

In its meeting held on April 17, 2006, the General Assembly of the Company approved the revaluation of the lands owned by the Company and their presentation in the financial statements at fair value. The land was revalued by two licensed real estate assessors at a meter price ranging from USD 480 to USD 500 per square meter. Accordingly, the Board of Directors decided 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 the International Financial Reporting Standards, the land has been revalued as of December 31, 2008, as the price per meter was revalued from USD 660 to USD 680. Therefore, 90% of the lower valuation was taken and the accounting treatment was executed according to IAS (8), where 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 and as stated in owners' equity amounted to USD 3,552,540. Furthermore, the Company has reassessed the value of the land as of December 31, 2015. According to the management's opinion, the fair value of the land is approximate to its book value, therefore, no adjustment was booked for the positive revaluation on the consolidated financial statements.

** **National Aluminum and Profiles Company**

During the year 2010, the General Assembly of the Company approved the revaluation of the lands owned by the Company and their presentation in the financial statements at fair value. The revaluation difference was stated in the revaluation reserve account in owners' equity with an amount of USD 669,525. Furthermore, the Company reassessed the value of the land as of December 31, 2013. According to the management's opinion, the fair value of the land is approximate to the book value, therefore, no adjustment was booked for the positive revaluation on the consolidated financial statements.

## 27. Sales Gross Profit

**This item consists of the following:**

| Company's Name | Sales | Inventory at the Beginning of the Year | Purchases and Cost of production (Operating) | Inventory at the End of the Year | Cost of Sales | 2016 Sales Gross Income | 2015 Sales Gross Income |
|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD |
| Medical Supplies and Services Company | 52,217,663 | 7,095,213 | 43,105,212 | 11,238,183 | 38,962,242 | 13,255,421 | 11,744,559 |
| Unipal General Trading Company | 403,089,941 | 15,698,637 | 382,125,240 | 19,893,429 | 377,930,448 | 25,159,493 | 24,178,970 |
| National Aluminum and Profiles Company | 20,841,530 | 8,977,197 | 13,647,819 | 5,935,662 | 16,689,354 | 4,152,176 | 3,192,749 |
| Palestine Automobile Company | 33,120,126 | 2,657,502 | 33,377,599 | 7,831,622 | 28,203,479 | 4,916,647 | 1,462,235 |
| Siniora Food Industries Company | 62,048,763 | 10,104,173 | 45,444,398 | 12,323,108 | 43,225,463 | 18,823,300 | 15,357,301 |
| Arab Palestinian Shopping Centers Company | 29,042,202 | 2,723,033 | 21,368,030 | 2,586,629 | 21,504,434 | 7,537,768 | 8,076,190 |
| | **600,360,225** | **47,255,755** | **539,068,298** | **59,808,633** | **526,515,420** | **73,844,805** | **64,012,004** |

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## 28. General and Administrative Expenses

**This item consists of the following:**

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Salaries and wages | 12,507,067 | 11,134,863 |
| Bonuses and employees benefits | 3,732,070 | 1,184,955 |
| End-of-service indemnity provision | 967,207 | 1,110,637 |
| Rent | 1,387,374 | 1,359,886 |
| Stationery and printing | 206,558 | 174,409 |
| Maintenance and cleaning | 700,748 | 597,115 |
| Communication | 687,618 | 568,233 |
| Hospitality | 427,506 | 412,530 |
| Donations | 938,440 | 695,960 |
| Transportation, travel and business trips expenses | 1,347,384 | 1,049,185 |
| Consultation, legal and professional expenses | 793,197 | 1,375,561 |
| Subscriptions, governmental expenses and fees | 290,127 | 195,167 |
| Board of Directors' expenses | 984,755 | 292,462 |
| Bank expenses | - | 1,256 |
| Insurance | 806,002 | 678,327 |
| Vehicles expenses | 833,118 | 703,806 |
| Water and Electricity | 994,578 | 918,790 |
| Advertising | 12,710 | 88,512 |
| Property, plant and equipment depreciation | 2,655,972 | 3,493,727 |
| Provision for doubtful debts ( Note 7) | 1,334,228 | 1,010,693 |
| Provision for unpaid leases (Note 11) | 10,300 | 5,250 |
| Goods storage and security expenses | 220,827 | 292,220 |
| Provision for slow-moving inventory items (Note 8) | 563,573 | 521,810 |
| Training | 171,173 | 176,542 |
| Others | 1,065,063 | 1,981,624 |
| | **33,636,595** | **30,023,520** |

## 29. Selling and Distribution Expenses

**This item consists of the following:**

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Salaries and wages | 3,599,312 | 4,176,591 |
| Company's share in social security | 422,817 | 396,625 |
| Advertising | 2,864,133 | 1,495,933 |
| Sales bonuses and commissions | 3,829,126 | 1,570,203 |
| Vehicles and fuel expenses | 2,726,352 | 2,144,359 |
| Water and Electricity | 24,757 | 25,166 |
| Communication | 137,421 | 108,224 |
| Insurance | 579,033 | 583,992 |
| Property, plant and equipment depreciation | 589,453 | 415,590 |
| Maintenance | 12,407 | 23,606 |
| Marketing | 4,575,310 | 2,602,750 |
| Transportation and travel | 752,351 | 371,946 |
| Export expenses | 460,327 | 394,932 |
| Showrooms' expenses | 101,277 | 109,445 |
| Hospitality | 7,569 | 2,752 |
| Rent | 201,592 | 154,690 |
| Stationery | 9,261 | 9,038 |
| Others | 603,205 | 244,133 |
| | **21,495,703** | **14,829,975** |

## 30. Gain from Financial Assets Available-for-Sale

**This item consists of the following:**

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Dividends income | 714,904 | 382,338 |
| | **714,904** | **382,338** |

## 31. Other (Expenses) Revenue - Net

**This item consists of the following:**

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| (Losses) Gains from the sale of property, plant and equipment | (29,296) | 58,038 |
| (losses) gain from Currency differences | (10,663) | 17,039 |
| Returned from contingent liabilities provision | 555,825 | 100,000 |
| Miscellaneous expenses – net * | (984,347) | (1,657,391) |
| Miscellaneous revenues – net | 847,837 | - |
| | **379,356** | **(1,482,314)** |

* This amount includes the provision taken for the liquidation of the subsidiary company (Central and West Africa) with an amount of approximately USD 583,428 .

## 32. Income Tax – Subsidiary Companies

### a- Deferred Tax Assets

**This item consists of the following:**

| | 2016 | | | | | 2015 |
|---|---|---|---|---|---|---|
| | Beginning Balance | Additions | Released Amounts | Ending Balance | Deferred Tax | Deferred Tax |
| Accounts Included | USD | USD | USD | USD | USD | USD |
| Provision for doubtful debts | 3,059,199 | 703,677 | 422,543 | 3,340,333 | 381,158 | 437,769 |
| Provision for slow-moving inventory | 1,359,192 | 551,435 | 345,992 | 1,564,635 | 139,055 | 195,179 |
| End-of-service indemnity provision | 6,476,383 | 1,166,534 | 474,479 | 7,168,438 | 939,890 | 868,224 |
| Lawsuits provision | 13,258 | - | - | 13,258 | 1,856 | 1,856 |
| | **10,908,032** | **2,421,646** | **1,243,014** | **12,086,664** | **1,461,959** | **1,503,028** |

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

  Sky Advertising, Public Relations and Events Company, Arab Palestinian Spare Parts and Vehicles Services Company, Arab Palestinian Storage Company, Jericho Natural and Mineral Water Factory Company and Central & West Africa for Commercial Agencies and Arab Leasing Company.

The movement on deferred tax assets is as follows:

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Balance - beginning of the year | 1,503,028 | 1,594,075 |
| Additions | 169,219 | 229,810 |
| Disposals | (210,288) | (320,857) |
| **Balance- End of the Year** | **1,461,959** | **1,503,028** |

### b. Income Tax Provision

**The movement on the income tax provision is as follows:**

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Balance - beginning of the year | 2,733,591 | 3,099,520 |
| Income tax paid | (4,223,089) | (3,906,548) |
| Accrued income tax | 3,460,123 | 3,540,619 |
| **Balance – End of the Year** | **1,970,625** | **2,733,591** |

c. **Income Tax expense**

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

| | 2016 | 2015 |
|---|---|---|
| | USD | USD |
| Accrued income tax for the year | 3,460,123 | 3,540,619 |
| Deferred tax assets for the year | (169,219) | (229,810) |
| Amortized deferred tax assets | 210,288 | 320,857 |
| | **3,501,192** | **3,631,666** |

- The Arab Palestinian Investment Company (Holding Company) has performed a final tax settlement with the income tax department up to the year 2010 in Jordan and 2013 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 | 2015 |
| Sky Advertising, Public Relations and Events Company | 2015 |
| Medical Supplies and Services Company | 2014 |
| National Aluminum and Profiles Company | 2015 |
| Palestine Automobile Company | 2014 |
| Arab Palestinian Storage Company | 2005 |
| Arab Palestinian Shopping Centers Company | 2014 |
| Siniora Food Industries Company (Jordan-Palestine) | 2015 |
| Jericho Natural and Mineral Water Factory Company | Liquidated |
| Arab Leasing Company | 2015 |
| Arab Palestinian Investment Company / Jordan (Exempted) | 2015 |

In the management's opinion and the tax consultant's opinion, the provisions recorded as of December 31, 2016 are sufficient to settle the tax liabilities.

On February 9, 2012, Siniora Food Industries Company - Palestine obtained from the Palestinian Investment Promotion Agency a full exemption from income tax for five years commencing on January 1, 2010 up to December 31, 2014. In addition to a declared exemption of 50% of income tax for 12 years commencing on January 1, 2015 up to December 31, 2026.

## 33. Contingent Liabilities

As of the date of the statement of financial position, the Company has contingent liabilities as follows:

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Letters of credit | 14,754,067 | 2,175,387 |
| Bank guarantees | 6,589,595 | 7,389,569 |
| Outstanding bills | 44,062 | - |
| Contractual obligations | - | 3,324,920 |

**34. Segmental Analysis**

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

| | Industrial | Trade | Service | Other | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| Total revenues | 82,890,293 | 517,469,932 | 7,001,520 | - | 607,361,745 | 523,592,293 |
| Less: Cost of sales and services | 59,914,817 | 466,600,603 | 4,678,624 | - | 531,194,044 | 456,259,790 |
| **Gross Profit** | **22,975,476** | **50,869,329** | **2,322,896** | **-** | **76,167,701** | **67,332,503** |
| Expenses allocated to sectors | 9,837,859 | 44,416,642 | 877,797 | - | 55,132,298 | 44,853,495 |
| Less: Expenses not allocated to sectors | - | - | - | 5,589,792 | **5,589,792** | **6,439,110** |
| **Profit before Tax** | **13,137,617** | **6,452,687** | **1,445,099** | **(5,589,792)** | 15,445,611 | 16,039,898 |
| Less: Income tax | (451,433) | (2,898,676) | (151,083) | - | (3,501,192) | (3,631,666) |
| **Profit for the Year** | **12,686,184** | **3,554,011** | **1,294,016** | **(5,589,792)** | **11,944,419** | **12,408,232** |

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | USD | USD |
| Total assets | 329,783,580 | 278,542,464 |
| Total liabilities | 211,486,045 | 167,162,245 |

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

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

| Company Name | Geographical Location | For the Year Ended December 31, 2016 | | December 31, 2016 | |
|---|---|---|---|---|---|
| | | Revenues | Expenses | Assets | Liabilities |
| | | USD | USD | USD | USD |
| Siniora Food Industries Company | Jordan | 67,496,244 | 61,859,817 | 83,571,422 | 39,072,671 |
| Arab Palestinian Investment Company / Jordan (Exempted) | Jordan | 1,499,047 | 366,256 | 13,071,607 | 9,189,151 |

| Company Name | Geographical Location | For the Year Ended December 31, 2015 | | December 31, 2015 | |
|---|---|---|---|---|---|
| | | Revenues | Expenses | Assets | Liabilities |
| | | USD | USD | USD | USD |
| Siniora Food Industries Company | Jordan | 59,027,276 | 50,103,252 | 69,644,712 | 29,140,375 |
| Arab Palestinian Investment Company / Jordan (exempted) | Jordan | 2,372,168 | 1,321,037 | 7,106,537 | 715,011 |

## 35. Lawsuits

### a. Siniora Food Industries Company

There are lawsuits held against Siniora Food Industries Company – Jordan with an amount of USD 93,400 in addition to other lawsuits with an unidentifiable value. 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 are lawsuits held against Arab Palestinian Shopping Centers Company with an amount of USD 5,829,221, 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 and Mineral Water Factory Company

During the year 2008, the shareholder owning 15% of the Company's capital "Ahleia Insurance Group" raised a lawsuit against Mr. Ali Al-Aqqad personally and against him as the chairman of Jericho Natural and Mineral Water Factory Company and against the Arab Palestinian Investment Company (APIC) as a shareholder and a board member of Jericho Natural and Mineral Factory Company, represented by Mr. Tarek Omar AL-Aqqad, claiming a compensation for USD 721,577, representing the plaintiff's shares in the Company's capital. The plaintiff objected against the Company's management which incurred losses as well as against its previous sale 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. On October 3, 2013 a verdict was issued from the court of appeal accepting its principal and accordingly the Company's lawyer appealed this decision. The court's decision was to refuse the appeal and to return the case to the court of first instance. On June 2, 2015 The company appealed the claim and the session has been postponed till November 17, 2016.

On January 26, 2017 during the subsequent period, the claim appeal was accepted. The decision is subject to a 30 day claim period and was not claimed during this period.

In the opinion of the Company's lawyer and the company's management, the case can be considered closed.

### d. Unipal General Trading Company

There are lawsuits held against Unipal General Trading Company with an amount of USD 275,320 representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

### e. National Aluminum and Profiles Company

There are lawsuits held against National Aluminum and Profiles Company with an amount of USD 16,209, representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

**f. Palestine Automobile Company**

There are lawsuits held against Palestine Automobile Company with an amount of USD 315,301, representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

**g. Sky Advertising, Public Relations and Investments Company**

There are lawsuits held against Sky Advertising, Public Relations and Investments Company with an amount of USD 18,143, representing labor claims. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

**h. Arab Palestinian Storage Company**

There are lawsuits held against Arab Palestinian Storage Company with an amount of USD 68,061 in addition to other lawsuits with an unidentifiable value. In the opinion of the Company's lawyer and its management, no obligations shall arise against the Company therefrom.

In addition and based on the company's lawyer and management's opinion, the company will not bear any liabilities exceeding the provision booked.

**36. Fair Value Hierarchy**

**A. The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:**

Some financial assets and financial liabilities of the Company are evaluated at fair value at the end of each fiscal period, the following schedule shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

| Financial Assets/Financial Liabilities | Fair Value December 31, 2016 | The Level of Fair Value | Evaluation Method and Inputs used | Important Intangible Inputs | Relation between the fair value and the important intangible inputs |
|---|---|---|---|---|---|
| | JD | | | | |
| **Financial Assets at Fair Value** | | | | | |
| Financial assets available for trading | 144,661 | Level One | Market Price | Doesn't apply | Doesn't apply |
| Financial assets available for sale | 11,764,460 | Level One | Market Price | Doesn't apply | Doesn't apply |
| Financial assets available for sale | 7,779,652 | Level Two | Compared with similar financial instrument | Doesn't apply | Doesn't apply |
| **Total Financial Assets at Fair Value** | 19,688,773 | | | | |

There were no transfers between level One and level Two during the year 2016.

**B -The fair value of financial assets and financial liabilities of the company (non-specific fair value on an ongoing basis):**

Except for what is set out in the schedule below, we believe that the book value of the financial assets and the financial liabilities shown in the consolidated financial statements of the Company approximate their fair value:

| | December 31, 2016 | | The Level of |
|---|---|---|---|
| | Book value | Fair Value | Fair Value |
| | JD | JD | |
| **Non-specified Fair Value Financial Assets** | | | |
| Investment in lands | 776,239 | 1,485,443 | Level Two |
| **Total Non-specified Fair Value Financial Assets** | **776,239** | **1,485,443** | |
| **Non-specified Fair Value Financial Liabilities** | | | |
| Long-term bonds | 20,000,000 | 20,467,500 | Level Two |
| Loans | 68,227,173 | 69,031,322 | Level Two |
| **Total Non-specified Fair Value Financial Liabilities** | **88,227,173** | **89,498,822** | |

For the items mentioned above, the fair value for the financial assets and financial liabilities for level Two were determined in accordance to agreed pricing models, which reflect the credit risk of the parties that are dealing with it.

The fair value mentioned above is as of December 31, 2015.

## 37. Related Parties Balances and Transactions

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

**Balances:**

| Due from related parties | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | USD | USD |
| Aqqad Investment Company – major Shareholder | 152,565 | 440,832 |
| Siniora Food Industries Company- Algeria | 244,449 | 244,449 |
| Siniora Food Industries Company- Gulf | - | 173,823 |
| Taleed Medical Supplies and Services | 5,271 | 9,972 |
| Medical Supplies and Services Company- Iraq | 13,784 | 10,591 |
| Central and West Africa for Commercial Agencies | 206,039 | 52,169 |
| MediServ Company | 57 | - |
| | **622,165** | **931,836** |

| Due to related parties | 2016 | 2015 |
|---|---|---|
| Taleed Medical Supplies and Services company - Gulf | 746 | 6,083 |
| Parnter in Al – Masa meat processing company / United Arab Emirates * | 851,598 | - |
| | **852,344** | **6,083** |

* A subsidiary company for Siniora Food Industries Company.

**Transactions:**

| Year 2016 | Nature of Transaction | Amount USD |
|---|---|---|
| Aqqad Investment Company – Major Shareholder | Travel and insurance expenses paid on behalf of the Company | 213,348 |

| Year 2015 | Nature of Transaction | Amount USD |
|---|---|---|
| Aqqad Investment Company – Major Shareholder | Travel and insurance expenses paid on behalf of the Company | 267,453 |

b. The salaries, bonuses and other benefits of the executive management of the holding company and its subsidiary companies amounted to USD 3,614,266 for the year 2016 (USD 3,444,813 for the year 2015).

## 38. 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 debt. Moreover, the Company manages and adjusts its capital based on the changes in the economic conditions. The capital structure is revised on a continuous basis upon the Board of Directors recommendations and the approval of the Company's General Assembly.

The following schedule shows the ratio of liabilities to owner's equity as of December 31, 2016 and 2015:

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| | **USD** | **USD** |
| Due to banks | 43,154,556 | 32,969,459 |
| Accounts payable | 43,363,783 | 27,762,705 |
| Short – term notes payable | 5,212,078 | 31,280 |
| Due to related parties | 852,344 | 6,083 |
| Postdated checks | 2,255,500 | 6,625,200 |
| Short-term loan installments | 31,595,701 | 26,342,945 |
| Other credit balances | 16,540,740 | 12,984,663 |
| Tax provision | 1,970,625 | 2,733,591 |
| Total Current Liabilities | 144,945,327 | 109,455,926 |
| End-of-service indemnity provision | 9,909,246 | 8,436,992 |
| Long-term Bonds | 20,000,000 | 20,000,000 |
| Long-term loan installments | 36,631,472 | 29,269,327 |
| Total Liabilities | 211,486,045 | 167,162,245 |
| Total Owners' Equity | 118,297,535 | 111,380,219 |
| Ratio of Debt to Owners' Equity | 179% | 150% |

**b. Liquidity Risk**

Liquidity risk, also referred to as financing 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, bank facilities and continuously monitoring forecast and actual cash flows, and matching the maturities of financial assets with financial liabilities. Also, part of the Company's funds is invested in balances at banks, financial assets available for trading, accounts receivable and checks under collection which are readily available to fulfill the requirements of short – and medium – term funding and liquidity management.

The Company's liquidity condition as of the date of the consolidated financial statements is as follows:

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Current Assets | 187,351,445 | 161,062,991 |
| Less: Current liabilities | (144,945,327) | (109,455,926) |
| | 42,406,118 | 51,607,065 |

**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, checks 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 geographical areas.

Moreover, the Company maintains a strict credit policy by monitoring the credit limit for each client individually on continuous basis.

Furthermore, the company does not follow any policy to obtain guarantees against accounts receivable, therefore the receivables are considered not guaranteed.

**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 book values of the Company's foreign monetary assets and liabilities at the date of the consolidated statement of financial position are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| | USD | USD | USD | USD |
| Jordanian Dinar | 42,869,677 | 48,311,893 | 4,520,848 | 23,805,250 |
| Shekel | 54,319,996 | 57,295,162 | 60,781,375 | 39,615,928 |
| Euro | 532,952 | 1,585,230 | 2,116,558 | 4,671,300 |
| AED Dirham | 19,349,417 | - | 12,486,822 | - |
| Saudi Riyal | 3,835,233 | 4,599,001 | 828,907 | 159,867 |

The sensitivity analysis of the accounts exposed to foreign currency exchange risk according to currency type for the years 2016 and 2015 and that impacts the statement of income and owners' equity is as follows:

| | +1% | | -1% | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | USD | USD | USD | USD |
| **Asset** | | | | |
| Shekel | 543,200 | 572,952 | (543,200) | (572,952) |
| Euro | 5,329 | 15,852 | (5,329) | (15,852) |
| AED Dirham | 193,494 | - | (193,494) | - |
| Saudi Riyal | 38,352 | 45,990 | (38,352) | (45,990) |
| Others | 60,122 | 74,895 | (60,122) | (74,895) |
| **Liabilities** | | | | |
| Shekel | (607,814) | (396,159) | 607,814 | 396,159 |
| Euro | (21,166) | (46,713) | 21,166 | 46,713 |
| AED Dirham | (124,868) | - | 124,868 | - |
| Saudi Riyal | (8,289) | (1,599) | 8,289 | 1,599 |
| Others | (41,231) | (26,473) | 41,231 | 26,473 |

The Company's 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**

This 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 related to bank loans, amounts due to banks, bonds and notes payable at the consolidated financial statements' date. The analysis is prepared assuming that the amount of the liability outstanding at the date of the statement has been outstanding for the whole year. An increase or decrease amounting to 1% is used and represents management's assessment of the probable and acceptable change in market interest rates:

| | +1% | | -1% | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | USD | USD | USD | USD |
| Statement of income | 1,300,000 | 1,086,130 | (1,300,000) | (1,086,130) |

**f. Share Prices Risk**

Share prices risk is the result of the change in the fair value of shares. 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 in Palestine Stock Exchange.

| | December 31, 2016 | | |
|---|---|---|---|
| | Change in Indicator | Effect on Statement of Income | Effect on Owner's Equity |
| **Indicator** | USD | USD | USD |
| Palestine Stock Exchange | - + 5 % | 7,200 | 588,223 |

| | December 31, 2015 | | |
|---|---|---|---|
| | Change in Indicator | Effect on Statement of Income | Effect on Owner's Equity |
| **Indicator** | USD | USD | USD |
| Palestine Stock Exchange | - + 5 % | 8,410 | 550,224 |

**g. Occupation and Sovereign Risks**

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

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

**39. Earnings per Share for the Year**

| | For the Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| | USD | USD |
| Profit for the year | 8,243,818 | 7,144,166 |
| | Share | Share |
| Number of shares | 66,000,000 | 66,000,000 |
| | USD/Share | USD/Share |
| Earnings per share for the year relating to the Company's shareholders / basic and diluted | -/125 | -/108 |

The earning per share for the year ended December 31, 2015 has be adjusted to 66 Million shares instead of 60 Million shares as the increase in shares resulted from the capitalization of retained earning as per IAS 33.

**40. Comparative Figures**

The comparative figures for the year 2015 were reclassified to be consistent with the year 2016.

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