

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

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

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)
Bethlehem, Palestine**

We have audited the accompanying consolidated financial statements of the Applied Research Institute – Jerusalem (ARIJ) (hereinafter the "the Institute"), which comprise the consolidated statement of financial position as of December 31, 2015, consolidated statement of activities and changes in net assets, and consolidated statement of cash flows 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, 2015 and its consolidated results of its activities and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

PricewaterhouseCoopers Palestine limited

Ramallah, Palestine
June 1, 2016

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T: (972)2 242 0230, F: (972) 2 242 0231, www.pwc.com/middle-east
Note: From Arab Countries Please dial 970 instead of 972*

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts are in US Dollar unless otherwise stated)

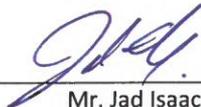
	<u>Note</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Non-current assets			
Property, plant and equipment	(3)	1,018,053	1,073,180
Investment in associates	(4)	262,276	259,458
Total non-current assets		<u>1,280,329</u>	<u>1,332,638</u>
Current assets			
Inventory		222,633	198,440
Pledges receivable	(5)	1,053,482	3,068,130
Other current assets	(6)	391,914	314,574
Cash and cash equivalents	(7)	552,651	873,769
Total current assets		<u>2,220,680</u>	<u>4,454,913</u>
Total assets		<u>3,501,009</u>	<u>5,787,551</u>
NET ASSETS AND LIABILITIES			
Net assets			
Unrestricted net assets		1,037,813	1,737,275
Temporary restricted net assets	(8)	766,803	2,121,269
Total net assets		<u>1,804,616</u>	<u>3,858,544</u>
Liabilities			
Non-current liabilities			
Provision for end-of-service indemnity	(9)	933,645	933,923
Provident fund	(10)	318,563	308,478
Total non-current liabilities		<u>1,252,208</u>	<u>1,242,401</u>
Current liabilities			
Other current liabilities	(11)	444,185	686,606
Total current liabilities		<u>444,185</u>	<u>686,606</u>
Total liabilities		<u>1,696,393</u>	<u>1,929,007</u>
Total net assets and liabilities		<u>3,501,009</u>	<u>5,787,551</u>

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

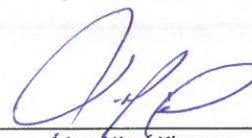
- The consolidated financial statements on pages from (3) to (23) were authorized for issue by the Board of Trustees on June 1, 2016 and were signed on its behalf.



Mrs. Mahira Al-Taweel
Financial Director



Mr. Jad Isaac
General Director



Mrs. Hind Khoury
Chairman

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2015

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(All amounts are in US Dollar unless otherwise stated)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<u>Changes in unrestricted net assets</u>			
Revenues, gains and other revenues			
Net assets released from restrictions	(8)	3,467,192	5,339,949
Unrestricted revenues	(12)	142,386	198,258
Operating revenues, net	(13)	126,097	55,538
Gains on sale of property, plant and equipment		16,142	-
Share of profit of investment accounted for using equity method	(4)	2,818	5,457
Total revenues, gains and other revenues		<u>3,754,635</u>	<u>5,599,202</u>
Expenses			
Projects' expenses	(14)	(3,463,101)	(5,294,812)
General and administrative expenses	(15)	(462,289)	(185,430)
Depreciation expense		(105,671)	(57,831)
Written off projects	(5,8)	(378,948)	(41,292)
Currency exchange (loss) gain		(44,088)	108,351
Total expenses and losses		<u>(4,454,097)</u>	<u>(5,471,014)</u>
Net change in unrestricted net assets		<u>(699,462)</u>	<u>128,188</u>
<u>Changes in temporary restricted net assets</u>			
Grants and donations	(8)	2,259,465	3,806,412
Net assets released from restrictions	(8)	(3,467,192)	(5,339,949)
Written off projects	(8)	(24,256)	(29,953)
Currency exchange (losses)	(8)	(122,483)	(287,416)
Changes in temporary restricted net assets		<u>(1,354,466)</u>	<u>(1,850,906)</u>
Changes in net assets for the year		(2,053,928)	(1,722,718)
Net assets, beginning of year		3,858,544	5,581,262
Net assets, end of year		<u>1,804,616</u>	<u>3,858,544</u>

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

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts are in US Dollar unless otherwise stated)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:			
Change in net assets for the year		(2,053,928)	(1,722,718)
Adjustments:			
End of service expense	(9)	138,598	138,966
Provident fund additions	(10)	40,732	62,868
Depreciation expense	(3)	105,671	58,065
		<u>(1,768,927)</u>	<u>(1,462,819)</u>
Inventory		(24,193)	(13,117)
Pledges receivable	(5)	2,014,648	152,333
Other current assets	(6)	(77,340)	315,559
Other current liabilities	(11)	(242,421)	442,670
End-of-service payments	(9)	(138,876)	(41,608)
Provident fund payments	(10)	(30,647)	(11,089)
Net cash used in operating activities		<u>(267,756)</u>	<u>(618,071)</u>
Cash flows from investing activities:			
Gains of investment accounted for using equity method	(4)	(2,818)	(5,457)
Purchases of property, plant and equipment	(3)	(50,544)	(61,091)
Net cash used in investing activities		<u>(53,362)</u>	<u>(66,438)</u>
Decrease in cash and cash equivalents		(321,118)	(684,619)
Cash and cash equivalents, beginning of year	(7)	873,769	1,558,388
Cash and cash equivalents, end of year	(7)	<u>552,651</u>	<u>873,769</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 unless otherwise stated)

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, 2015, 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 in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the implementations of new standards and amendments on existing standards as mentioned below, which doesn't have material effect on the consolidated financial statements for the year ended 31 December 2015.

(a) New and amended standards adopted by the group

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle, and
- Disclosure Initiative: Amendments to IAS 1.

As these amendments and improvements merely clarify the existing requirements, they do not affect the group's accounting policies or any of the disclosures.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early applied by the group

IFRS 15 Revenue from Contracts with Customer: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. The standard should be adopted mandatory for financial years commencing on or after 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

IFRS 9 Financial Instruments: IFRS 9 addresses the classification, measurement, derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and introduced a new impairment model. These latest amendments now complete the new financial instruments standard and must be applied for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

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.

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.

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(All amounts are in US Dollar unless otherwise stated)

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, 2015:

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, 2015:

Name	Country of incorporation and place of business	Nature of business	Ownership Percentage
New Farm Processing and Marketing Company	Palestine	Agricultural	39.2%

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:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

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, 2015 and 2014 were as follow:

	<u>2015</u>	<u>2014</u>
New Israeli Shekel (ILS)	0.256	0.256
Jordanian Dinar (JOD)	1.416	1.416
European Monetary Unit (EURO)	0.945	1.248

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	552,651
Other current assets	383,983
Pledges receivable	1,053,482

- The Institute has an amount of USD 552,651 as cash at bank and cash on hand, and there are no restrictions on using this amount.
- The Institute has an amount of USD 383,983 as other current assets.
- The Institute has an amount of USD 1,053,482 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	444,185	444,185	-	-

The Institute will pay an amount of USD 444,185 of the other current liabilities during 2016, 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (3) PROPERTY, PLANT AND EQUIPMENT

Details for the year 2015:

	<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>
<u>Cost</u>							
Beginning balance	249,042	705,886	1,037,060	50,074	324,649	135,980	2,502,691
Additions	-	1,629	11,829	-	37,086	-	50,544
Disposals	-	-	-	-	(74,371)	-	(74,371)
Ending balance	249,042	707,515	1,048,889	50,074	287,364	135,980	2,478,864
<u>Accumulated depreciation</u>							
Beginning balance	-	(129,903)	(920,832)	(45,418)	(244,389)	(88,969)	(1,429,511)
Additions	-	(21,697)	(55,405)	(993)	(18,428)	(9,148)	(105,671)
Disposals	-	-	-	-	74,371	-	74,371
Ending balance	-	(151,600)	(976,237)	(46,411)	(188,446)	(98,117)	(1,460,811)
Net book value 2015	249,042	555,915	72,652	3,663	98,918	37,863	1,018,053

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

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

Details for the year 2014:

	<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>
Cost							
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

NOTE (4) INVESTMENT IN ASSOCIATES

Details:

	<u>Incorporated in</u>	<u>Ownership %</u>	<u>Cost of Investments</u>	<u>Share of profit in investment</u>	<u>2015</u>	<u>2014</u>
New Farm Processing and Marketing Company	Palestine	39.2%	253,296	2,818	262,276	259,458

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Consolidated financial statements for the year ended December 31, 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (5) PLEDGES RECEIVABLE

Pledge receivables details are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Received during the year</u>	<u>Written-off Projects</u>	<u>Currency (loss) Gain</u>	<u>Ending Balance</u>
European Commission - Monitoring Colonizing Activities (6)	414,931	-	(180,786)	-	5,789	239,934
YMCA- Life	64,572	-	-	(61,570)	(3,002)	-
ACAP	119,223	-	(13,649)	-	(18,150)	87,424
SP7 European Commission-Oltriva	100,849	-	(74,482)	-	(26,367)	-
Cross Boarder Program Heland- EC	172,262	-	(53,152)	-	2,029	121,139
European Commission - Non State Actors	11,198	135,372	(134,481)	-	(2,724)	9,365
Local Sat	108,965	-	(60,006)	-	(16,111)	32,848
European Commission -Sudep	-	345,286	(317,401)	-	(23,422)	4,463
Adour Garonne Water Agency (ACAD)	26,796	-	-	-	(26,796)	-
International Development and Research Center – (IDRC) 2	18,908	-	(17,596)	(1,312)	-	-
Swiss Agency for Development and Cooperation (SDC)*	399,885	-	(339,703)	-	-	60,182
Care International - Tatweer	400,838	-	(189,278)	(211,560)	-	-
Climate Change	607,003	937,211	(1,173,665)	-	-	370,549
ADH-CARE	-	29,835	-	-	-	29,835
Monnolite Canadian Central Committee - MCC 3	6,957	-	-	(6,957)	-	-
Monnolite Canadian Central Committee - MCC 4	111,689	-	(28,825)	(82,864)	-	-
Monnolite Canadian Central Committee - MCC 5	-	74,965	(74,920)	-	(45)	-
Dan Church- Livestock	(14,329)	-	14,321	-	8	-
Dan Church- Livestock (2015)	-	117,993	(117,410)	-	(583)	-
United Nations Development Programme CRDP- Solar Panel	-	231,482	(231,482)	-	-	-
Swedish Cooperative Center (SCC) - GG 2012	18,892	101,311	(82,571)	-	(27,793)	9,839
Swedish Cooperative Center (SCC)- Cap	25,787	-	(6,678)	-	(19,109)	-
Sub- total	2,594,426	1,973,455	(3,081,764)	(364,263)	(156,276)	965,578

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (5) PLEDGES RECEIVABLE (CONTINUED)

	Beginning Balance	Additions	Received during the year	Written off Projects	Currency (loss) Gain	Ending Balance
Sub- total from previous page	2,594,426	1,973,455	(3,081,764)	(364,263)	(156,276)	965,578
Oxfam SDC	60,692	-	(70,964)	10,272	-	-
Oxfam EU	95,996	-	(130,219)	-	34,223	-
Oxfam Direct	10,469	-	58	-	(10,527)	-
Oxfam Novib	64,618	-	(52,458)	-	(6,687)	5,473
United Nations Environment Programme (1)	6,017	-	-	-	-	6,017
Leaders	30,582	-	-	(230)	(20,002)	10,350
Ministry of Education	52,780	-	-	(52,780)	-	-
United Nations Development Programme (GEF)	19,111	-	(15,164)	-	(187)	3,760
PMP Solar	60,000	2,000	(62,000)	-	-	-
PMP Caritas	119	-	(4,000)	3,881	-	-
SENES- Plan Blue	73,320	-	(73,320)	-	-	-
EC- Horizon	-	18,673	(8,988)	-	(959)	8,726
United Nations Development Programme (UNDP)	-	15,000	(15,000)	-	-	-
United Nations Development Programme - Ofid	-	54,758	(13,680)	-	-	41,078
WW View	-	10,845	(11,098)	-	253	-
PCPM	-	159,734	(159,650)	(84)	-	-
GEF -Consultancy	-	25,000	(12,420)	-	(80)	12,500
Total	3,068,130	2,259,465	(3,710,667)	(403,204)	(160,242)	1,053,482

*The project's title is ARIJ analyzing the environmental impact of the separation barrier.

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(All amounts are in US Dollar unless otherwise stated)

NOTE (6) OTHER CURRENT ASSETS

Details:

	2015	2014
Accounts receivables	244,272	159,846
Due from partners	117,592	117,592
Checks under collection	-	14,123
Employees advances	8,693	11,874
Prepaid expenses	7,931	6,732
Letter of credit	9,038	4,407
Guarantee receivable	4,388	-
	391,914	314,574

NOTE (7) CASH AND CASH EQUIVALENTS

Details:

	2015	2014
Cash on hand	2,917	6,086
Cash at banks	549,734	867,683
	552,651	873,769

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (8) TEMPORARY RESTRICTED NET ASSETS

Details:

	Beginning Balance	Additions during the year	Released from restrictions	Witten- off projects / adjustments	Currency (gain)/ losses	Ending Balance
European Commission - Monitoring Colonizing Activities 6	500,453	-	(309,421)	-	(61,961)	129,071
Cross Boarder Program Heland- EC	99,378	-	(97,598)	-	(1,780)	-
SP7 European Commission-Oltriva	131,176	-	(89,351)	-	(41,825)	-
ACAP	27,052	-	-	-	(27,052)	-
Non-State Actors	4,559	135,371	(124,433)	-	(12,561)	2,936
Local Sat ENPI	108,836	-	(126,272)	-	17,436	-
Swiss Agency for Development and Cooperation-Phase (5)	152,034	-	(300,313)	148,279	-	-
Care International - Tatweer	258,048	-	(146,099)	(111,949)	-	-
Climate Change	246,078	937,211	(910,704)	-	-	272,585
Monnolite Canadian Central Committee - MCC 5	-	74,965	(56,826)	-	-	18,139
Spanish Cooperation - CENTA 3 (Al-Arraoub Treatment)	96,694	-	(4,481)	-	(14,515)	77,698
Livestock -DCA - Year 3	-	117,994	(136,159)	18,165	-	-
United Nations Development Programme CRDP- Solar Panel	-	231,482	(231,596)	114	-	-
Swedish Cooperative Center (SCC) - GG 2012	7,803	101,311	(97,849)	-	-	11,265
Swedish Cooperative Center (SCC)- Cap	36,529	-	(26,639)	-	(9,890)	-
Oxfam SDC	29,265	-	(19,318)	(9,947)	-	-
Oxfam EU	(20,326)	-	(61,721)	-	82,047	-
Oxfam Direct	34,378	-	(21,127)	-	(13,251)	-
Oxfam-Novib	129,830	-	(115,636)	(14,194)	-	-
Polish Center for International Aid	-	159,734	(159,818)	84	-	-
International Development and Research Center – (IDRC)	66,914	-	(64,657)	(2,257)	-	-
Sub- total	1,908,701	1,758,068	(3,100,018)	28,295	(83,352)	511,694

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Consolidated financial statements for the year ended December 31, 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (8) TEMPORARY RESTRICTED NET ASSETS CONTINUED

Details:

	Beginning Balance	Additions during the year	Released from restrictions	Witten- off projects / adjustments	Currency (gain)/ losses	Ending Balance
Sub- total from previous page	1,908,701	1,758,068	(3,100,018)	28,295	(83,352)	511,694
United Nations Development Programme CRDP- WWW	-	-	(1,634)	1,634	-	-
Ministry of Education	53,677	-	-	(53,677)	-	-
PMP Solar	68,976	2,000	(74,352)	3,376	-	-
PMP Caritas	4,418	-	(1,712)	(2,706)	-	-
United Nations Development Programme (GEF)	30,147	-	(22,305)	-	-	7,842
SENES	55,350	-	(53,229)	(2,121)	-	-
European Commission - Sudep	-	345,286	(143,305)	1	(38,273)	163,709
Beyond horizon	-	18,673	(7,796)	-	(858)	10,019
WW View	-	10,845	(13,706)	2,861	-	-
United Nations Development Programme (UNDP)	-	15,000	(15,327)	327	-	-
United Nations Development Programme (UNDP) - OFID	-	54,758	(2,736)	-	-	52,022
ADH-CARE	-	29,835	(27,589)	(2,246)	-	-
GEF-Consultancy	-	25,000	(3,483)	-	-	21,517
Total	2,121,269	2,259,465	(3,467,192)	(24,256)	(122,483)	766,803

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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:

	2015	2014
Balance, beginning of year	933,923	836,565
Additions during the year	138,598	138,966
Payments during the year	(138,876)	(41,608)
Balance, end of year	933,645	933,923

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:

	2015	2014
Balance, beginning of year	308,478	256,699
Additions during the year	40,732	62,868
Payments during the year	(30,647)	(11,089)
Balance, end of year	318,563	308,478

NOTE (11) OTHER CURRENT LIABILITIES

Details:

	2015	2014
Banks overdrafts and deferred checks	384,714	573,655
Due to suppliers and partners	43,749	90,435
Accrued expenses	8,690	12,204
Payable Including Income Tax	4,159	10,312
Due to tax department	2,873	-
	444,185	686,606

NOTE (12) UNRESTRICTED REVENUES

Details:

	2015	2014
Beneficiaries contributions	15,127	116,517
In-Kind contribution	37,086	-
Other revenues	22,995	25,081
Researches and surveys revenues	49,714	35,925
Bids fees	10,008	7,032
Bank interests	7,456	11,464
Farm revenue	-	2,239
	142,386	198,258

NOTE (13) OPERATING REVENUES, NET

Details:

	2015	2014
Sales revenue	365,297	122,243
Cost of sales	(239,200)	(66,705)
	126,097	55,538

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(All amounts are in US Dollar unless otherwise stated)

NOTE (14) PROJECTS' EXPENSES

Details:

	TATWEER	Centa 3	SCC- Cap	SCC- GG	Climate change	Oxfam- Novib	EC- SUDEP	Oltriva	Sub-total 2015
Salaries	42,430	3,059	7,284	37,504	77,299	51,550	46,481	-	265,607
Provision for end of service benefits	466	145	123	342	2,500	2,442	652	-	6,670
Provident Fund	3,514	241	317	3,106	5,845	4,130	2,683	-	19,836
Employee medical insurance	887	114	72	802	2,014	1,255	625	-	5,769
Software	74	-	-	150	58	-	-	-	282
Printing and publications	9,166	-	-	2,690	-	3,895	-	-	15,751
Stationary and office supplies	459	-	-	2,603	1,283	1,841	309	-	6,495
Conferences and international travel	8,770	-	-	-	176	-	-	-	8,946
Communication and internet fees	-	-	606	2,547	1,812	3,778	996	-	9,739
Car expenses	330	445	490	22,376	32,826	5,472	5,220	-	67,159
Rent, electricity and water	-	-	425	2,343	2,760	-	1,984	-	7,512
Professional fees	-	-	-	-	-	2,500	2,645	-	5,145
Other expenses	-	-	4	135	23	30	8,937	-	9,129
Agriculture activity expenses	70,214	-	17,318	546	777,026	11,095	72,108	-	948,307
Project consultant and research exp.	9,789	-	-	17,549	4,833	27,130	665	-	59,966
Water activity expenses	-	477	-	4,947	-	-	-	89,351	94,775
Grand Total	146,099	4,481	26,639	97,640	908,455	115,118	143,305	89,351	1,531,088

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in US Dollar unless otherwise stated)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2015	SDC	Oxfam- SDC	Oxfam EU	WW View	Beyond	PCPM	MCC 5	Oxfam Direct	Sub-total 2015
Salaries	265,607	218,691	10,894	23,660	228	6,760	46,762	16,644	-	589,246
Provision for end of service benefits	6,670	2,430	317	80	-	332	1,080	489	-	11,398
Provident Fund	19,836	17,009	888	399	-	553	3,552	1,343	-	43,580
Employee medical insurance	5,769	4,860	197	85	-	151	1,479	592	-	13,133
Software	282	-	-	-	-	-	-	-	-	282
Printing and publications	15,751	22,574	-	-	-	-	-	-	-	38,325
Stationary and office supplies	6,495	5,785	-	-	-	-	2,994	1,295	-	16,569
Conferences and international travel	8,946	4,821	-	-	-	-	-	35	-	13,802
Communication and internet fees	9,739	-	221	-	-	-	2,012	905	-	12,877
Car expenses	67,159	6,598	-	-	1,144	-	9,071	2,600	-	86,572
Rent, electricity and water	7,512	8,522	111	-	-	-	-	-	-	16,145
Professional fees	5,145	5,414	-	-	-	-	4,800	-	-	15,359
Other expenses	9,129	-	-	-	-	-	-	-	-	9,129
Agriculture activity expenses	948,307	-	6,690	36,071	1,000	-	63,703	31,591	21,127	1,108,489
Project consultant and research exp.	59,966	3,609	-	1,426	11,334	-	24,365	1,332	-	102,032
Water activity expenses	94,775	-	-	-	-	-	-	-	-	94,775
Grand Total	1,531,088	300,313	19,318	61,721	13,706	7,796	159,818	56,826	21,127	2,171,713

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(All amounts are in US Dollar unless otherwise stated)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2015	Heland	UNDP	UNDP Solar Panel	Sett6	IDRC	UNDP-OFID	UNDP- CRDP- WWT	ADH-CARE	Sub-total 2015
Salaries	589,246	22,634	15,099	20,243	125,695	21,676	1,861	-	641	797,095
Provision for end of service benefits	11,398	1,090	-	268	5,688	531	75	-	31	19,081
Provident Fund	43,580	1,818	-	1,675	10,173	1,767	151	-	52	59,216
Employee medical insurance	13,133	576	-	236	3,084	590	45	-	39	17,703
Software	282	12,130	-	-	-	-	-	-	-	12,412
Printing and publications	38,325	3,561	-	-	425	7,859	-	-	-	50,170
Stationary and office supplies	16,569	855	150	-	1,556	1,069	-	-	234	20,433
Conferences and international travel	13,802	7,979	-	-	20	-	-	-	-	21,801
Communication and internet fees	12,877	2,956	-	-	-	959	446	-	218	17,456
Car expenses	86,572	1,023	-	255	4,602	5,964	158	-	789	99,363
Rent, electricity and water	16,145	1,447	78	-	-	258	-	-	139	18,067
Professional fees	15,359	3,015	-	-	2,191	-	-	-	-	20,565
Other expenses	9,129	6,385	-	-	3,174	-	-	1,634	-	20,322
Land Research Center in EU project	-	-	-	-	148,889	-	-	-	-	148,889
Agriculture activity expenses	1,108,489	29,050	-	208,919	2,903	6,761	-	-	25,446	1,381,568
Project consultant and research exp.	102,032	1,187	-	-	72	17,223	-	-	-	120,514
Water activity expenses	94,775	1,892	-	-	-	-	-	-	-	96,667
Grand Total	2,171,713	97,598	15,327	231,596	308,472	64,657	2,736	1,634	27,589	2,921,322

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NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2015	Non- State Actors	Local Sat ENPI	GEF- Consulta -ncy	PMP Solar	GEF - UNDP	SENES	PMP Caritas	Livestock	2015	2014
Salaries	797,095	47,695	65,016	3,483	1,199	9,335	41,519	-	39,934	1,005,276	1,245,439
Provision for end of service benefits	19,081	2,204	3,075	-	42	452	1,568	-	1,293	27,715	138,966
Provident Fund	59,216	3,887	5,247	-	98	753	2,614	-	2,836	74,651	41,263
Employee medical insurance	17,703	1,023	2,617	-	33	261	800	-	916	23,353	32,131
Software	12,412	-	24,000	-	-	-	-	-	-	36,412	8,753
Printing and publications	50,170	-	490	-	-	308	-	-	342	51,310	6,992
Stationary and office supplies	20,433	7,782	-	-	-	2,778	-	-	427	31,420	29,461
Conferences and international travel	21,801	-	6,301	-	-	-	-	-	-	28,102	36,072
Communication and internet fees	17,456	4,507	-	-	282	-	215	25	1,801	24,286	33,995
Car expenses	99,363	8,826	1,513	-	3,141	1,933	4,096	748	11,546	131,166	131,804
Rent, electricity and water	18,067	-	-	-	103	-	-	-	891	19,061	50,095
Maintenance	-	-	-	-	-	-	-	-	-	-	150
Professional fees	20,565	4,716	4,874	-	-	-	1,500	-	480	32,135	55,449
Other expenses	20,322	7,758	7,782	-	-	36	-	76	215	36,189	71,277
Land research center in EU project	148,889	-	-	-	-	-	-	-	-	148,889	-
Agriculture activity expenses	1,381,568	1,282	-	-	68,413	229	-	669	74,462	1,526,623	2,528,938
Project consultant and research exp.	120,514	15,026	4,190	-	-	6,053	917	194	1,016	147,910	137,286
Water activity expenses	96,667	19,727	1,168	-	1,041	-	-	-	-	118,603	746,741
Grand Total	2,921,322	124,433	126,273	3,483	74,352	22,138	53,229	1,712	136,159	3,463,101	5,294,812

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NOTE (15) GENERAL AND ADMINISTRATIVE EXPENSES

Details:

	2015	2014
Salaries and related benefits	233,580	49,971
Currency variance losses	50,731	-
Agriculture activity expenses	11,478	29,525
Bank charges	29,963	25,004
Other expenses	4,815	19,727
Land expenses	1,479	9,912
Stationery and office supplies	7,435	8,227
Professional and other fees	20,921	7,449
Operation expenses (Green Palestine)	14,998	6,850
Employees' medical insurance	12,333	6,635
Conferences and international travel	10,255	6,588
Income tax expense	10,262	4,061
Maintenance	4,392	3,834
Printing and publications	9,149	2,722
Consultancy and research expenses	-	1,702
Rent, electricity and water	28,980	1,001
Registration	201	750
Software	911	650
Car expenses	1,993	410
Water activity expenses	879	304
Communications and internet fees	7,534	108
	462,289	185,430

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) Investment in associate

	Relation	2015	2014
Investment in New Farm Processing and Marketing	Associate	262,276	259,458

b) Key management compensation

	Relation	2015	2014
Statement of Financial Position			
Provision for end of service indemnity	Management	237,699	219,896
Provident fund	Management	41,025	32,112
Statement of Activities			
Salaries and related benefits	Management	119,450	115,328