

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
TOGETHER WITH THE AUDITOR REPORT**

**APPLIED RESEARCH INSTITUTE - JERUSALEM
BETHLEHEM – PALESTINE**

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the General Assembly of
The Applied research Institute - Jerusalem
Bethlehem - Palestine

Opinion

We have audited the consolidated financial statements of **(The Applied research Institute - Jerusalem "The Company"** and its subsidiaries together **"The Group"**, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountant Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance "Board of Directors" are responsible for overseeing the Group's financial reporting process.



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INDEPENDENT AUDITORS' REPORT

To the General Assembly of
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also,

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kawasmy and Partners
KPMG



Ramallah – Palestine
May 28, 2023

APPLIED RESEARCH INSTITUTE - JERUSALEM
BETHLEHEM – PALESTINE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

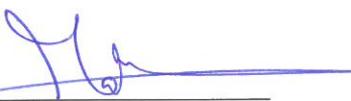
<i>In US Dollar</i>	Note	As of December 31,	
		2022	2021
ASSETS			
Non-current assets			
Property, Plant, and Equipment, Net	5	744,158	769,129
Investment in Associate	6	258,005	252,300
Total Non-Current Assets		1,002,163	1,021,429
Current Assets			
Inventory		79,802	82,651
Contribution's Receivable	7	1,561,155	2,193,978
Other Current Assets	8	286,207	442,885
Cash and Cash Equivalents	9	125,265	288,598
Total Current Assets		2,052,429	3,008,112
Total Assets		3,054,592	4,029,541
NET ASSETS AND LIABILITIES			
Net assets			
Unrestricted Net Assets		(912,021)	(848,736)
Temporary Restricted Net Assets	13	1,367,876	2,613,216
Investment in Fixed Assets		801,495	817,654
Total Net assets		1,257,350	2,582,134
Liabilities			
Non-Current Liabilities			
Provision for Severance Pay	10	857,910	801,912
Provision for Provident Fund	11	118,545	118,545
Total Non-Current Liabilities		976,455	920,457
Current liabilities			
Other Current Liabilities	12	820,787	526,950
Total Current liabilities		820,787	526,950
Total Liabilities		1,797,242	1,447,407
Total Net Assets and Liabilities		3,054,592	4,029,541

The accompanying notes from pages (7) to (30) are an integral part of these consolidated Financial Statements.

The consolidated financial statements on pages (3) to (6) were approved by the Group Board of Directors on May 18, 2023.


General director
Dr. Jad Isaac


Treasurer
Dr. Fadi Kattan


Financial Manager
Mrs. Mahira Altaweel

APPLIED RESEARCH INSTITUTE – JERUSALEM
BETHLEHEM – PALESTINE

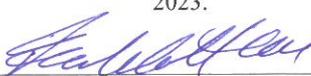
CONSOLIDATED STATEMENT OF ACTIVITIES

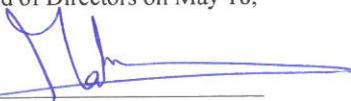
<i>In US Dollar</i>	Note	As of December 31,	
		2022	2021
Revenues			
Contributions Recognized as Revenues	13	2,812,568	2,313,226
Contributions Recognized as Revenues – Property, Plant & Equipment	5	23,237	21,338
Other Revenues	15	161,451	93,466
Sales		35,802	48,824
Gain (Loss) from Sales of Property and Equipment		11,612	(48,526)
Deferred Contributions Written Off		-	88,761
ARIJ's Share of Results of its Associate	6	5,705	(24,705)
Board of Directors Membership fees		247	623
Total Revenues		3,050,622	2,493,007
Expenses			
Projects' Expenses	17-A	(2,812,568)	(2,310,303)
General and Administrative Expenses	18	(216,200)	(162,342)
Cost of Goods Sold		(17,609)	(25,363)
Depreciation Expenses	5	(58,544)	(64,158)
Currency Exchange (Loss)	16	(25,145)	(15,109)
Litigation Expenses		-	(25,152)
Total Expenses		(3,130,066)	(2,602,427)
(Decrease) in Net Assets During the Year		(79,444)	(109,420)

The accompanying notes on pages from (7) to (30) are an integral part of these consolidated financial statements.

The consolidated financial statements on pages (3) to (6) were approved by the Group Board of Directors on May 18, 2023.


General director


Treasurer


Financial Manager

APPLIED RESEARCH INSTITUTE - JERUSALEM
BETHLEHEM – PALESTINE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted Fund	Investment in Fixed Assets	Temporary Restricted Net Assets	Total
For the Year Ended 2022				
Balance as of January 1, 2022	(848,736)	817,654	2,613,216	2,582,134
Change in net assets for the year	(79,444)	-	(1,245,340)	(1,324,784)
Additions to fixed assets	(42,385)	42,385	-	-
Depreciation for the year	58,544	(58,544)	-	-
Balance as of December 31, 2022	(912,021)	801,495	1,367,876	1,257,350
For the Year Ended 2021				
Balance as of January 1, 2021	(779,213)	857,551	2,756,048	2,834,386
Change in net assets for the year	(109,420)	-	(142,832)	(252,252)
Additions to fixed assets	(24,261)	24,261	-	-
Depreciation for the year	64,158	(64,158)	-	-
Balance as of December 31, 2021	(848,736)	817,654	2,613,216	2,582,134

The accompanying notes on pages from (7) to (30) are an integral part of these consolidated financial statements.

APPLIED RESEARCH INSTITUTE - JERUSALEM
BETHLEHEM – PALESTINE

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

<i>In US Dollar</i>	Note	For the Year Ended December 31,	
		2022	2021
Cash flows from Operating Activities			
(Decrease) in Net Assets During the Year		(79,444)	(109,420)
Adjustments of Non-Cash Items:			
Depreciation Expenses	5	58,544	64,158
(Gain) Loss from Sale of Property, Plant, & Equipment		(11,612)	48,526
Provision for Severance Pay Expenses	10	73,597	74,574
ARIJ's Share of Results of its Associate		(5,706)	24,705
		<u>35,379</u>	<u>102,543</u>
Changes in working capital			
Inventory		2,849	8,057
Contribution's Receivable		632,823	174,461
Other Current Balances		156,678	(135,951)
Temporary Restricted Net Assets		(1,245,340)	(142,832)
Other Current Liabilities		293,837	67,409
Provision for Severance Paid		(17,599)	(19,933)
Net Cash Flow (used) from Operating Activities		<u>(141,373)</u>	<u>53,754</u>
Cash flows from Investing Activities			
Purchase of Property, Plant, and Equipment	5	(42,385)	(24,261)
Proceeds from Sale of Property, and Equipment		20,425	-
Net cash (used) Investing Activities		<u>(21,960)</u>	<u>(24,261)</u>
Changes in Cash and Cash Equivalents		(163,333)	29,493
Cash and Cash Equivalents, Beginning of the Year		288,598	259,105
Cash And Cash Equivalents, End Of Year	9	<u>125,265</u>	<u>288,598</u>

The accompanying notes on pages from (7) to (30) are an integral part of these consolidated financial statements