

**THE APPLIED RESEARCH INSTITUTE – JERUSALEM
(ARIJ)**

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES OF THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Applied Research Institute – Jerusalem (ARIJ) (hereinafter the "the Institute") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and consolidated statement of activities and changes in net assets and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Institute and its subsidiaries as of December 31, 2014 and its consolidated results of its activities and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

PricewaterhouseCoopers Palestine limited

Ramallah, Palestine
May 21, 2015

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)
Consolidated financial statements for the year ended December 31, 2014

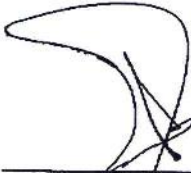
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 (All amounts are in US Dollar)

	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant, and equipment, net	(3)	1,073,180	1,070,154
Investment in associates	(4)	259,458	254,001
Total non-current assets		1,332,638	1,324,155
Current assets			
Inventory		198,440	185,323
Pledges receivable	(5)	3,068,130	3,220,463
Other current assets	(6)	314,574	630,133
Cash and cash equivalents	(7)	873,769	1,558,388
Total current assets		4,454,913	5,594,307
Total assets		5,787,551	6,918,462
NET ASSETS AND LIABILITIES			
Net assets			
Unrestricted net assets		1,737,275	1,609,087
Temporary restricted net assets	(8)	2,121,269	3,972,175
Total net assets		3,858,544	5,581,262
Liabilities			
Non-current liabilities			
Provision for end-of-service indemnity	(9)	933,923	836,565
Provident fund	(10)	308,478	256,699
Total non-current liabilities		1,242,401	1,093,264
Current liabilities			
Other current liabilities	(11)	686,606	243,936
Total current liabilities		686,606	243,936
Total liabilities		1,929,007	1,337,200
Total net assets and liabilities		5,787,551	6,918,462

- The notes on pages from (6) to (23) are an integral part of these consolidated financial statements.
- The consolidated financial statements on pages from (3) to (23) were authorized for issue by the Board of Trustees on May 21, 2015 and were signed on its behalf.


 Mr. Fahd Abu Saymeh
 Financial and Administrative Director


 Mr. Jaad Isaac
 General Director


 Mr. Nassri Qumsiyeh
 Chairman

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 (All amounts are in US Dollar)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
<u>Changes in unrestricted net assets</u>			
Revenues, gains and other revenues			
Net assets released from restrictions	(8)	5,339,949	3,712,063
Unrestricted revenues	(12)	198,258	322,901
Operating revenues, net	(13)	55,538	83,551
Currency exchange gains		108,351	60,680
Share of profit of investment accounted for using equity method		5,457	705
Total revenues, gains and other revenues		<u>5,707,553</u>	<u>4,179,900</u>
Expenses			
Projects' expenses	(14)	(5,294,812)	(3,629,727)
General and administrative expenses	(15)	(185,430)	(196,908)
Depreciation expense		(57,831)	(83,221)
Written off projects	(5,8)	(41,292)	(82,967)
Total expenses and losses		<u>(5,579,365)</u>	<u>(3,992,823)</u>
Net change in unrestricted net assets		<u>128,188</u>	<u>187,077</u>
<u>Changes in temporary restricted net assets</u>			
Grants and donations	(8)	3,806,412	3,750,480
Net assets released from restrictions	(8)	(5,339,949)	(3,712,063)
Written off projects	(8)	(29,953)	(265,049)
Currency exchange (losses) gains	(8)	(287,416)	48,887
Changes in temporary restricted net assets		<u>(1,850,906)</u>	<u>(177,745)</u>
Changes in net assets for the year		(1,722,718)	9,332
Net assets, beginning of year		5,581,262	5,571,930
Net assets, end of year		<u>3,858,544</u>	<u>5,581,262</u>

- The notes on pages from (6) to (23) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
 (All amounts are in US Dollar)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:			
Change in net assets for the year		(1,722,718)	9,332
Adjustments:			
End of service expense	(9)	138,966	126,628
Provident fund additions	(10)	62,868	63,226
Depreciation expense	(3)	58,065	83,221
		<u>(1,462,819)</u>	<u>282,407</u>
Inventory		(13,117)	(27,344)
Pledges receivable	(5)	152,333	885,311
Other current assets	(6)	315,559	(339,816)
Other current liabilities	(11)	442,670	133,705
End-of-service payments	(9)	(41,608)	(17,424)
Provident fund payments	(10)	(11,089)	(7,739)
Net cash (used in) provided by operating activities		<u>(618,071)</u>	<u>909,100</u>
Cash flows from investing activities:			
Gains of investment accounted for using equity method		(5,457)	(705)
Purchases of property and equipment	(3)	(61,091)	(125,265)
Net cash used in investing activities		<u>(66,438)</u>	<u>(125,970)</u>
(Decrease) increase in cash and cash equivalents		(684,619)	783,130
Cash and cash equivalents, beginning of year	(7)	1,558,388	775,258
Cash and cash equivalents, end of year	(7)	<u>873,769</u>	<u>1,558,388</u>

- The notes on pages from (6) to (23) are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (1) GENERAL

The Applied Research Institute- Jerusalem (hereinafter the "Institute") was established in 1990, and was officially registered in Bethlehem as a not-for profit organization under registration number (BL-478-8). In addition to legal registration, the institute is recognized by the Ministry of Higher Education as a research institute specialized in environmental, agricultural, and water researches under registration number. (2/M.B.E/99).

Applied Research Institute - Jerusalem (ARIJ) is dedicated to promote sustainable development in the occupied Palestinian territory and self-reliance of the Palestinian people through greater control over their natural resources. The Institute works specifically to augment the local stock of scientific and technical knowledge and to introduce and devise more efficient methods of resource utilization and conservation, improved practices, and appropriate technology.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

The consolidated financial statements consists from the financial statements of the Institute and its subsidiary as of December 31, 2014, the consolidated financial statements have been prepared for the Institute and its subsidiary for same year by using the same policies in the Institute.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards, based on historical cost convention and are presented in the US Dollar. IFRS do not include any specific requirements regarding not-for-profit organizations in respect to accounting policies or the presentation of the financial statements.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. There are no estimates or judgments which materially affects the consolidated financial statements.

Changes in accounting policies and disclosures

The accounting policies used is the same as those used in the previous year, unless otherwise stated.

(a) New and amended standards adopted by the group

Below is a list of standards/interpretations that are effective for periods beginning on or after 1 January 2014 due to the nature of the group's structure and activities these new standards and amendments are not relevant to the group and did not have any material effect on the consolidated financial statements.

- Amendment to IAS 32, 'Financial instruments Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. The amendment had no significant impact on the group's consolidated financial statements.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early applied by the group

- IFRS 9, 'Financial instruments', (effective from 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

Management anticipates that these IFRSs and amendments will be adopted in the consolidated financial statements in the initial period when they become mandatorily effective. An initial assessment of the potential impact indicates that application of most of these standards is not expected to have significant impact on amounts reported in the consolidated financial statements, but it is expected that additional disclosures will be required

Property, plant, and equipment

Property and equipment is stated at cost when purchased or at fair value at the date of granting, less accumulated depreciation and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

<u>Class of Assets</u>	<u>%</u>
Building and improvements	3
Office equipment and furniture	6-20
Office Caravans	7
Vehicles	10
Labs and solar system	20-33

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures incurred to replace a component of an item of property, plant and equipment that are accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of activities and changes in net assets as expense when incurred.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Institute has control. The Institute controls an entity when the Institute is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Institute. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

The Institute applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Institute. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Institute recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Institute is recognised at fair value at the acquisition date.

Inter-company transactions, balances and unrealized gains or transactions between the Institute companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Institute's accounting policies.

The Institute had the following subsidiaries at December 31, 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)
Green Palestine Investment Company	Palestine	Agricultural	100%

Associates

Associates are all entities over which the institute has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Following is the associate of the Institute as of December 31, 2014:

	Incorporated in	Ownership Percentage	Nature of Business
New Farm Processing and Marketing Company	Palestine	39.2%	Agricultural products

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Pledges receivable

Pledges receivable are stated at the original amount of the pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full pledge is no longer probable.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided for based on management's review of the collectability of each account.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown in the current liabilities section of the consolidated statement of financial position.

Net assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

A. Unrestricted net assets: Net assets whose use by the Institute is not subject to donor-imposed restrictions and whose restrictions are met in the same reporting period.

B. Temporarily restricted net assets: Net assets whose use by the Institute is limited by donor-imposed stipulations that limits the use of the donation. When donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

As per International Accounting Standard number 8 paragraph 10, in the absence of a standard and interpretation that specifically applies to a transaction, other event or condition, management can use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. In doing so, management can consider the standards set by other standard-setting bodies.

End of Service Indemnity

Benefits payable to the employees of the Institute at the end of their services are provided for in accordance with the guidelines set by the local labour laws and Institute's bylaw.

Provident Fund

Upon the Board of Directors decision, The Institute deducts 2.5 % of the employee's base salary from each salary payment, and contributes an additional 5 % from its own funds to form the provident fund for employees.

The employee is entitled to receive the full amount of his or her contribution and Institute's contribution to the fund, if and when the employee ceases work at the Institute.

Accrued expenses and other current liabilities

Accounts payable and accrued expenses are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Revenues

Donation revenues:

Revenues from donations are recognized when contributions are pledged.

Operating revenues:

Operating revenues are the revenues generated from consultations, researches and other services. These revenues are recognized during the period in which such services are rendered. Revenues from products sales are recognized during the period in which the sale occur.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Judgments and estimation uncertainty

ARIJ consolidated statements of financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the consolidated financial statements. ARIJ estimates are based on its past experience and on various other assumptions deemed reasonable, the results of which form the basis for making judgments the carrying values of assets and liabilities. Due to different assumptions and about situations, the actual results might differ significantly from these estimates. There are no estimates or adjustments which materially affect the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

Foreign currencies

Transactions in foreign currencies are recognized on the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the consolidated statement of financial position date. All differences are reflected on the consolidated statement of activities and change in net assets.

The exchange rates against US Dollar as of December 31, 2014 and 2013 were as follow:

	<u>2014</u>	<u>2013</u>
New Israeli Shekel (ILS)	0.256	0.288
Jordanian Dinar (JOD)	1.416	1.416
European Monetary Unit (EURO)	1.248	1.359

FINANCIAL RISK MANAGEMENT

Credit risk:

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following are the assets that are performing:

<u>Item</u>	<u>Carrying amount</u>
Cash and cash equivalent	873,769
Other current assets	307,842
Pledges receivable	3,068,130

- The Institute has an amount of USD 873,769 as cash at bank and cash on hand, and there are no restrictions on using this amount.
- The Institute has an amount of USD 307,842 as other current assets.
- The Institute has an amount of USD 3,068,130 as pledges receivable, which represents promises from the donors.

Liquidity risk:

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The schedule below presents expected cash outflow resulting from financial liabilities broken down by time brackets:

<u>Items</u>	<u>Expected timing of cash outflow</u>			
	<u>Carrying amounts</u>	<u>0-6 Month</u>	<u>7 Months-1 Year</u>	<u>1-2 Years</u>
Other current liabilities	686,606	686,606	-	-

The Institute will pay an amount of USD 686,606 of the other current liabilities during 2015, and it will use the available cash to pay these liabilities.

Market risk:

The market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The main market risk faced by the Institute is currency risk. Currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. the main currencies that the Institute uses are the United States Dollar (USD), the Israeli Shekel (ILS), the Jordanian Dinar (JOD) and the European Monetary Unit (EURO).

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)
 Consolidated financial statements for the year ended December 31, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (All amounts are in US Dollar)

NOTE (3) PROPERTY PLANT AND EQUIPMENT, NET

Details for the year 2014:

<u>Cost</u>	<u>Lands</u>	<u>Building and Improvements</u>	<u>Furniture and equipment</u>	<u>Office Caravans</u>	<u>Vehicles</u>	<u>Labs and solar system</u>	<u>Total</u>
Beginning balance	240,363	699,713	990,821	50,074	324,649	135,980	2,441,600
Additions	8,679	6,173	46,239	-	-	-	61,091
Disposals	-	-	-	-	-	-	-
Ending balance	249,042	705,886	1,037,060	50,074	324,649	135,980	2,502,691
Accumulated depreciation							
Beginning balance	-	(108,190)	(893,914)	(49,449)	(233,644)	(86,792)	(1,371,989)
Additions	-	(21,713)	(26,918)	-	(10,745)	(2,177)	(61,553)
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	4,031	-	-	4,031
Ending balance	-	(129,903)	(920,832)	(45,418)	(244,389)	(88,969)	(1,429,511)
Net book value 2014	249,042	575,983	116,228	4,656	80,260	47,011	1,073,180

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (All amounts are in US Dollar)

NOTE (3) PROPERTY PLANT AND EQUIPMENT, NET (CONTINUED)

Details for the year 2013:

<u>Cost</u>	<u>Lands</u>	<u>Building and Improvements</u>	<u>furniture and equipment</u>	<u>Office Caravans</u>	<u>Vehicles</u>	<u>Labs and solar system</u>	<u>Total</u>
Beginning balance	240,363	666,344	966,954	50,074	257,785	135,980	2,317,500
Additions	-	33,369	25,032	-	66,864	-	125,265
Disposals	-	-	-	-	-	-	-
Ending balance	240,363	699,713	991,986	50,074	324,649	135,980	2,442,765
Accumulated depreciation							
Beginning balance	-	(87,587)	(853,466)	(48,456)	(213,761)	(85,708)	(1,288,978)
Additions	-	(20,603)	(41,070)	(993)	(19,883)	(1,084)	(83,633)
Disposals	-	-	-	-	-	-	-
Ending balance	-	(108,190)	(894,536)	(49,449)	(233,644)	(86,792)	(1,372,611)
Net book value 2013	240,363	591,523	97,450	625	91,005	49,188	1,070,154

NOTE (4) INVESTMENT IN ASSOCIATES

Details:

	<u>Incorporated in</u>	<u>Ownership %</u>	<u>Cost of Investments</u>	<u>profit from investments</u>	<u>2014</u>	<u>2013</u>
New Farm Processing and Marketing Company	Palestine	39.2%	253,296	5,457	259,458	254,001

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (5) PLEDGES RECEIVABLE

Pledge receivables details are as follows:

	Beginning Balance	Additions	Received during the year	Written-off Projects	Currency Gain (loss)	Ending Balance
European Commission - Monitoring Colonizing Activities (4)	139,264	-	(139,264)	-	-	-
European Commission - Monitoring Colonizing Activities (5)	85,337	-	(84,391)	-	(946)	-
European Commission - Monitoring Colonizing Activities (6)	451,902	-	-	-	(36,971)	414,931
YMCA- Life	70,325	-	-	-	(5,753)	64,572
ACAP	129,846	-	-	-	(10,623)	119,223
SP7 European Commission-Oltriva	109,835	-	-	-	(8,986)	100,849
Cross Boarder Program Heland- EC	187,611	-	-	-	(15,349)	172,262
Adour Garonne Water Agency (ACAD)	29,184	-	-	-	(2,388)	26,796
Non State Actors	-	123,669	(111,302)	-	(1,169)	11,198
Local Sat	-	178,746	(56,911)	-	(12,870)	108,965
International Development and Research Center – (IDRC)	12,891	-	-	(12,891)	-	-
International Development and Research Center – (IDRC) 2	(6,665)	162,971	(137,398)	-	-	18,908
RPCD	50,702	-	(50,702)	-	-	-
Swiss Agency for Development and Cooperation-Phase (3)	11,591	-	-	(11,591)	-	-
Swiss Agency for Development and Cooperation-Phase (5,6)	474,885	300,000	(375,000)	-	-	399,885
Arab Fund	31,068	-	-	(31,068)	-	-
Care International –Tatweer	253,496	699,636	(552,294)	-	-	400,838
Climate Change	-	757,009	(150,007)	-	-	607,002
Monnolite Canadian Central Committee - MCC 3	6,957	-	-	-	-	6,957
Monnolite Canadian Central Committee - MCC 4	220,476	-	(108,788)	-	-	111,688
Spanish Cooperation - CENTA 2	15,706	-	(15,706)	-	-	-
Catholic Relief Services - Social Capital	-	32,843	(24,000)	-	(8,843)	-
Sub- total	2,274,411	2,254,874	(1,805,763)	(55,550)	(103,898)	2,564,074

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

	Beginning Balance	Additions	Received during the year	Written off Projects	Currency Gain (loss)	Ending Balance
Sub- total from previous page	2,274,411	2,254,874	(1,805,763)	(55,550)	(103,898)	2,564,074
UN OCHA	-	249,995	(247,497)	(2,498)	-	-
Dan Church	44,295	-	(44,222)	(73)	-	-
Dan Church- Livestock	3,194	130,479	(134,901)	(3,202)	(9,899)	(14,329)
United Nations Development Programme CRDP- Solar Panel	10,573	74,394	(85,456)	489	-	-
Swedish Cooperative Center (SCC) - NFC	25,321	30,649	(1,287)	-	(54,683)	-
Swedish Cooperative Center (SCC) - GG 2012	9,519	108,143	(98,770)	-	-	18,892
Swedish Cooperative Center (SCC)- Cap	74,193	400,330	(448,735)	-	-	25,788
Oxfam SDC	110,692	-	(50,000)	-	-	60,692
Oxfam EU	478,330	-	(368,335)	-	(13,999)	95,996
Oxfam Direct	100,681	-	(90,212)	-	-	10,469
Oxfam Novib	-	129,829	(68,858)	-	3,647	64,618
Polish Center for International Aid	-	171,952	(168,166)	(3,786)	-	-
United Nations Environment Programme (1)	6,017	-	-	-	-	6,017
United Nations Development Programme CRDP- WWW	-	120,945	(120,945)	-	-	-
Food and Agricultural Organization of United Nations (FAO)	18,000	-	(18,000)	-	-	-
Leaders	30,582	-	-	-	-	30,582
Ministry of Education	59,136	-	-	-	(6,356)	52,780
United Nations Development Programme (GEF)	-	37,600	(18,489)	-	-	19,111
PMP Solar	-	75,000	(15,000)	-	-	60,000
PMP Caritas	-	8,120	(8,000)	-	-	120
SENES- Plan Blue	-	73,320	-	-	-	73,320
Allowance for doubtful accounts	3,244,944	3,865,630	(3,792,636)	(64,620)	(185,188)	3,068,130
Total	(24,481)	-	-	-	-	-
	3,220,463					

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (6) OTHER CURRENT ASSETS

Details:

	<u>2014</u>	<u>2013</u>
Accounts receivables	159,846	191,580
Due from partners	117,592	417,377
Checks under collection	14,123	-
Employees advances	11,874	9,801
Prepaid expenses	6,732	6,968
Letter of credit	4,407	4,407
	<u>314,574</u>	<u>630,133</u>

NOTE (7) CASH AND CASH EQUIVALENTS

Details:

	<u>2014</u>	<u>2013</u>
Cash on hand	6,086	2,329
Cash at banks	867,683	1,556,059
	<u>873,769</u>	<u>1,558,388</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (8) TEMPORARY RESTRICTED NET ASSETS

Details:

	Beginning Balance	Additions during the year	Released from restrictions	Witten- off projects	Currency gain (loss)	Ending Balance
European Commission - Monitoring Colonizing Activities 5	78,136	-	(53,801)	-	(24,335)	-
European Commission - Monitoring Colonizing Activities 6	675,578	-	(119,854)	-	(55,271)	500,453
YMCA- Life	-	-	-	-	-	-
Cross Boarder Program Heland- EC	154,422	-	(42,410)	-	(12,634)	99,378
SP7 European Commission-Oltriva	570,235	-	(392,406)	-	(46,653)	131,176
ACAP	79,269	-	(45,732)	-	(6,485)	27,052
Non-State Actors	-	123,669	(107,419)	-	(11,691)	4,559
Local Sat ENPI	-	178,746	(53,012)	-	(16,898)	108,836
Swiss Agency for Development and Cooperation-Phase (5)	120,790	300,000	(268,756)	-	-	152,034
Care International - Tatweer	314,129	688,198	(744,279)	-	-	258,048
Climate Change	-	757,009	(510,931)	-	-	246,078
Monnolite Canadian Central Committee - MCC 4	120,025	-	(104,862)	(15,163)	-	-
Spanish Cooperation - CENTA 2	59,672	-	-	-	(59,672)	-
Spanish Cooperation - CENTA 3 (Al-Arraoub Treatment)	631,846	-	(535,152)	-	-	96,694
Dan Church	36,641	-	(52,618)	-	15,977	-
Livestock -DCA - Year 1	1,547	-	-	-	(1,547)	-
Livestock -DCA - Year 2	-	130,479	(120,580)	-	-	-
United Nations Development Programme CRDP- Solar Panel	127,468	74,394	(202,553)	691	(9,899)	-
Swedish Cooperative Center (SCC) - NFC	-	-	-	-	-	-
Swedish Cooperative Center (SCC) - GG 2012	6,272	108,143	(106,612)	-	-	7,803
Swedish Cooperative Center (SCC)- Cap	169,138	386,939	(519,548)	-	-	36,529
Sub- total	3,145,168	2,747,577	(3,980,525)	(14,472)	(229,108)	1,668,640

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (8) TEMPORARY RESTRICTED NET ASSETS CONTINUED

	Beginning Balance	Additions during the year	Released from restrictions	Witten-off projects	Currency gain (loss)	Ending Balance
Sub- total from previous page	3,145,168	2,747,577	(3,980,525)	(14,472)	(229,108)	1,668,640
Oxfam SDC	169,395	-	(140,130)	-	-	29,265
Oxfam EU	404,420	-	(391,659)	-	(33,087)	(20,326)
Oxfam Direct	97,579	-	(63,201)	-	-	34,378
Oxfam-Novib	-	129,829	-	-	-	129,829
Polish Center for International Aid	-	168,212	(170,066)	1,854	-	-
Ausaïd	6,237	-	-	(6,237)	-	-
Adour Garonne Water Agency (ACAD)	5,049	-	(1,818)	(3,231)	-	-
GEF - Forest Management	-	-	-	-	-	-
International Development and Research Center – (IDRC)	68,384	162,972	(164,441)	-	-	66,915
Food and Agricultural Organization of United Nations (FAO)	14,855	-	(15,166)	-	311	-
United Nations Development Programme CRDP- WWW	-	120,945	(119,488)	-	(1,457)	-
Rosa Luxembourg Foundation	947	-	(789)	(158)	-	-
Leaders	-	-	-	-	-	-
Ministry of Education	60,141	-	-	-	(6,464)	53,677
OCHA	-	249,995	(232,384)	-	(17,611)	-
PMP Solar	-	75,000	(6,024)	-	-	68,976
PMP Caritas	-	8,119	(3,701)	-	-	4,418
United Nations Development Programme (GEF)	-	37,600	(7,453)	-	-	30,147
SENES	-	73,320	(17,970)	-	-	55,350
CRS	-	32,843	(25,134)	(7,709)	-	-
Total	3,972,175	3,806,412	(5,339,949)	(29,953)	(287,416)	2,121,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (9) PROVISION FOR END-OF-SERVICE INDEMNITY

Following is a summary of the movement on the provision for End-of-service indemnity during the year:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	836,565	727,361
Additions during the year	138,966	126,628
Payments during the year	(41,608)	(17,424)
Balance, end of year	<u>933,923</u>	<u>836,565</u>

NOTE (10) PROVIDENT FUND

This amount represents employees' saving fund. The Institute contributes 5% of employees' base salaries from its own funds. Following is a summary of the movement on the provident fund during the year:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	256,699	201,212
Additions during the year	62,868	63,226
Payments during the year	(11,089)	(7,739)
Balance, end of year	<u>308,478</u>	<u>256,699</u>

NOTE (11) OTHER CURRENT LIABILITIES

Details:

	<u>2014</u>	<u>2013</u>
Banks overdrafts and deferred checks	573,655	140,944
Due to suppliers and partners	90,435	72,517
Accrued expenses	12,204	26,627
Payable Including Income Tax	10,312	-
Due to tax department	-	3,848
	<u>686,606</u>	<u>243,936</u>

NOTE (12) UNRESTRICTED REVENUES

Details:

	<u>2014</u>	<u>2013</u>
Beneficiaries contributions	116,517	-
Other revenues	32,113	186,578
Researches and consultancy works revenues	35,925	129,642
Bank interests	11,464	6,681
Farm Revenue	2,239	-
	<u>198,258</u>	<u>322,901</u>

NOTE (13) OPERATING REVENUES, NET

Details:

	<u>2014</u>	<u>2013</u>
Sales revenue	122,243	192,673
Cost of sales	(66,705)	(109,122)
	<u>55,538</u>	<u>83,551</u>

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (14) PROJECTS' EXPENSES

Details:

	TATWEER	Centa 3	SCC- Cap	SCC- GG	Climate change	Sett 5	Dan Church	Oltriva	Sub-total
Salaries	108,277	69,759	60,682	32,397	71,048	38,014	1,831	74,509	456,517
Provision for end of service benefits	10,308	5,610	3,906	2,552	5,840	3,052	142	6,253	37,663
Provident Fund	1,358	2,478	1,534	405	2,944	1,831	-	3,752	14,302
Employee medical insurance	2,517	2,100	990	677	2,052	1,098	44	1,167	10,645
Software	74	-	-	7,750	58	-	-	-	7,882
Stationary and office supplies	1,256	1,120	1,625	1,517	554	-	2,471	571	9,114
Conferences and international travel	6,614	-	-	-	314	140	-	-	7,068
Communication and internet fees	2,312	-	1,301	1,968	924	-	-	278	6,783
Car expenses	11,691	3,533	5,040	18,486	10,150	3,381	3,830	1,899	58,010
Rent, electricity and water	3,482	-	2,209	2,127	446	-	-	-	8,264
Maintenance	-	-	-	150	-	-	-	-	150
Professional fees	-	-	-	3,160	-	2,765	-	-	5,925
Other expenses	30	35,524	45	2	5	3,520	-	7,509	46,635
Agriculture activity expenses	589,243	64,552	434,551	216	415,861	-	44,300	-	1,548,723
Project consultant and research exp.	5,950	81	7,665	20,742	737	-	-	16,702	51,877
Water activity expenses	-	350,395	-	14,462	-	-	-	279,766	644,623
Grand Total	743,112	535,152	519,548	106,611	510,933	53,801	52,618	392,406	2,914,181

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2014	SDC		Oxfam- SDC		Oxfam EU	ACAP	CRS-WIN	PCPM	MCC 4	Oxfam Direct	Sub-total
		SDC	SDC	SDC	SDC							
Salaries	456,517	121,396	82,585	83,076	31,776	13,369	28,824	33,879	14,915	866,337		
Provision for end of service benefits	37,663	53,099	6,416	4,224	2,588	309	2,305	2,722	396	109,722		
Provident Fund	14,302	4,469	2,782	793	1,553	185	1,106	1,225	237	26,652		
Employee medical insurance	10,645	5,566	1,679	1,114	1,139	108	793	1,236	90	22,370		
Software	7,882	541	-	-	-	-	-	-	-	8,423		
Printing and publications	-	3,341	-	-	-	819	-	-	-	4,160		
Stationary and office supplies	9,114	5,024	-	113	710	376	129	3,103	-	18,569		
Conferences and international travel	7,068	4,813	3,220	6,751	-	-	603	-	5,435	27,890		
Communication and internet fees	6,783	6,947	1,604	-	-	559	1,834	3,105	26	20,858		
Car expenses	58,010	12,103	1,663	981	3,882	148	10,050	6,140	-	92,977		
Rent, electricity and water	8,264	22,662	2,982	-	-	562	-	1,200	-	35,670		
Maintenance	150	-	-	-	-	-	-	-	-	150		
Professional fees	5,925	7,771	-	22,380	-	-	-	-	5,595	41,671		
Other expenses	46,635	1,910	26	822	2,992	10	-	201	-	52,596		
Agriculture activity expenses	1,548,723	295	34,297	251,567	-	4,204	122,191	40,900	30,684	2,032,861		
Project consultant and research exp.	51,877	5,179	2,293	19,839	1,093	3,989	2,231	11,015	5,822	103,338		
Water activity expenses	644,623	104	-	-	-	494	-	-	-	645,221		
Grand Total	2,914,181	255,220	139,547	391,660	45,733	25,132	170,066	104,726	63,200	4,109,465		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2014	Heland	ACAD	UNDP Solar Panel	Sett6	IDRC	Rosa Luxemburg	UNDP- CRDP- WWT	FAO	Sub-total
Salaries	866,337	26,920	991	6,993	71,431	93,989	-	4,240	10,973	1,081,874
Provision for end of service benefits	109,722	2,151	76	567	5,751	7,242	-	340	896	126,745
Provident Fund	26,652	1,290	46	340	3,216	2,217	-	181	454	34,396
Employee medical insurance	22,370	727	39	243	1,768	2,195	-	130	322	27,794
Software	8,423	-	-	-	-	330	-	-	-	8,753
Printing and publications	4,160	-	-	-	2,796	36	-	-	-	6,992
Stationary and office supplies	18,569	-	-	1,075	1,436	4,534	-	-	570	26,184
Conferences and international travel	27,890	2,926	-	-	188	132	-	-	-	31,136
Communication and internet fees	20,858	518	-	884	-	5,340	-	1,249	-	28,849
Car expenses	92,977	1,572	666	2,309	1,177	11,110	-	2,904	1,295	114,010
Rent, electricity and water	35,670	2,094	-	-	-	6,166	-	-	557	44,487
Maintenance	150	-	-	-	-	-	-	-	-	150
Professional fees	41,671	-	-	-	-	-	-	-	-	41,671
Other expenses	52,596	2,775	-	151	7,841	51	789	-	-	64,203
Agriculture activity expenses	2,032,861	566	-	189,939	-	20,890	-	10,755	-	2,255,011
Project consultant and research exp.	103,338	871	-	52	282	6,249	-	879	-	111,671
Water activity expenses	645,221	-	-	-	-	-	-	98,811	-	744,032
Grand Total	4,109,465	42,410	1,818	202,553	95,886	160,481	789	119,489	15,067	4,747,958

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2014	Non- State Actors	Local Sat ENPI	OCHA	PMP Solar	GEF - UNDP	SENES	PMP Caritas	Livestock	2014	2013
Salaries	1,081,874	54,019	38,866	9,027	4,609	3,113	14,952	-	38,979	1,245,439	1,205,186
Provision for end of service benefits	126,745	4,386	3,115	731	369	251	759	-	2,610	138,966	96,038
Provident Fund	34,396	2,631	1,869	424	156	151	455	-	1,181	41,263	42,151
Employee medical insurance	27,794	1,098	1,755	321	126	91	235	-	711	32,131	29,714
Software	8,753	-	-	-	-	-	-	-	-	8,753	1,417
Printing and publications	6,992	-	-	-	-	-	-	-	-	6,992	11,444
Stationary and office supplies	26,184	1,968	-	360	-	-	-	-	949	29,461	35,280
Conferences and international travel	31,136	-	4,880	-	-	-	-	-	56	36,072	41,188
Communication and internet fees	28,849	1,879	-	1,153	208	-	26	25	1,855	33,995	41,998
Car expenses	114,010	2,473	46	2,858	316	509	1,183	500	9,909	131,804	130,006
Rent, electricity and water	44,487	-	-	-	241	-	-	-	5,367	50,095	43,312
Maintenance	150	-	-	-	-	-	-	-	-	150	-
Professional fees	41,671	8,496	2,482	-	-	2,800	-	-	-	55,449	43,023
Other expenses	64,203	7,027	-	-	-	-	-	-	47	71,277	25,211
Land Research Center in EU project	-	-	-	-	-	-	-	-	-	-	58,339
Agriculture activity expenses	2,255,011	-	-	217,508	-	-	-	3,177	53,242	2,528,938	1,161,763
Project consultant and research exp.	111,671	20,471	-	-	-	539	327	-	4,278	137,286	139,747
Water activity expenses	744,032	2,676	-	-	-	-	33	-	-	746,741	523,910
Grand Total	4,747,958	107,124	53,013	232,382	6,025	7,454	17,970	3,702	119,184	5,294,812	3,629,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in US Dollar)

NOTE (15) GENERAL AND ADMINISTRATIVE EXPENSES

Details:

	<u>2014</u>	<u>2013</u>
Salaries and related expenses	49,971	95,797
Agriculture activity expenses	29,525	3,334
Bank charges	25,004	-
Other expenses	19,727	1,412
Land expenses	9,912	-
Stationery and office supplies	8,227	498
Professional and other fees	7,449	4,821
Operation expenses (Green Palestine)	6,850	-
Employees' medical insurance	6,635	3,785
Conferences and international travel	6,588	4,805
Income tax expense	4,061	15,780
Maintenance	3,834	368
Printing and publications	2,722	11,933
Consultancy and research expenses	1,702	19,810
Rent, electricity and water	1,001	17,316
Registration	750	-
Software	650	650
Car expenses	410	4,037
Water activity expenses	304	5,296
Communications and internet fees	108	1,566
Board of director expenses (Green Palestine)	-	5,700
	<u>185,430</u>	<u>196,908</u>

NOTE (16) RELATED PARTIES

Related parties represent associated organizations, directors and key management personnel of the Institute, and entities controlled or significantly influenced by such parties. Terms of these transactions are approved by the Institute's management.

Transactions with related parties included in the financial statements are as follows:

a) Accounts Payable

	<u>Relation</u>	<u>2014</u>	<u>2013</u>
Due to Board of directors members	Board of Directors	-	11,800

b) Investment in associate

	<u>Relation</u>	<u>2014</u>	<u>2013</u>
Investment in New Farm Processing and Marketing	Associate	254,001	277,005

c) Key management compensation

	<u>Relation</u>	<u>2014</u>	<u>2013</u>
Statement of Financial Position			
Provision for end of service indemnity	Management	219,896	203,083
Provident fund	Management	32,112	23,507
Statement of Activities			
Salaries and related benefits	Management	115,328	111,372
Board of Directors (Green Palestine investment company)	Management	-	5,700