Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Financial Statements and Independent Auditor's Report
For the Year Ended December 31, 2015

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

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Independent Auditor's Report

The General Assembly
Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Report on the financial statements

We have audited the accompanying financial statements of the **Arab Center for Agricultural Development (ACAD) "Non Profit, Non-Governmental Organization"**, which comprise the statement of financial position as of December 31, 2015, the statement of activities, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Deloitte.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Arab Center for Agricultural Development (ACAD)** as of December 31, 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte &Touche(M.E)

Munther Bandak
License # (114 / 2015)

Ramallah:
April 26, 2016

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Financial Position
As of December 31 , 2015

	Notes	2015 USD	2014 USD
ASSETS			
Cash and Cash Equivalent	5	491,098	352,928
Loans Receivable, Net	6	-	4,177
Interest Receivable		20,372	23,420
Investment in a Subsidiary	17	3,000,000	3,000,000
Due from a Subsidiary		49,769	190,494
Pledges Receivable	7	73,715	77,121
Other Assets	8	171,001	182,042
Property and Equipment, Net	9	54,206	59,627
Total Assets		**3,860,161**	**3,889,809**
LIABILITIES AND NET ASSETS			
Liabilities			
Payables and Accruals	10	49,782	74,459
Provisions For Employees' Benefits	11	395,239	318,975
Total Liabilities		**445,021**	**393,434**
Net Assets			
Unrestricted Fund		3,254,374	3,388,257
Temporarily Restricted Fund	12	106,560	48,491
Investment in Property and Equipment		54,206	59,627
Total Net Assets		**3,415,140**	**3,496,375**
Total Liabilities and Net Assets		**3,860,161**	**3,889,809**

Chairman of Board of Directors

Treasurer

The accompanying notes form an integral part of these financial statements

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Activities
For the Year Ended December 31 , 2015

	Notes	Unrestricted Fund USD	Temporarily Restricted Fund USD	Total 2015 USD	Total 2014 USD
Revenue					
Temporarily Restricted Contributions to Cover Non-Operating Expenses	13	-	974,043	974,043	671,887
Net Assets Released From Restrictions	13	915,974	(915,974)	-	-
Net Revenue		915,974	58,069	974,043	671,887
Loans Revenue					
Interest on Loans		7,083	-	7,083	156,188
Recoveries		1,693	-	1,693	11,626
Loans Service Fees & Commissions		61	-	61	13,722
Penalty Interest		14,704	-	14,704	23,241
		23,541	-	**23,541**	**204,777**
Other Revenue		264,733	-	264,733	186,345
Net Revenues Before Provision for Impaired Loans		1,204,248	58,069	1,262,317	1,063,009
Release from Provision for Impaired Loans		-	-	-	104,544
Net Revenue After Provision for Impaired Loans		1,204,248	58,069	1,262,317	1,167,553
Expenses					
Programs' Expenses					
Food Security		435,996	-	435,996	445,104
Youth Program (Ryada)-Planet Finance		65,628	-	65,628	32,712
Beit Seira Development Project - Decentrelized Co. Net		3,718	-	3,718	39,192
Olive Plantation Project- France Cooperation		27,900	-	27,900	24,934
Poor Families Empowerment-DEEP		-	-	-	313,163
Women Empowerment -DEEP,SIDA		135,912	-	135,912	125,729
East Jerusalem Women Empowerment- Henreih Boll Foundation		99,578	-	99,578	14,088
Women Empowerment 2 -DEEP,SIDA		397,424		397,424	11,117
Arora Water Sources Project-Palestine Freindship		41,500	-	41,500	-
DEEP - AFIF Program		28,696	-	28,696	1,742
Farmers Development- 2015-NPA		46,906	-	46,906	61,240
Start your Project- Italian Empassy		18,834	-	18,834	-
Students Grants-DEEP		44,572	-	44,572	-
Development of Economic and Social Life Conditions- Beit Skarin		-	-	-	18,289
Urgent Program -NPA		-	-	-	65,244
Other Programs		-		-	1,800
Total Expenses	14	1,346,664	-	1,346,664	1,154,354
Depreciation Expense		13,213	-	13,213	14,879
Currency Exchange (Gain) Loss		(16,325)	-	(16,325)	30,330
Total		1,343,552	-	1,343,552	1,199,563
Change in Net Assets for the Year		(139,304)	58,069	(81,235)	(32,010)

Chairman of Board of Directors

Treasurer

The accompanying notes form an integral part of these financial statements

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Changes in Net Assets
For the Year Ended December 31, 2015

	Notes	Unrestricted Fund USD	Temporarily Restricted Fund USD	Loans Revolving Fund USD	Investment in Property and Equipment USD	General Reserve For Loan Losses USD	Total USD
2015							
Balances at Beginning of the Year		**3,388,257**	**48,491**	-	**59,627**	-	**3,496,375**
Change in Net Assets for the Year		(139,304)	58,069	-	-	-	(81,235)
Additions to Property and Equipment	9	(7,792)	-	-	7,792	-	-
Depreciation for the Year	9	13,213	-	-	(13,213)	-	-
Balances at End of the Year		**3,254,374**	**106,560**	-	**54,206**	-	**3,415,140**
2014							
Balances at Beginning of the Year		**132,503**	-	**3,223,364**	**39,389**	**44,015**	**3,439,271**
Reclassifcation from Deferred Grants		-	89,114	-	-	-	**89,114**
Change in Net Assets for the Year		8,613	(40,623)	-	-	-	**(32,010)**
Transfer from Loans Fund to Un-restricted Assets		223,364	-	(223,364)	-	-	-
General Reserve for Loan Losses		44,015	-	-	-	(44,015)	-
Additions to Property and Equipment	9	(65,766)	-	-	65,766	-	-
Disposal of Property and Equipment	9	30,649	-	-	(30,649)	-	-
Depreciation for the Year	9	14,879	-	-	(14,879)	-	-
Investment in a Subsidiary		3,000,000	-	(3,000,000)			-
Balances at End of the Year		**3,388,257**	**48,491**	-	**59,627**	-	**3,496,375**

The accompanying notes form an integral part of these financial statements

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Cash Flows
For the Year Ended December 31, 2015

	2015 USD	2014 USD
Operating Activities		
Grants Received	974,043	671,887
Loans Revenue	23,541	204,777
Other Revenue	264,733	186,345
Cash (Paid) Received on Disposal of Loans	(1,257,080)	3,678,536
Cash Generated from Operating Activities	**5,237**	**4,741,545**
Investing Activities		
Procurement of Property and Equipment	(7,792)	(65,766)
Disposal of Property and Equipment	-	30,649
Due from a Subsidiary	140,725	190,494
Investment in a Subsidiary	-	(3,000,000)
Cash Flow from (Used in) Investing Activities	**132,933**	**(2,844,623)**
Financing Activities		
Decrease in Loans Payable	-	(2,325,011)
Cash (Used In) Financing Activities	**-**	**(2,325,011)**
Increase / (Decrease) in Cash	**138,170**	**(532,633)**
Cash and Cash Equivalent at Beginning of the Year	352,928	1,162,005
Cash and Cash Equivalent at End of the Year	**491,098**	**629,372**
Adjustments		
Change in net assets	(81,235)	(32,010)
Depreciation	13,213	14,879
Provision for employees' benefits	86,981	62,228
Decrease in interest receivable	3,048	88,551
Decrease in loans receivable	4,177	4,818,809
Decrease / (Increase) in pledges receivable	3,406	(26,504)
Decrease in other assets	11,041	246,085
(Decrease) / Increase in payables and accruals	(24,677)	42,931
Payments of employees benefits	(10,717)	(473,424)
Cash Generated from Operating Activities	**5,237**	**4,741,545**

The accompanying notes form an integral part of these financial statements

1. General

A. The Center

The Arab Center for Agricultural Development (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 according to the Palestinian Charitable Institutions Law. ACAD is specialized in Micro-Credit and offers Business Support Services to the poor and low-income Palestinian producers. The Board of Directors comprises (7) members including the chairman and elected every three years by the General Assembly that governs ACAD.

The number of employees as of December 31, 2015 was 23 (26 employees in 2014).

The accompanying financial statements have been approved by the Board of Directors on April 26, 2016.

B. ACAD Objectives

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

C. ACAD 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.

D. Target Group

ACAD's target group includes 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.

E. The Subsidiary

Effective January 1, 2014, the lending activity was entirely transferred to ACAD Finance and Development Co. (Private Shareholding Co. Ltd.) - a subsidiary company to the Center which was founded in 2013 under the Palestinian laws and a license from Palestine Monetary Authority, whereby customers' loans, loans payable and other related accounts were transferred to the company at their fair value amounting to USD (3) million which represents the share capital of the Center in the Company's capital (Note 17). These standalone financial statements present the investment in the subsidiary at cost, they were issued for internal use purpose and as a requirement of the regulators.

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

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 1 January 2015, have been adopted in these 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.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- Amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

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

B. New and revised IFRSs issued but not yet effective:

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

	Effective for Annual Periods Beginning On or After
IFRS 14 regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture relating to bearer plants	1 January 2016

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

B. New and revised IFRSs issued but not yet effective (Continued)

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	1 January 2016
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	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7. IAS 19 and IAS 34.	1 January 2016
IFRS 9 Financial Instruments (revised versions in 2009. 2010, 2013 and 2014).	1 January 2018

Classification and measurement:
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.

Impairment:
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.

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

B. New and revised IFRSs issued but not yet effective (Continued)

A finalized 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:

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.

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 recognized.

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.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

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

B. New and revised IFRSs issued but not yet effective (Continued)

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 15 Revenue from Contracts with Customers	1 January 2018

In May 2014, 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.

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: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes 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. Additional prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. Adoption of New and revised International Financial Reporting Standards (IFRSs) (Continued)

B. New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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.	1 January 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 and revised standards, interpretations and amendments will be adopted in the Center's financial statements for the year beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Center in the period of initial application.

3. Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets and services.

Net assets of ACAD and changes therein are classified and reported as follows:

- ***General (Unrestricted) Net Assets:*** represent net assets whose use by ACAD is not subject to donor-imposed restrictions and management of ACAD has direct control.
- ***Temporarily Restricted Net Assets***: represent net assets whose use by ACAD is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and released by actions of ACAD pursuant to those donor-imposed stipulations.

3. Significant Accounting Policies (Continued)

- ***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.

Contributions:

- Grants with stipulations that are expected to be met are recognized as increases in temporarily restricted funds and are released to unrestricted funds over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis.

  Amounts received under conditional grants whose conditions are based on future events and actions are deferred and presented under current liabilities and are taken to the statement of activities when the related conditions are met.

- Grants that are receivable as a compensation for expenses or loss already incurred or for the purpose of giving immediate support to ACAD with no future related costs are recognized in the statement of activities in the period in which they become receivable.

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Center are expressed in United States Dollar ("US. Dollar"), which is the functional currency of the Center and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of activities in the period in which they arise. The prevailing rates of exchange of major foreign currencies as of December 31, 2015 and 2014 were as follows:

	2015 USD	2014 USD
Euro	1.09	1.213
NIS	0.256	0.2565
JOD	1.41	1.410

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine
Notes to the Financial Statements
For the Year Ended December 31, 2015

3. Significant Accounting Policies (Continued)

Investment in a subsidiary

The investment in a subsidiary is stated at cost.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment losses. The cost of property and equipment represents the purchase cost together with any incidental expenses of acquisition.

Depreciation is computed using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities.

The useful lives considered in the calculation of depreciation for the assets are as follows:

Furniture and Fixtures	7%
Office Equipment	15%
Safes	3%
Computers and Printers	30%
Cars	20%

Impairment of tangible assets

At the end of each reporting period, the Center reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Center estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of activities, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of activities, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant Accounting Policies (Continued)

Provisions

Provisions are recognized when the Center has a present obligation (legal or constructive) as a result of a past event, it is probable that the Center will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employees' benefits

Provision for employees' end of service benefits

End of service indemnity is computed in accordance with the prevailing labor law in the Palestinian Territory accruing for one-month compensation for each year of service based on the last salary of the employee. The provision is charged to the statement of activities, while indemnities actually paid to staff are booked against the related provision account.

Provident fund

ACAD Center has a defined provident fund plan, which covers all salaries employees. The fund was established by deductions from the employees' salaries and contributions from the Center. The deductions and contribution rate is 7.5% from each party.

Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognized when the Center becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Center intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

3. Significant Accounting Policies (Continued)

Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement of activities, which are initially measured at fair value.

Financial assets of the Center are classified into the following specified categories: cash and cash equivalent, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Cash and cash equivalent

Cash and cash equivalent, which include cash on hand and deposits held with banks with original maturities of three months or less, are classified as financial assets at amortized cost.

Loans and receivables

Loans receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Allowance for impairment is made against loans and advances when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Loans and advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine
Notes to the Financial Statements
For the Year Ended December 31, 2015

3. Significant Accounting Policies (Continued)

Financial assets (continued)

Allowance for impairment is calculated as follows

Percentage	Over due by
--	1- 30 Days
10%	31- 60 Days
20%	61- 90 Days
30%	91- 120 Days
40%	121- 180 Days
50%	181-360 Days
100%	More than 360 Days

Individually assessed loans and advances

Individually assessed loans and advances mainly represent loans and advances which are assessed individually in order to determine whether there exists any objective evidence that loans and advances is impaired. Loans and advances are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Center in accordance with the original contractual terms.

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back and recognized in the statement of activities in the period in which it occurs.

Derecognition of financial assets

The Center derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Center neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Center recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Center retains substantially all the risks and rewards of ownership of a transferred financial asset, the Center continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of activities.

3. Significant Accounting Policies (Continued)

Financial liabilities and equity instruments issued by the Center

Financial liabilities

Payables are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Center derecognizes financial liabilities when, and only when, the Center's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of activities.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Center's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Center's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property and equipment

Property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational

Impairment losses on loans and advances

Impairment losses for individually assessed loans receivable determined by an evaluation of exposure on a case-by-case basis. The following factors are considered by management when determining allowance for impairment on individual financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals.
- The Center's ability to enforce its claim on the collaterals and associated cost of litigation.
- The expected time frame to complete legal formalities and disposals of collaterals.

Loans receivable continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

5. Cash and Cash Equivalent

	2015 USD	2014 USD
Cash in Hand	--	4,107
Current Accounts at Banks		
U.S Dollar	152,372	47,694
Jordanian Dinar	53	--
Israeli Shekel	7,347	5,154
Euro	6,703	43,136
	166,475	**95,984**
Short -Term Deposits for Employees' Benefits	324,623	252,837
	491,098	**352,928**

6. Loans Receivable – Net

	2015 USD	2014 USD
Loan Portfolio	196,262	249,847
Provision for Impairment	(196,262)	(245,670)
	--	**4,177**

Effective January 1, 2014 and based on an agreement signed with ACAD Finance and Development Co. "the Subsidiary", the loan and cooperatives portfolios were transferred to the subsidiary (Note 17).

The movement in the provision for impairment was as follows:

	2015 USD	2014 USD
Balance at Beginning of the Year	245,670	306,214
Deductions from General Reserve for Loan Losses	--	(60,544)
Recoveries	(49,408)	--
Balance at End of the Year	**196,262**	**245,670**

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7. Pledges Receivable

	2015 USD	2014 USD
SIDA	--	15,313
HBF	--	14,088
DEEP -AFEF	--	1,742
NPA	--	267
Italian Embassy	2,202	--
Planet Finance	71,513	43,714
NGO Development Center – Khawass Project	--	1,997
	73,715	**77,121**

8. Other Assets

	2015 USD	2014 USD
Prepaid Expenses	14,202	14,759
Due from Employees *	52,440	65,274
Cooperatives. Credit and Saving Funds Receivable	85,482	102,009
Other Debit Balances	18,877	--
	171,001	**182,042**

* Loans to employees are interest free.

9. Property and Equipment – Net

	January 1, 2015 USD	Additions USD	Disposals USD	December 31, 2015 USD
Cost				
Furniture and Fixtures	24,748	--	--	24,748
Office Equipment	15,860	894	--	16,754
Vehicles	46,937	--	(46,937)	--
Computers & Printers	21,556	6,898	--	28,454
Leasehold Improvements	35,463	--	--	35,463
	144,564	**7,792**	**(46,937)**	**105,419**
Accumulated Depreciation				
Furniture and Fixtures	919	1,241	--	2,160
Office Equipment	16,776	1,067	--	17,843
Vehicles	46,937	--	(46,937)	--
Computers & Printers	14,961	3,812	--	18,773
Leasehold Improvements	5,344	7,093	--	12,437
	84,937	**13,213**	**46,937**	**51,213**
Carrying Amount	**59,627**			**54,206**

	January 1, 2014 USD	Additions USD	Disposals USD	December 31, 2014 USD
Cost				
Furniture and Fixtures	78,132	18,888	(72,273)	24,747
Office Equipment	86,664	4,079	(74,883)	15,860
Safes	1,127	--	(1,127)	--
Vehicles	46,937	--	--	46,937
Computers & Printers	88,978	7,336	(74,758)	21,556
Leasehold Improvements	--	35,463	--	35,463
	301,838	**65,766**	**(223,041)**	**144,563**
Accumulated Depreciation				
Furniture and Fixtures	57,164	802	(57,047)	919
Office Equipment	78,106	728	(62,058)	16,776
Safes	568	--	(568)	--
Vehicles	40,189	6,747	--	46,936
Computers & Printers	86,422	1,258	(72,719)	14,961
Leasehold Improvements	--	5,344	--	5,344
	262,449	**14,879**	**192,392**	**84,936**
Carrying Amount	**39,389**			**59,627**

10. Accounts Payable and Accruals

	2015 USD	2014 USD
Unearned Revenue	--	1,006
Sundry Creditors	49,782	73,453
	49,782	**74,459**

11. Provision for Employees' Benefits

	2015 USD	2014 USD
Provident Fund	172,172	150,521
End of Service Indemnity	209,544	157,395
Annual Leaves	13,523	11,059
	395,239	**318,975**

The movement in these employees' benefits were as follows:

A- Provident Fund

	2015 USD	2014 USD
Opening Balance	150,521	353,301
Additions	28,651	34,841
Payments	(7,000)	(237,621)
Ending Balance	**172,172**	**150,521**

B- End of Service Indemnity

	2015 USD	2014 USD
Opening Balance	157,395	366,307
Additions	55,866	26,686
Payments	(3,717)	(235,598)
Ending Balance	**209,544**	**157,395**

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C- Annual Leaves

	2015 USD	2014 USD
Opening Balance	11,059	10,563
Additions	2,464	701
Payments	--	(205)
Ending Balance	**13,523**	**11,059**

12. Temporarily Restricted Fund

Deferred Grants:

	2015 USD	2014 USD
Beit Seira Development Project - Local Contributors	--	107
East Jerusalem Women Empowerment	32,312	--
DEEP- AFIF Program	762	--
Students Grants	48,948	--
Olive Oil Plantation Project	13,695	26,484
Olive Plantation Project-Wad Vokin	10,843	--
Arora Water Resources Rehabilitation	--	21,900
	106,560	**48,491**

13. Disposition of Grants – Net Assets Released from Restrictions

	Unspent Grants as of 31/12/2014	Grants Received in 2015	Pledges Receivable	Available Grants for 2015	Unspent as of 31/12/15	Grants Spent in 2015	DISPOSITION OF GRANTS: Program Expenses	DISPOSITION OF GRANTS: Capital Additions
	USD	USD	USD	USD	USD	USD	USD	USD
Youth Program (Ryada)-Planet Finance	-	-	65,628	65,628	-	65,628	65,628	-
Beit Seira Development Project - Decentrelized Co. Net	107	3,611	-	3,718	-	3,718	3,718	-
Olive Plantation Project- France Cooperation	26,484	1,416	-	27,900	-	27,900	27,900	-
Women Empowerment- DEEP - SIDA	-	135,912	-	135,912	-	135,912	135,912	-
East Jerusalem Woman Empowement Henreih Boll Foundation	-	136,781	-	136,781	(32,312)	104,469	99,578	4,891
Women Empowerment 2- DEEP - SIDA	-	397,424	-	397,424	-	397,424	397,424	-
Arora Water Sources Project-Palestine Freindship	21,900	19,600	-	41,500	-	41,500	41,500	-
DEEP - AFIF Program	-	29,458	-	29,458	(762)	28,696	28,696	-
Farmers Development- 2015-NPA	-	47,321	-	47,321	-	47,321	46,906	415
Start your Project- Italian Empassy	-	16,632	2,202	18,834	-	18,834	18,834	-
Students Grants-DEEP	-	93,520	-	93,520	(48,948)	44,572	44,572	-
Olive Plantation -2016	-	13,695	-	13,695	(13,695)	-	-	-
Olive Plantation -Wad Vokin	-	10,843	-	10,843	(10,843)	-	-	-
Khawas Project-Bani Zaid Municipality	-	-	-	-	-	-	-	-
Total Expenditures Including Capital Additions	*48,491*	*906,213*	*67,830*	*1,022,534*	*(106,560)*	*915,974*	*910,668*	*5,306*

14. Operational Expenses

	Youth Program (Ryada)-Planet Finance	Beit Seira Development Project - Decentrelized Co. Net	Olive Plantation Project- France Cooperation	Women Empowerment - DEEP,SIDA	East Jerusalem Women Empowerment- Henreih Boll Foundation	Women Empowerment 2 - DEEP,SIDA	Arora Water Sources Project- Palestine Freindship	DEEP - AFIF Program	Farmers Development- 2015-NPA	Start your Project- Italian Empasy	Students Grants- DEEP	Total Projects 2015	General Fund	2015	2014
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Salaries and Rental Expenses	35,544	-	-	-	72,295	57,438	-	12,513	22,241	-	9,100	209,131	202,880	412,011	422,298
Closing Loans Expenses	-	-	-	-	-		-	-	-	-	-	-	137,962	137,962	-
Rent	-	-	-	-	9,102	-	-	-	900	-	-	10,002	15,393	25,395	22,208
Workshops	7,757			-	7,029	5,550	178	-	20,215	-	-	40,729	1,602	42,331	
General Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	9,331	9,331	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	3,901	3,901	3,898
Hospitality	-	-	-	-	1,114	-	-	-	-	-	-	1,114	2,005	3,119	1,788
Printing & Stationary	374	-	-	-	3,277	815	-	-	170	-	-	4,636	2,872	7,508	3,869
Researchs	-	-		-	3,718	-	-	-	-	-	-	3,718	-	3,718	
Advertising & Promotion	194	-	-	-	-	-	-	-	-	-	-	194	519	713	1,623
Professional Fees	-	-	-	-	-	-	-	-	500	-	-	500	4,640	5,140	16,682
Legal Fees	-	-	-	-	-	-	-	-	-	-	-	-	9,024	9,024	-
Bank Charges	-	-	-	-	-	-	-	-	35	-	-	35	1,636	1,671	1,065
Fees & Subscription	-	-	-	-	-	-	-	-	-	-	-	-	200	200	1,070
Miscellaneous Expenses	45	3,718	14,704	155	-	1,724	8,229	-	50	-	-	28,625	5,992	34,617	17,341
Insurance Expense	-	-	-	-	-	-	-	-	-	-	-	-	78	78	1,218
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,864
Car Expense - Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	49	49	6,336
Car Expense - Fuel	3,784	-	-	-	-	-	-	-	-	-	-	3,784	2,129	5,913	19,693
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,876
Travel (Local & Overseas), Per Diem & Car Rent	10,094	-	63	-	1,402	4,606	-	50	795	-	854	17,864	14,513	32,377	11,935
Telecommunication	624	-	-	-	1,461	2,974	-	533	2,000	-	675	8,267	7,179	15,446	8,421
Medical Expenses	-	-	-	-	-		-	-	-	-	-	-	6,940	6,940	5,298
Training & Conferences Expenses	3,025	-	-	-	-	828	-	-	-	-	180	6,033	2,649	8,682	60,168
Health Insurance	-			-	-	-	-	-	-	-	-	-	1,602	1,602	
Projects Monitoring Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,104
Programs and Systems Development	-	-	-	-	-	-	-	-	-	-	-	-	2,900	2,900	-
Projects Activities	2,187	-	13,133	135,757	180	323,489	33,093	15,600	-	18,834	33,763	576,036	-	576,036	524,599
Total Expenses	65,628	3,718	27,900	135,912	99,578	397,424	41,500	28,696	46,906	18,834	44,572	910,668	435,996	1,346,664	1,154,354

15. Risk Management

Financial instruments used by the Center exposed a number of risks. The most significant types of risks are credit risk, liquidity risk and market risk. The Board of Directors is responsible for developing a framework to manage these risks. The policies developed for risk management aimed to define the risks faced by the Centre and analyzing them in order to set controls to monitor these various risks. The policies and regulations designed to control the risk are reviewed periodically by management in order to determine the changes in market conditions and in the services provided by the Centre for its target group.

Operational Risk

The costs of the programs and administrative expenses as well as property and equipment procurement are significantly financed by donors through donations. The management believes that the funding level in the year 2016 will be sufficient to finance all types of its disbursements and will be consistent with the funding level in the prior years.

Credit Risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Center, such as default of loans receivable. The Center has adopted a policy in dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults: however, accounts receivable are recorded net of allowance for doubtful accounts.

Liquidity Risk

Ultimate responsibility for liquidity risk rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Center's short, medium and long term funding and liquidity management requirements. The Center manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

The contractual maturities of the financial assets have been determined on the basis of the remaining period at the balance sheet to the contractual maturity date. The maturity profile is monitored by management to insure adequate liquidity is maintained.

15. Risk Management (Continued)
Liquidity Risk (Continued)

2015	Up to 3 months USD	From 3 to 6 months USD	From 6 months to 1 year USD	More than one year USD	Without maturities USD	Total USD
Assets						
Cash and Cash Equivalent	85,000	81,475	--	--	324,623	**491,098**
Loans Receivable - Net	6,000	5,500	5,000	3,872	--	**20,372**
Pledges Receivable	19,750	2,200	20,000	31,765	--	**73,715**
Investment in a Subsidiary	--	--	--	--	3,000,000	**3,000,000**
Due from a Subsidiary	49,769	--	--	--	--	**49,769**
Other Assets	8,500	12,000	10,000	15,000	125,501	**171,001**
Property and Equipment, Net	--	--	--	--	54,206	**54,206**
Total Assets	**169,019**	**101,175**	**35,000**	**50,637**	**3,504,330**	**3,860,161**
Liabilities						
Payables and Accruals	--	23,500	--	--	26,282	**49,782**
Provision for Employees' Benefits	--	24,000	--	--	371,239	**395,239**
Total Liabilities	--	**47,500**	--	--	**397,521**	**445,021**
Net Liquidity Sensitivity	**169,019**	**53,675**	**35,000**	**50,637**	**3,106,809**	**3,415,140**

15. Risk Management (Continued)
Liquidity Risk (Continued)

2014	Up to 3 months USD	From 3 to 6 months USD	From 6 months to 1 year USD	More than one year USD	Without maturities USD	Total USD
Assets						
Cash and Cash Equivalent	352,928	--	--	--	--	**352,928**
Loans Receivable – Net	6,800	7,500	6,000	7,297	--	**27,597**
Pledges Receivable	33,408	20,000	23,713	--	--	**77,121**
Investment in a Subsidiary	--	--	--	--	3,000,000	**3,000,000**
Due from a Subsidiary	190,494	--	--	--	--	**190,494**
Other Assets	11,200	14,842	15,000	141,000	--	**182,042**
Property and Equipment-Net	--	--	--	--	59,627	**59,627**
Total Assets	**594,830**	**42,342**	**44,713**	**148,297**	**3,059,627**	**3,889,809**
Liabilities						
Payables and Accruals	--	24,000	--	--	50,459	**74,459**
Provision for Employees' Benefits	--	--	--	--	318,975	**318,975**
Total Liabilities	--	**24,000**	--	--	**369,434**	**393,434**
Net Liquidity Sensitivity	**594,830**	**18,342**	**44,713**	**148,297**	**2,690,193**	**3,496,375**

15. Risk Management (Continued)

Foreign Exchange Risk

Foreign exchange risks are the risks of potential changes in the value of financial instruments due to change in foreign currencies rates. The US. Dollar is the base currency of the Center and the Board of Directors monitors on regular basis the financial positions of foreign currencies and setting strategies to hedging such risks.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in market interest rates may affect the value of interest bearing assets. The management of ACAD usually monitors the fluctuation in interest rates in every individual currency in order to maximize the benefits from placements.

16. Related Party Transactions

The following balances represent the balances of the subsidiary "ACAD Finance and Development Co." as of December 31, 2015 and December 31,2014:

	2015 USD	2014 USD
Due from a Subsidiary	49,769	190,494
Investment in a Subsidiary	3,000,000	3,000,000

17. ACAD Finance and Development Company

During the year 2013, the Arab Center for Agricultural Development in addition to other shareholders established a company registered under commercial Registration Number (562527358) as a private shareholding company. The issued share capital of the company is US Dollars 5,335,000 divided into 5,335,000 shares at par value of US Dollar (1) per share. The capital is divided as follows:

Shareholder Name	**Percentage**	**Number of Shares**
Arab Center for Agriculture Development	56.24%	3,000,000
European Investment Bank	18.75%	1,000,000
SIDI	10%	535,000
Grameen Credit Agricole	9.38%	500,000
Triple Jump	5.63%	300,000
Total	**100%**	**5,335,000**

17. ACAD Finance and Development Company (Continued)

On February 26, 2014 , an agreement was signed by the chairmen of the Board of Directors of the two parties; the Arab Center for Agricultural Development (an NGO registered with the Palestinian Ministry of Interior under the number QR-158-A) and ACAD Finance and Development Co. (Private Shareholding Co. Ltd. registered with the Companies Controller under number 562527358 in 2013) for transferring portable assets, loan portfolio and bank accounts, from the Center to the Company.

The covenants of the agreement state that the following assets and liabilities will be transferred from the Arab Center for Agricultural Development to ACAD Finance and Development Co. effective January 1, 2014. The value of the net assets to be transferred is USD (3) million and should represent the share capital of the Center in the Company:

	Amount / USD
Assets transferred	
Loan portfolio	4,562,787
Interest receivable	111.971
Cooperatives receivable	206.539
Net property and equipment	41.695
Deposit with PMA	30,000
Cash and checks in hand and at banks	372.019
	5,325,011
Liabilities transferred	
Loans payable	(2.325.011)
Net assets transferred	**3,000,000**

The two parties also signed other agreements governing the transfer of loans payable, loan portfolio management in Gaza Strip and the use of the headquarters and branch offices of the Center.