

**ARAB CENTER FOR AGRICULTURAL  
DEVELOPMENT  
RAMALLAH – PALESTINE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
TOGETHER WITH THE INDEPENDENT  
AUDITOR'S REPORT**

**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the General Assembly of  
Arab Center for Agricultural Development  
Ramallah –Palestine**



### **Qualified Opinion**

We have audited the separate financial statements of **Arab Center for Agricultural Development (the Center or ACAD)** Which comprise the separate statement of financial position as of December 31, 2018, and the related separate statement of activities and the separate statement of changes in net assets and the separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, , except for the possible effect of the matter described in the basis for qualified opinion below, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Center as of December 31, 2018, its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Qualified Opinion**

The Center has not applied some of IFRS (9) “Financial Instruments” requirements related to the calculation of expected credit losses of financial assets as at January 1, 2018 and December 31, 2018 in accordance with IFRS (9) which became effective starting from January 1, 2018. Accordingly, we were unable to obtain sufficient and appropriate audit evidence through alternative audit procedures about the impairment of the financial assets. Hence, we were unable to determine whether any necessary adjustments are required to the accompanying financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the separate Financial Statement section of our report. We are independent of the Center in accordance with the ethical requirements that are relevant to our audit of the separate financial statement in areas under the jurisdiction of Palestinian Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matters**

Without further qualification in our opinion, we would like to draw attention to the below facts:

- These financial statements represent the Center’s separate financial statements, which are intended solely for management and tax authority purposes and are not intended for any other purposes. Noting that the Center is required to issue consolidated financial statements including the separate financial statements of the Center and its subsidiary as a single entity according to the International Financial Reporting Standards.
- The Center’s separate financial statements for the year ended December 31, 2017 was audited by other auditor who issued it with an unqualified auditor’s report on May 28, 2018.



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Center'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 separate financial statements or, if such disclosure 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 Center to cease to continue as a going concern.



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

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.

**Kawasmy and Partners**  
**KPMG**

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License No. (201/2017)



**Ramallah - Palestine**  
**July 8, 2019**

**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF FINANCIAL POSITION**


<i>U.S Dollar</i>	Note	As of December 31,	
		2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	456,282	427,607
Interest Receivable		13,958	15,379
Pledges Receivables	6	7,359	91,130
Other Debit Balances	7	64,858	118,026
Due from ACAD Finance	15	2,844	3,329
		<b>545,301</b>	<b>654,471</b>
<b>Non-Current Assets</b>			
Investment in a Subsidiary	16	3,000,000	3,000,000
Property and Equipment, Net	8	19,222	30,933
		<b>3,019,222</b>	<b>3,030,933</b>
<b>Total Assets</b>		<b>3,564,523</b>	<b>3,685,404</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accruals	9	47,033	48,191
		<b>47,033</b>	<b>48,191</b>
<b>Non-Current Liabilities</b>			
Provision for Employees Indemnity	10	486,064	452,897
		<b>486,064</b>	<b>452,897</b>
<b>Total Liabilities</b>		<b>533,097</b>	<b>501,088</b>
<b>Net Assets</b>			
Unrestricted Funds		(50,238)	93,933
Temporarily Restricted Fund	11	62,442	59,450
Funds Invested in Property and Equipment		19,222	30,933
Funds Invested in a Subsidiary		3,000,000	3,000,000
<b>Total Net Assets</b>		<b>3,031,426</b>	<b>3,184,316</b>
<b>Total Liabilities and Net Assets</b>		<b>3,564,523</b>	<b>3,685,404</b>

The accompanying notes on pages from (10) to (28) are an integral part of these separate financial statements

The separate financial statements on pages (6) to (9) were approved by ACAD Board of Directors on April 19, 2019

  
Chairman of Board



  
Treasurer



**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF ACTIVITIES**

<i>US Dollar</i>	Note	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017
		Unrestricted Funds	Temporarily Restricted Fund	Total	Total
<b>Revenues</b>					
Contributions and Grants	12	-	326,207	326,207	598,553
Net Assets Released from Restrictions	12	323,215	(323,215)	-	-
<b>Net of Contributions and Grants</b>		<b>323,215</b>	<b>2,992</b>	<b>326,207</b>	<b>598,553</b>
<b>Loans Income</b>					
Interest on Loans		1,782	-	1,782	3,031
Recoveries of default loans		16,099	-	16,099	12,282
Fees and Commission on Loans		-	-	-	10
Penalty Revenues		7,763	-	7,763	10,203
		<b>25,644</b>	<b>-</b>	<b>25,644</b>	<b>25,526</b>
Other Income	14	167,645	-	167,645	185,464
<b>Total Revenues</b>		<b>516,504</b>	<b>2,992</b>	<b>519,496</b>	<b>809,543</b>
<b>Program Expenses</b>	12	(323,215)	-	(323,215)	(665,676)
General and Administrative Expenses	13	(276,680)	-	(276,680)	(258,335)
<b>Total Expenses before Depreciation and Currency Differences</b>		<b>(599,895)</b>	<b>-</b>	<b>(599,895)</b>	<b>(924,011)</b>
Depreciation	8	(11,711)	-	(11,711)	(14,098)
Expected Credit Loss	7	(43,865)	-	(43,865)	(25,000)
Written Off Contributions		-	-	-	(2,202)
Income Tax Expense- Prior Years	17	(34,560)	-	(34,560)	-
Foreign Currency Exchange (Loss) Gain		17,645	-	17,645	(48,741)
<b>Total Expenses</b>		<b>(672,386)</b>	<b>-</b>	<b>(672,386)</b>	<b>(1,014,052)</b>
<b>(Deficit) Surplus in Net Assets for the Year</b>		<b>(155,882)</b>	<b>2,992</b>	<b>(152,890)</b>	<b>(204,509)</b>

The accompanying notes on pages from (10) to (28) are an integral part of these separate financial statements



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ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE

SEPARATE STATEMENT OF CHANGES IN NET ASSETS

<i>U.S Dollar</i>	Unrestricted Fund	Temporarily Restricted Fund	Investment in Property and Equipment	Investment in a Subsidiary	Total
<b>Balances as of January 1, 2018</b>	93,933	59,450	30,933	3,000,000	3,184,316
(Decrease) Increase in Net Assets during the year	(155,882)	2,992	-	-	(152,890)
Addition to property and equipment, Net	11,711	-	(11,711)	-	-
<b>Balances as of December 31, 2018</b>	<b>(50,238)</b>	<b>62,422</b>	<b>19,222</b>	<b>3,000,000</b>	<b>3,031,426</b>
<b>Balances as of January 1, 2017</b>	215,019	130,604	43,202	3,000,000	3,388,825
(Decrease) Increase in Net Assets during the year	(133,355)	(71,154)	-	-	(204,509)
Addition to property and equipment, Net	12,269	-	(12,269)	-	-
<b>Balances as of December 31, 2017</b>	<b>93,933</b>	<b>59,450</b>	<b>30,933</b>	<b>3,000,000</b>	<b>3,184,316</b>



The accompanying notes on pages from (10) to (28) are an integral part of these separate financial statements



**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF CASH FLOWS**

<i>U.S Dollar</i>	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating Activities</b>		
Grants received from donors	315,857	579,890
Loans Income	25,644	25,526
Other income	167,645	185,464
Expenses paid to suppliers and Employees	(479,952)	(874,528)
<b>Net Cash flows From (used in) operating Activates</b>	<b>29,194</b>	<b>(83,648)</b>
<b>Cash flows from investing activities</b>		
Procurement of property and equipments	-	(1,829)
Due from ACAD Finance and Development Company	(515)	6,091
<b>Net Cash Flows (Used in) from Investing Activates</b>	<b>(515)</b>	<b>4,262</b>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>28,675</b>	<b>(79,386)</b>
Cash and cash Equivalents at beginning of the year	427,607	506,993
Cash and cash Equivalents at End of the year	<b>456,282</b>	<b>427,607</b>
<b>Adjustments to reconcile Net cash Flows From (Used in) Operating Activates to changing in Net Assets</b>		
Change in Net Assets	(152,888)	(204,509)
Depreciation expense	11,711	14,098
Provision for employees benefits, net of payments	33,167	36,536
Decrease in interest receivables	1,421	2,084
Decrease (increase) in pledges receivables	83,771	(18,663)
Decrease in other debit balances	53,170	84,829
(Decrease) increase in accounts payable and accruals	(1,158)	1,977
<b>Net Cash Flows From (Used in) Operating Activities</b>	<b>29,194</b>	<b>(83,648)</b>

The accompanying notes on pages from (10) to (28) are an integral part of these separate financial statements



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 1) **GENERAL**

The Arab Center for Agricultural Development (the Center or ACAD) is a Palestinian non-profit, non-governmental organization that has been officially registered in Jerusalem since 1993, and also registered by the Palestinian National Authority since 2001 in accordance with the Palestinian Charitable Institutions Law No. (1) Of the year 2000. ACAD is specialized to assist the poor and low-income Palestinian manufacturers. The Board of Directors is comprised of 7 members including the chairman and is elected every three years by the General Assembly that governs the Center.

The number of employees as of December 31, 2018 was 14 employees, (24 employees as of December 31, 2017).

The accompanying separate financial statements have been approved by the Board of Directors on April 29, 2019.

#### **ACAD's Goal**

Participatory agricultural and rural development by integrating marginalized groups, especially women and youth into the development process and provision of decent job opportunities for them.

#### **ACAD's Vision, Mission and Values Vision**

A Palestinian non-governmental development leading model that contributes to building an Effective agricultural rural community that relies on its capacities, identifies its future by itself and lives with dignity in the democratic and independent State of Palestine.

#### **Mission**

A non-governmental development organization that contributes to the development of the agricultural rural sector through building partnerships based on complementarity and professionalism and involvement of target groups including marginalized farmers and rural people especially women and youth. ACAD supports initiatives that encourage generation of job opportunities, capacity building and development of the agricultural and productive infrastructure and facilitates finance opportunities to establish small enterprises.

#### **Values**

Justice, transparency, devotion and dedication to work.

#### **Target Groups**

ACAD's target groups include low-income Palestinian in rural and urban areas who are willing to develop their small projects in order to improve their standard of living and income, also includes the poor who are willing to get out from the poverty cycle, through integrating in economic investment activities.

### 2) **BASIS OF PREPARATION**

#### **a. Statement of compliance**

The separate financial statements have been prepared on the accrual basis of accounting, cost convention and in conformity with relevant International Financial Reporting Standards (IFRS).

#### **b. Basis of measurement**

The separate financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities.

#### **c. Functional and presentation currency**

The separate financial statements are presented in U.S. Dollar (USD), which is the Center's functional currency.





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### d. Use of estimates and judgements

The preparation of separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and underlying assumptions are reviewed on periodical basis. Revisions to accounting estimates are recognized in the period the estimates are revised and in any future period affected. Critical judgments and estimates relate mainly to useful lives of fixed assets, staff benefits and all other provisions.

The preparation of the separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is summarized as follows:

- Management frequently reviews the lawsuits raised against the Center based on a legal study prepared by the Center's legal advisors. This study highlights potential risks that the Center may incur in the future.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with the Center's accounting policies.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimated the recoverable amount of the other financial assets to determine whether there was any impairment in its value.
- Management believes that its estimates and judgments are reasonable and adequate.

#### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Center uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Center recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Center in these separate financial statements for the year ended December 31, 2018 are the same as those applied by the Center separate in its separate financial statements for the year ended December 31, 2017, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2018:

- International Financial Reporting Standard (9): Financial Instrument.
- International Financial Reporting Standard (15): Revenue from Contracts with Customers.





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

- IFRS (2): Classification and Measurements of Share-Based Payments.
- IAS (40): Clarify Transfers of Investment in Property.
- Annual Improvements to IFRSs 2014–2016 Cycle – Amendments on IFRS (1) adopting IFRS for the first time and IAS (28) Investment in associate and joint venture (effective on Jan 1st 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The application of these new standards and amended standards did not have a significant effect on the Center's separate financial statements except for IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers. The following are the significant accounting policies applied by the Center:

### a) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The Center has adopted IFRS 15 from January 1, 2018. Under IAS 18 and IFRS 15 Revenue recognition is recognized based on accrual basis. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed, stated net of discounts, returns and value added taxes. The Center recognizes revenue when the amount of revenue can be reliably measured; and when specific criteria has been met for each of the Center's activities.

IFRS 15 did not have a significant impact on the Center's accounting policies with respect to revenue streams.

### b) IFRS 9 Financial Instruments (Policy applicable from January 1, 2018)

The Center has not applied some of IFRS (9) "Financial Instruments" requirements related to the calculation of expected credit losses of financial assets as at January 1, 2018 and December 31, 2018 in accordance with IFRS (9) which became effective starting from January 1, 2018.

The details of the new significant accounting policies and the nature of the impact of changes in previous accounting policies are set out below:

### A- Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities but eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the criteria of International Accounting standards No. (39).

#### Financial Assets:

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It's held within a business model whose objective is to hold assets to collect future cash flows





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- it's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Center may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Center may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Center's financial assets as at January 1, 2018:

In US Dollar	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>				
Cash and cash equivalents	Loans and receivables	Amortized cost	456,282	456,282
Other debit balances	Loans and receivables	Amortized cost	64,857	64,857

**Financial liabilities:**

The adoption of IFRS (9) has no material impact on the Center's accounting policies relating to financial liabilities. IFRS (9) has maintained the requirements of IAS (39) regarding the classification of financial liabilities. IAS (39) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of activities, whereas IFRS (9) requires:

- Recognition of differences in valuation of financial liabilities classified as financial liabilities at fair value through statement of profit and loss as a result of changes in credit risk in the statement of activities.
- The remaining amount of fair value valuation differences is recognized in the statement of activities.
- The Center has not classified any financial liabilities in financial liabilities at fair value through profit or loss. Accordingly, there is no impact of applying IFRS (9) to the separate financial statements.

**B- Impairment of financial assets:**

IFRS (9) replaces the "loss recognition" model adopted in IAS (39) to calculate the impairment of financial assets over "expected credit loss" model, which requires the use of estimates and judgments to estimate economic factors. The model will be applied to financial assets - debt instruments classified at amortized cost or at fair value through other comprehensive income but not to investments in equity instruments. Where credit losses are recognized in accordance with IFRS (9), which is earlier than IAS (39).

Under IFRS (9), impairment loss are measured on the basis of lifetime ECL, these ECLs result from all possible default events over the expected life of a financial instrument.



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk. The expected credit loss model requires recognition of the expected loss over the life of the asset debt instruments are very similar to the requirements of IAS 39.

When determining whether the credit risk of financial assets has increased significantly since initial recognition and in estimating the expected credit loss, the Center relies on reasonable and supportive information available and relevant, including quantitative and qualitative information and analysis of this information based on the Center's past experience and credit study.

The Center considers financial assets to be impaired when:

- The borrower likely be unable to pay its credit obligations to the Center without recourse to the procedures for using the collateral held against such obligations (if any).
- If more than, 90 days have elapsed on maturity of financial assets.
- The expected credit loss calculation mechanism depends on the (probability of default), which is calculated according to the credit risk and future economic factors, (loss given default), which depends on the value of the existing collateral, the (exposure at default), The expected credit loss is discounted at the effective interest rate of the financial asset.

At each financial period, the Center evaluates the credit rating of financial assets at amortized cost and debt securities at fair value through other statement of comprehensive income. The credit rating of financial assets is considered to be impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occur.

Provisions loss for financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset. For debt securities at fair value through other comprehensive income, the provision for impairment is recognized in statement of other comprehensive income and is not deducted from the carrying amount of the financial asset. The losses of other financial assets are presented under 'Financing expenses' in the same manner of disclosure used in accordance with IAS (39). Such disclosure is not included in the statement of activities based on material considerations.

The following are the significant accounting policies applied by the Center:

**c) Financial instruments (Policy applicable before January 1, 2018)**

The Center classifies non-derivative financial assets into the following categories: loans and receivables. The Center classifies non-derivative financial liabilities into the other financial liabilities category.

**- Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Center initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Center derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Center derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Center has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**- Non-derivative financial assets – measurement**

**• Loans and receivables**

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

- **Cash and cash equivalents**  
In the statement of cash flows, cash and cash equivalent include bank overdrafts that are repayable on demand and form an integral part of the Center's cash management.
- **Non-derivative financial liabilities – measurement**  
Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

### d) Impairment (Policy applicable before January 1, 2018)

#### **Financial Assets**

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of activities.

#### **Non-Financial Assets**

The carrying amounts of the Center's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

All impairment losses are recognized in the statement of activities

### e) Principles of fund accounting

The Center maintains its accounts in accordance with the principles of fund accounting under which the resources for various purposes are classified into the following classes of net assets which are described below:

**Unrestricted net assets** represent net assets whose use by ACAD is not subject to donor imposed restrictions.

**Temporarily restricted net assets** whose use by ACAD is limited by donor-imposed restriction that either expire by passage of time or can be fulfilled and released by actions of ACAD pursuant to those donor-imposed stipulations.

**Investment in fixed assets:** represents fund invested in fixed assets.

**Investment in a subsidiary:** the investment in a subsidiary is stated at cost shown in a separate financial statement.

**Revenues:** are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported as net assets released from restrictions.





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**f) Contributions and grants**

Donors unconditional pledges are those pledges where donor does not specify prerequisites that have to be carried out by the ACAD before obtaining the fund.

Contributions revenues from pledges where donor does not specify prerequisites that have to be carried out by the ACAD before obtaining the fund.

Contributions revenues from pledges /grants are recognized as follows:

- Unconditional pledges that are not restricted by donor for a specific purpose or time are recognized as revenue when the pledge is obtained.
- Conditional restricted pledges that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

**g) Pledges receivable**

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges an estimate for the uncollectible amount (written-off) is made when the collection of full unconditional pledges is no longer probable.

**h) Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on prospective basis.

Gain or loss arising from the disposal or retirement of an item of assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities. Useful life for the assets is as follows:

**Property and Equipment**

Furniture and Fixture	7%
Office Equipment	15%
Computers and Printers	30%
Leasehold Improvements	20%

**i) Provision for employee indemnity - reserve for end of service indemnities and provident fund**

ACAD provides end of service benefits in accordance with local laws by accruing for one-month compensation for each year of service based on the last salary paid during the year.

In addition to the above, ACAD established a provident fund scheme for its core employees. The Center established a provident fund plan for its employees whereby ACAD deducts 7.5% of the employees' monthly salaries and contributes an additional 7.5%.

**j) Provisions**

Provisions are recognized when ACAD has a present obligation as a result of past events, and it's probable that the obligation will be settled, and a reliable estimate can be made of the amount of the obligation.

**k) Income Tax and Value Added Tax**

As a not-for-profit organization, ACAD is exempt from income tax and value added tax. Under the value added tax law, ACAD as an exempt entity, is not entitled to refund VAT paid on its purchases and expenses.

**l) Functional allocation of expenses**

The Center allocates its expenses on a functional basis among its various programs and general administration. Expenses that can be identified with a specific program or administration are charged directly. Other expenses that are common to several functions are allocated between functions based on best estimates and judgment of management.



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### m) Foreign currency conversion and translation

The books of accounts are maintained in United States Dollar (USD). Transactions, which are denominated or expressed in foreign currencies, are converted into USD equivalent as follows:

- Transactions, which are expressed or denominated in currencies other than USD, are converted into USD equivalent at the exchange rates prevailing at the date of the transaction.
- Balances of assets and liabilities in currencies other than USD are converted into USD equivalent at the exchange rate prevailing at the date of the separate financial statements. Conversion rates were as follows:

Currency		December 31, 2018	December 31, 2017
USD/NIS		0.287	0.287
	USD/EURO	1.12	1.19
USD/JOD		1.41	1.41

- Exchange differences arising from translation are charged to the separate statement of activities.

### 4) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED.

The following new and revised IFRSs have been issued but are not effective yet, the Center has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

#### Standards

- International Financial Reporting Standards (16): Leases (effective on January 1st, 2019 with earlier application permitted).
- International Financial Reporting Standards (17): Insurance Contracts (effective on January 1st, 2021 with earlier application permitted).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective on January 1st, 2019).

#### Amendments

- IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective date to be determined).
- Repayment features with negative confirmation – Amendments to IFRS 9 (effective on January 1st, 2019).
- Long term interest in Associates and Joint Ventures – Amendments to IAS 28 (effective on January 1st, 2019).
- Plan amendments, Curtailment or Settlement – Amendments to IAS 19 (effective on January 1st, 2019).
- Annual improvements to IFRSs 2015 – 2017 Cycle – various standards.

The Center anticipates that each of the above standards and interpretations (amendments) will be adopted in the separate financial statements by its date mentioned above without having any material impact on the Center's separate financial statements, except for IFRS 16 which is discount below:

#### A. IFRS 16 Leases

The Center is required to adopt IFRS 16 "Leases" from January 1, 2019. The Center has assessed the estimated impact that initial application of IFRS 16 will have on its separate financial statements as described below. The actual impact of adopting the standard on January 1, 2019 may change because:

- The Center has not finalized the testing and assessment of controls over its new IT systems.
- The new accounting policies are subject to change until the Center presents its first separate financial statement that include the date of initial application.





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low value-items. Lessor accounting remains similar to the current standard.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease.

### B. Leases in which the Center is a lessee

The Center will have to recognize new assets and liabilities for its operating leases of sites and rentals. The nature of expenses related to those leases will now have to change because the Center will have to recognize a depreciation charge for right-of-use (RoU) assets and interest expenses on lease liabilities.

Previously, the Center recognized operating lease expense on straight-line basis over the term of the lease, and recognized the asset and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognized.

In addition, the Center will no longer have to recognize provisions for operating leases that it assesses to be onerous. Instead, the Center will have to include the payments due under the lease in its lease liability. No significant impact is expected for the Center's finance leases.

### C. Leases in which the Center is a lessor

No significant impact is expected for other leases in which the Center is a lessor.

### D. Transition

The Center plans to apply IFRS 16 initially on January 1, 2019, using the second option of the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will not impact the opening balance of retained earnings at January 1, 2019, and with no restatement of comparative information.

The Center plans to apply the practical expedient to the definition of a lease on transition. This mean that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The estimated impact on applying IFRS 16 on the Center's separate financial statements as at January 1, 2019 is as follows:

<i>US Dollar</i>	As reported at December 31, 2018	Estimated impact of adoption of IFRS 16	
		Estimated adjustments due to adoption of IFRS 16	Estimated adjustments at January 1, 2019 due to adoption of IFRS 16
RoU Assets	-	70,615	70,615
Prepayments	7,845	(7,845)	-
Lease Liabilities	-	(72,058)	(72,058)

## 5) CASH AND CASH EQUIVALENTS

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Cash on hand	42	350
Cash at Banks – U.S Dollar	9,497	28,548
Cash at Banks – Jordanian Dinar	635	617
Cash at Banks – Israeli Shekel	6,383	4,000
Cash at Banks – EURO	70,803	41,057
	<b>87,360</b>	<b>74,572</b>
Restricted Deposits for Employees' Benefits	368,922	353,035
	<b>456,282</b>	<b>427,607</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**6) PLEDGES RECEIVABLE**

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Heinrich Boell Foundation	-	56,906
ACTED	6,673	17,756
DEEP 2018	-	12,018
NGO Development Center - NDC	-	4,450
PCS	686	-
	<b>7,359</b>	<b>91,130</b>

**7) OTHER DEBIT BALANCES**

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Prepaid Expenses	15,308	14,928
Due from Employees*	46,867	49,816
Cooperatives, Credit and Saving Fund Receivable	68,865	75,937
Other Debit Balances	2,683	2,345
	<b>133,723</b>	<b>143,026</b>
Expected Credit Loss**	(86,865)	(25,000)
	<b>64,858</b>	<b>118,026</b>

\* Loans to employees are interest free.

\*\*The movement on the expected credit loss during the year was as follows:

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Balance at the beginning of the year	25,000	-
Provided for during the year	43,865	25,000
<b>Balance at year end</b>	<b>68,865</b>	<b>25,000</b>





NOTES TO THE SEPARATE FINANCIAL STATEMENTS

8) **PROPERTY AND EQUIPMENT, NET**

**2018**

*U.S Dollar*

	January 1, 2018	Additions	Disposals	December 31, 2018
<b>Cost</b>				
Furniture and Fixtures	24,749	-	-	24,749
Office Equipment	17,630	-	-	17,630
Computers and Printers	32,499	-	-	32,499
Leasehold Improvements	35,463	-	-	35,463
	<b>110,341</b>	<b>-</b>	<b>-</b>	<b>110,341</b>
<b>Accumulated Depreciation</b>				
Furniture and Fixtures	4,644	1,185	-	5,829
Office Equipment	20,244	996	-	21,240
Computers and Printers	27,903	2,437	-	30,340
Leasehold Improvements	26,617	7,093	-	33,710
	<b>79,408</b>	<b>11,711</b>	<b>-</b>	<b>91,119</b>
<b>Net Book Value, December 31, 2018</b>	<b>30,933</b>			<b>19,222</b>

**2017**

*U.S Dollar*

	January 1, 2017	Additions	Disposals	December 31, 2017
<b>Cost</b>				
Furniture and Fixtures	24,749	-	-	24,749
Office Equipment	17,086	544	-	17,630
Computers and Printers	31,214	1,285	-	32,499
Leasehold Improvements	35,463	-	-	35,463
	<b>108,512</b>	<b>1,829</b>	<b>-</b>	<b>110,341</b>
<b>Accumulated Depreciation</b>				
Furniture and Fixtures	4,404	1,240	-	4,644
Office Equipment	19,058	1,186	-	20,244
Computers and Printers	23,324	4,579	-	27,903
Leasehold Improvements	19,524	7,093	-	26,617
	<b>65,310</b>	<b>14,098</b>	<b>-</b>	<b>79,408</b>
<b>Net Book Value, December 31, 2017</b>	<b>43,202</b>			<b>30,933</b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

9) ACCOUNTS PAYABLE AND ACCRUALS

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Terminated Employees Bonus	43,515	43,515
Others	3,518	4,676
	<b>47,033</b>	<b>48,191</b>

10) PROVISION FOR EMPLOYEES INDEMNITY

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Provident Fund	235,534	212,506
End of Service Indemnity	240,004	227,083
Annual Leaves	10,526	13,308
	<b>486,064</b>	<b>452,897</b>

The Movements in these employees' benefits were as follows:

a. Reserve for Provident Fund

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Beginning Balance as of January 1	212,506	188,492
Additions During the Year	27,628	32,014
Payments During the Year	(4,600)	(8,000)
<b>Ending Balance as of December 31</b>	<b>235,534</b>	<b>212,506</b>

b. Reserve for End of Service Benefits

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Beginning Balance as of January 1	227,083	213,370
Additions During the Year	20,407	24,153
Payments During the Year	(7,486)	(10,440)
<b>Ending Balance as of December 31</b>	<b>240,004</b>	<b>227,083</b>

c. Reserve for Annual Leaves

<i>U.S Dollar</i>	As of December 31,	
	2018	2017
Beginning Balance as of January 1	13,308	14,499
Additions During the Year	(2,782)	(1,191)
Payments During the Year	-	-
<b>Ending Balance as of December 31</b>	<b>10,526</b>	<b>13,308</b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

11) TEMPORARILY RESTRICTED CONTRIBUTION – NET ASSETS RELEASED FROM RESTRICTIONS

<i>U.S Dollar</i>	Unspent Grants as of Jan 1, 2018	Grants Received in 2018	Pledges Receivable	Available Grants for 2018	Released from restrictions – Program expenses	Witten off	Unspent Grants as of December 31, 2018
Promoting the rights of vulnerable Palestinian women -Jerusalem	-	4,461	-	4,461	(4,461)	-	-
Developing the food processing unit-Beit Iskaria	4,072	7,663	-	11,735	(1,989)	-	9,746
Economic initiative supporting the village of Beit Sira	6,594	-	-	6,594	(702)	-	5,892
Saffa project feminist	15,606	29,429	-	45,035	(1,128)	-	43,907
Project to improve the income of vulnerable farmers in Northern Gaza	-	4,312	-	4,312	(4,312)	-	-
Rehabilitation of agricultural production	-	-	1,652	1,652	(1,652)	-	-
Olive trees project 2018	4,108	25,174	-	29,282	(29,282)	-	-
Project of solar energy in the school of Arab al-kabneh	16,892	-	-	16,892	(16,892)	-	-
Protecting residents of restricted and surrounding areas -pul	5,401	6,000	-	11,401	(11,401)	-	-
Economic empowerment program – DEEP 2017	-	142,412	-	142,412	(142,412)	-	-
James Lewis tree planting project in Palestine	1,978	-	-	1,978	(1,978)	-	-
The education program in Amman, funded by Attica bank	4,799	-	-	4,799	(4,799)	-	-
Olive trees project 2019	-	2,897	-	2,897	-	-	2,897
Let's Start Project	-	99,065	-	99,065	(99,065)	-	-
Future Project	-	735	-	735	(735)	-	-
Economic empowerment program	-	1,721	686	2,407	(2,407)	-	-
	<b>59,450</b>	<b>323,869</b>	<b>2,338</b>	<b>385,657</b>	<b>(323,215)</b>	<b>-</b>	<b>62,442</b>

Pledges from the year of 2017 - Project to improve the income of vulnerable farmers in Northern Gaza

5,020

7,358





ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12) PROGRAM EXPENSES

US Dollar	Promoting the rights of vulnerable Palestinian women - Jerusalem	Developing the food processing unit-Bait Iskaria	Economic initiative supporting the village of Beit Sira	Saffia project feminist	Project to improve the income of vulnerable farmers in Northern Gaza	Rehabilitation of agricultural production	Olive trees project 2018	Project of solar energy in the school of Arab al-kabneh	Protecting of residents of restricted and surrounding areas -pula	Economic empowerment program – DEEP 2017	James Lewis tree planting project in Palestine	The education program in Amman, funded by Atica bank	Let's Start Project	Future Project	Economic empowerment program	Total
Salaries and related expenses	-	-	-	-	2,500	726	7,533	2,994	8,485	54,757	-	297	6,403	735	2,401	86,830
Rewards and bonuses	-	-	-	-	-	-	-	-	118	-	-	-	-	-	-	118
Rent	-	-	-	-	-	-	-	-	1,000	-	-	-	-	-	-	1,000
Utilities	-	-	-	-	181	-	-	-	294	-	-	-	-	-	-	475
Printing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stationery	-	-	-	-	247	-	-	-	211	-	-	-	-	-	-	458
Advertising & promotion	-	46	-	-	-	-	-	-	-	-	-	-	-	-	-	46
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Others	-	-	-	-	-	-	-	-	301	-	-	-	-	-	-	301
Workshops	-	1,910	-	274	-	-	-	-	622	10,916	-	-	-	-	-	13,722
Currency Variances	4,461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,461
Donations	-	-	-	-	-	-	2,942	-	-	-	-	-	-	-	-	2,942
Car expense fuel	-	-	-	-	268	-	186	-	-	-	-	-	-	-	-	454
Car rent	-	-	-	-	-	-	171	-	-	-	-	-	-	-	-	171
Travel Expenses	-	-	-	-	719	788	208	-	-	5217	-	-	-	-	-	6,942
Telecommunication	-	-	-	-	397	129	-	-	370	3,054	-	-	-	-	-	3,949
Training expenses	-	-	-	-	-	-	-	-	-	65	-	-	-	-	-	65
Project activities	-	33	-	854	-	-	18242	13,898	-	68,403	-	4,502	92,662	-	-	201,273
	4,461	1,989	702	1,128	4,312	1,652	29,282	16,892	11,401	142,412	1,978	4,799	99,065	735	2,407	323,215





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**13) GENERAL AND ADMINISTRATIVE EXPENSES**

<i>U.S Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Salaries and related expenses	189,108	154,034
Utilities	18,708	17,054
Professional fees	13,213	9,434
Training and travel expenses	3,585	25,042
Loans collection expense	3,461	1,501
Health insurance	9,345	9,445
Car expenses	14,793	1,821
Telecommunication	7,786	1,832
Printing & stationery	13,764	15,673
Bank charges	732	765
Fees & subscription	587	281
Project activities	66	16,006
Others	1,532	5,447
	<b>276,680</b>	<b>258,335</b>

**14) OTHER INCOME**

<i>U.S Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Managing Gaza Portfolio – from ACAD Finance	100,000	100,000
Managing Management Office – from ACAD Finance	27,350	26,000
Refundable from Doubtful Account	19,142	27,983
Interest Revenue from Deposits	10,015	9,584
Service Revenue	9,114	7,389
Others	2,024	14,508
	<b>167,645</b>	<b>185,464</b>

**15) RELATED PARTY TRANSACTIONS**

The following balance represents related parties with ACAD Finance and Development Company

<i>U.S Dollar</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Due from ACAD Finance – Current Account	2,844	2,329
Investment in a Subsidiary	3,000,000	3,000,000

ACAD NGO manages Gaza portfolio and headquarter instead of USD 100,000 for management of the company's loan portfolio in Gaza Strip and USD 27,000 for management of headquarters of the General Administration.

**16) ACAD FINANCE AND DEVELOPMENT COMPANY**

ACAD Finance and Development Company was established as a private shareholding company, the issued share capital of the company is USD 5,335,000 divided into 5,335,000 shares as par value of USD 1 per share, the capital is divided as follows:

<b>Shareholder Name</b>	<b>Percentage</b>	<b>Number of Shares</b>
Arab Center for Agriculture Development	56.23%	3,000,000
European Investment Bank	18.74%	1,000,000
SIDI	10.03%	535,000
Grameen Credit Agricole	9.37%	500,000
Triple Jump	5.62%	300,000
	<b>100%</b>	<b>5,335,000</b>



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 17) INCOME TAX EXPENSE - PRIOR YEARS

There was a dispute between the Center and the Income Tax Department regarding the differences between employees' salaries tax and profitable activities revenues for the years from 2013 to 2016.

During the year of 2018, the Center reached final settlement with the income tax department for its results of operation up to the year 2016.

### 18) FINANCIAL RISK MANAGEMENT

#### Overview

The Center has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Interest risk.

This note presents information about the Center's exposure to each of the above risks, the Center's objectives, policies and processes for measuring and managing risk.

#### Risk management framework

The management has overall responsibility for the establishment and oversight of the Center's risk management framework.

The management is responsible for developing and monitoring the Center's risk management policies. The Center's risk management policies are established to identify and analyze the risks faced by the Center, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Center's activities.

The Center's Management oversees how management monitors compliance with the Center's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Center.

#### • Credit risk

Credit risk is the risk of financial loss to the Center counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Center's cash and cash equivalents, contributions receivable and other debit balances.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

US Dollar	As of December 31,	
	2018	2017
Cash and Cash Equivalents	456,282	427,607
Interest Receivable	13,958	15,379
Pledges Receivables	7,359	91,130
Other Debit Balances	64,858	118,026
Due from ACAD Finance	2,844	3,329
	<b>545,301</b>	<b>654,471</b>



#### • Liquidity risk

Liquidity risk is the risk that the Center will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Center's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient



## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Center's reputation.

The Center ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

2018	Carrying Amount	Contractual Cash Flows	6 months or less	6 to 12 months	More than a year
<i>US Dollar</i>					
Accounts payable and accruals	47,033	47,033	47,033	-	-
Provision for employees indemnity	486,064	486,064	-	-	486,064
	<u>533,097</u>	<u>533,097</u>	<u>47,033</u>	<u>-</u>	<u>486,064</u>
2017	Carrying Amount	Contractual Cash Flows	6 months or less	6 to 12 months	More than a year
<i>US Dollar</i>					
Accounts payable and accruals	48,191	48,191	48,191	-	-
Provision for employees indemnity	452,897	452,897	-	-	452,897
	<u>501,088</u>	<u>501,088</u>	<u>48,191</u>	<u>-</u>	<u>452,897</u>

- Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Center's statement of activities or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- Interest rate risk**

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

## 19) FAIR VALUES

### Fair Value Hierarchy

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

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**Financial assets and liabilities that are not measured at fair value:**

In exception to the table below, The Center's management believes that the book value of the financial assets and liabilities shown in the separate financial statements approximates their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year:

		Fair Value		
<i>U.S Dollar</i>	Carrying amount	Level (1)	Level (2)	Level (3)
<b><u>December 31, 2018</u></b>				
Cash and Cash Equivalents	456,282	456,282	--	--
Interest Receivable	13,958	--	13,958	--
Pledges Receivables	7,359	--	7,359	--
Other Debit Balances	64,858	--	64,858	--
Due from ACAD Finance	2,844	--	2,844	--
Accounts payable and accruals	47,033	--	47,033	--
Provision for employees indemnity	486,064	--	486,064	--
<b><u>December 31, 2017</u></b>				
Cash and Cash Equivalents	427,607	427,607	--	--
Interest Receivable	15,379	--	15,379	--
Pledges Receivables	91,130	--	91,130	--
Other Debit Balances	118,026	--	118,027	--
Due from ACAD Finance	2,329	--	2,329	--
Accounts payable and accruals	48,191	--	48,191	--
Provision for employees indemnity	452,897	--	452,897	--

For items illustrated above, level 2 fair values for financial assets and liabilities have been determined based on interest rates, yield curve, credit spreads.

Management believes that the book value of these financial assets and liabilities approximate their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year.

