

Loan Revolving Fund
Arab Center for Agricultural Development
Non-Profit, Non-Governmental Organization
Ramallah-Palestine

Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2010

Loan Revolving Fund
Arab Center for Agricultural Development
Non-Profit, Non-Governmental Organization
Ramallah-Palestine

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Independent Auditor's Report

**To the Board of Directors
Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine**

Report on the financial statements:

We have audited the accompanying financial statements of the **Loan Revolving Fund** administered by the **Arab Center for Agricultural Development "Non – Profit, Non – Governmental Organization"**, which comprise the statement of financial position as of December 31, 2010, and the statement of income, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The audit of the financial statements of the **Loan Revolving Fund** was conducted in conjunction with the audit of the general purpose financial statements of the Center. Further audit procedures were performed on the accompanying financial statements of the loan fund for the purpose of ensuring the completeness and the validity of the accounts balances of the loan fund.

Management's responsibility for the financial statements:

The management of ACAD is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies described in Note (2) and in conformity with the covenants of the financing agreements signed with donors and lenders, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility:

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

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



The accompanying special purpose financial statements were prepared for the purpose of certain usage by the Center's management and are not intended to be presented in conformity with International Financial Reporting Standards.

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 financial statements give a true and fair view of the financial position of the Loan Revolving Fund as of December 31, 2010, its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note (2) and in conformity with the covenants of the financing agreements signed with donors and lenders.

**Ramallah:
April 20, 2011**

A handwritten signature in blue ink that reads "Deloitte & Touche". The signature is written in a cursive style with a stylized 'D' and 'T'.

Deloitte & Touche ME

Statement -A

Loan Revolving Fund
Arab Center For Agricultural Development
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Statement of Financial Position
For the Year Ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	USD	USD
ASSETS:			
Cash and Cash Equivalent	3	841,090	948,846
Loans Receivable-Net	4	3,467,944	2,561,205
Interest Receivable		90,949	117,999
Other Assets	5	189,464	225,671
Fixed Assets-Net	6	54,910	66,015
TOTAL ASSETS		4,644,357	3,919,736
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
Payables and Accruals	7	71,425	88,001
Loans Payable	8	1,327,832	1,108,444
Employees' Benefits	9	579,756	472,173
TOTAL LIABILITIES		1,979,013	1,668,618
NET ASSETS:			
Loan Revolving Fund		2,626,536	2,223,474
General Reserve for Loan Losses		38,808	27,644
TOTAL NET ASSETS - Statement (C)		2,665,344	2,251,118
TOTAL LIABILITIES AND NET ASSETS		4,644,357	3,919,736

The Accompanying Notes Constitute an Integral Part of These Statements


General Manager




Financial Manager

Loan Revolving Fund
Arab Center For Agricultural Development
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Statement of Income
For the Year Ended December 31, 2010

	<u>Note</u>	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Contributions Received for Loan Revolving Fund:			
Grants for Operations - UNDP / DEEP		54,746	102,826
Interest and Lending Revenues:			
Interest on Loans		692,096	647,835
Collections of Written Off Loans		31,870	45,040
Loans Service Fees and Commissions		2,370	14,649
Penalty Fees		50,395	30,179
Other Revenues		42,173	20,631
		<u>818,904</u>	<u>758,334</u>
Revenues before Loan Losses		873,650	861,160
Releases from Provision for Loan Losses		118,018	31,114
Total Revenues		991,668	892,274
Expenses:			
Operating Expenses	10	(842,222)	(807,802)
Total Expenses		(842,222)	(807,802)
Net Income for the Year- Statement (C)		149,446	84,472

The Accompanying Notes Constitute an Integral Part of These Statements

Loan Revolving Fund
Arab Center For Agricultural Development
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Statement of Changes in Net Assets
For the Year Ended December 31, 2010

	<u>Loan Revolving Fund</u> <u>USD</u>	<u>General Reserve for Loan Losses</u> <u>USD</u>	<u>Total</u> <u>USD</u>
Balance as of December 31, 2008	2,139,002	12,508	2,151,510
Net Income for the Year 2009	84,472	--	84,472
Additions to General Reserve	--	15,136	15,136
Balance as of December 31, 2009	2,223,474	27,644	2,251,118
Net Income for the Year 2010	149,446	--	149,446
Transfer of Un-due Interest (Note 4)	153,616	--	153,616
UNDP Fund for Musharakeh (Note 11)	100,000	--	100,000
Additions to General Reserve	--	11,164	11,164
Balance as of December 31, 2010	2,626,536	38,808	2,665,344

The Accompanying Notes Constitute an Integral Part of These Statements

Loan Revolving Fund
Arab Center For Agricultural Development
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Statement of Cash Flows
For the Year Ended December 31, 2010

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Operating Activities:		
Net Income for the Year	149,446	84,472
Adjustments:		
General Reserve for Loan Losses	11,164	15,136
Depreciation	18,099	15,926
Provision for Employees' Benefits	140,665	111,897
Cash Flow from Operating Activities before Changes in Operating Assets and Liabilities	319,374	227,431
(Increase) Decrease in Operating Assets:		
Loans & Interest Revivable	(879,689)	(533,864)
Other Assets	36,207	(137,098)
Increase (Decrease) in Operating Liabilities		
Due to Banks	--	(3,517)
Payables and Accruals	(16,576)	49,394
Net Cash Used in Operating Activities before Payments of Employees	(540,684)	(397,654)
Payments of Employees' Benefits	(33,082)	(78,840)
Net Cash Used in Operating Activities after Payments of Employees	(573,766)	(476,494)
Investing Activities:		
Procurement of Fixed Assets	(6,994)	(54,480)
Net Cash Used in Investing Activities	(6,994)	(54,480)
Financing Activities:		
Long Term Loans	219,388	208,444
UNDP Fund for Musharakeh	100,000	--
Transfer of Un-due Interest	153,616	--
Net Cash Flow from Financing Activities	473,004	208,444
Net (Decrease) in Cash and Cash Equivalent	(107,756)	(322,530)
Cash and Cash Equivalent, Beginning of the Year	948,846	1,271,376
Cash and Cash Equivalents, End of the Year	841,090	948,846

The Accompanying Notes Constitute an Integral Part of These Statements

Loan Revolving Fund
Arab Center For Agricultural Development
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2010

1. General :

a. The Center:

The Arab Center for Agricultural Development (ACAD) is a Palestinian non-profit, non-governmental organization that has been officially registered in Jerusalem since 1993, and also registered by the Palestinian National Authority since 2001 according to the Palestinian Charitable Institutions Law. ACAD is specialized in Micro-Credit and offers Business Support Services to the poor and low-income Palestinian producers. The Board of Directors is comprised of 9 members elected every two years by the General Assembly that governs ACAD.

b. ACAD Mission:

ACAD as a development institution was established to encourage micro entrepreneurship through small income generating activities among the poor and low-income individuals. ACAD provides financial and business support services concentrating on rural and/or high poverty rate in Palestinian areas that are particularly affected by the difficult political situation. Economic independence and consequently food security for the poor and disadvantaged, is an effective tools towards empowerment and active participation in the economic, social and political spheres of the life in Palestine.

c. ACAD Goals and Objectives:

- Promotion of Self-sustaining employment-and income-generating projects in the Palestinian poor and low-income rural and urban communities.
- Expanding geographical access of financial resources.
- Graduating poor and small scale producers into capital lending markets, by shifting the balance of power towards those needing credit.
- Mobilizing Saving.
- Empowering poor communities.

d. Target Group:

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

e. Branches and Offices:

ACAD provides services for small and poor producers through its headquarter in Ramallah and 8 field branches and offices in Gaza, Jericho, Bethlehem, Hebron, Nablus, Jenin, Ramallah and Tulkarem.

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Notes to the Financial Statements
For the Year Ended December 31, 2010

f. Financial Credit Services:

ACAD provides financial credit services to small-scale and poor Palestinian producers in the Palestinian Territories through the following kinds of credit products:

- Woman loan based on cycling.
- Micro loans to finance existing project.
- Small loans to finance capital investment or start up businesses.

2. Significant Accounting Policies:

Summary of Significant Accounting Policies are as follows:

A- The accompanying financial statements have been prepared in accordance with the historical cost principle and in conformity with the covenants of the agreements signed with donors and lenders and relevant prevailing laws and regulations in the Palestinian Territories.

B- Fixed Assets:

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method based on their estimated useful lives as follows:

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

When the expected recoverable amount is less than the net book value, the fixed assets amount is reduced to the lower of cost or net realizable value and the difference (if any) is included in the determination of changes in net assets.

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Notes to the Financial Statements
For the Year Ended December 31, 2010

C- Loans:

Loans receivable are stated at cost net of provision for impairment losses. A provision for non-performing loans is taken when there is evidence that these loans cannot be recollected in part or in full. Such a provision is calculated based on the following criteria:

<u>Time Period</u>	<u>Provision</u>
1- 30 Days	--
31- 60 Days	10%
61- 90 Days	20%
91- 120 Days	30%
121- 180 Days	40%
181- 360 Days	50%
More than 360 Days	100%

The resultant provision is recorded in the statement of income.

A general reserve for loans against unforeseen future losses is computed at 1.5% of performing loans. This reserve is reflected in the statement of financial position as part of net assets.

Interests on non-performing loans are suspended, in addition, uncollectible loans are written off by decreasing the provision for loan losses. Any surplus in the provision as well as any amount collected from loans previously written off is taken to the statement of income.

D- Foreign Currency Translation:

The Center's reporting currency is the U.S. Dollar. However, transactions in currencies other than U.S. Dollar are converted to U.S. Dollar equivalent at the exchange rates prevailing at the date of each transaction. Monetary Assets and Liabilities denominated in other currencies are translated to U.S. Dollar using the exchange rates prevailing at the year end. The resultant difference on exchange is taken to the statement of income.

The rates of exchange of certain currencies against the U.S Dollar as of December 31, 2010 and 2009 were as follows:

	<u>U.S Dollar</u> <u>2010</u>	<u>U.S Dollar</u> <u>2009</u>
Euro	1.3251	1.4407
NIS	0.2808	0.2647
JOD	1.4064	1.4064

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Notes to the Financial Statements
For the Year Ended December 31, 2010

E- Loan Revolving Fund:

Loan revolving fund represents net assets which are subject to donors' imposed restrictions and to be maintained permanently by ACAD and is composed of all grants received and provided for lending. This fund is charged by provisions for impairment losses if the agreements with the donors stipulated such condition.

F- Severance Pay:

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

G- Provident Fund:

ACAD has a defined provident fund scheme by which the employees and the Center contribution is 7.5% from basic monthly salaries.

H- Accounting Estimates:

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the statement of financial position date, and the reporting of revenues, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by the ACAD's management.

Management, through applying the accounting policies, uses assumptions and estimates with material impacts on the recognition of the balances recorded in the financial statements. Some of these assumptions are as follows:

- Management periodically reassesses the economic useful lives of tangible assets for the purpose of calculating annual depreciation based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the statement of income.
- A provision for performing and non-performing loans is taken on the bases and estimates approved by management. These provisions represent allowances for uncollectable loans.
- Estimates used in the preparation of the financial statements are depreciation rates and provision for end of service indemnity.

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Notes to the Financial Statements
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3. Cash and Cash Equivalent:

	<u>December 31 ,</u> <u>2010</u> <u>USD</u>	<u>December 31 ,</u> <u>2009</u> <u>USD</u>
Cash in Hand	5,809	33,476
Cash at Banks- Current Accounts:		
U.S Dollar	354,011	248,295
Jordanian Dinar	2,989	3,578
Israeli Shekel	18,698	23,935
Euro	5	--
	<u>375,703</u>	<u>275,808</u>
Cash at Banks- Fixed Deposits:		
Short-Term Deposit-U.S Dollar	--	162,467
Short-Term Deposits for Employees' Benefits	458,580	476,709
	<u>458,580</u>	<u>639,176</u>
Checks Under Collection- Short Term	998	386
	<u>841,090</u>	<u>948,846</u>

4. Loans Receivable-Net:

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Loan portfolio *	3,761,117	3,137,176
Provision for Impairment	(293,173)	(422,355)
Un - Due Interest **	--	(153,616)
	<u>3,467,944</u>	<u>2,561,205</u>

* The number of performing loans as of December 31, 2010 was 3,389 loan (comparing with 3,059 loan as of December 31, 2009).

** The un - due interest balance as of December 31, 2009 of U.S. Dollar 153,616 was transferred to net assets during the year 2010 because ACAD has changed its accounting system as well as its accounting treatment of interests on loans.

The movement in the provision for impairment was as follows:

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Balance at Beginning of the Year	422,355	468,605
Transferred to General Reserve for Loan Losses	(11,164)	(15,136)
Recoveries During the Year	(118,018)	(31,114)
Balance at End of the Year	<u>293,173</u>	<u>422,355</u>

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5. Other Assets:

	December 31, 2010	December 31, 2009
	USD	USD
Pledges Receivable:		
UNDP – GAZA	--	3,000
NGO Development Center – Bani Zaid	--	56,513
NGO Development Center – Gaza	--	22,321
Receivable From PMA	30,000	30,000
UNDP – DEEP	---	50,919
Total Pledges Receivable	<u>30,000</u>	<u>162,753</u>
Prepaid Expenses	9,967	5,131
Loans to Employees*	140,297	57,787
Sundry Debtors	9,200	--
	<u>189,464</u>	<u>225,671</u>

* Loans to employees are subject to interest rate at 4.5% computed at the minimum outstanding balance during the year in addition to annual flat rate of 1%.

6. Fixed Assets-Net:

	January 1, 2010	Additions	Disposals	December 31, 2010
	USD	USD	USD	USD
<u>Cost:</u>				
Furniture and Fixtures	64,603	2,004	--	66,607
Office Equipment	68,659	4,990	--	73,649
Safes	1,127	--	--	1,127
Cars	46,936	--	--	46,936
Computers	69,125	--	--	69,125
	<u>250,450</u>	<u>6,994</u>	<u>--</u>	<u>257,444</u>
<u>Accumulated Depreciation:</u>				
Furniture and Fixtures	45,357	4,345	--	49,702
Office Equipment	58,888	4,832	--	63,720
Safes	432	34	--	466
Cars	6,160	8,214	--	14,374
Computers	73,598	674	--	74,272
	<u>184,435</u>	<u>18,099</u>	<u>--</u>	<u>202,534</u>
Net Fixed Assets	<u>66,015</u>			<u>54,910</u>

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Notes to the Financial Statements
For the Year Ended December 31, 2010

7. Payables and Accruals:

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Short Term Checks Payable	--	75,403
Due to SIDI*	60,000	--
Sundry Creditors	11,425	12,598
	<u>71,425</u>	<u>88,001</u>

* This amount represents long term loan granted by SIDI to support the Center's operating activities. Under the agreement, understandings regarding the repayment of this loan will be concluded in the future.

8. Loans Payable:

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Agency France De Development (AFD)	538,944	164,000
UNDP – DEEP	788,888	944,444
	<u>1,327,832</u>	<u>1,108,444</u>

On March 3, 2009, ACAD signed a no interest loan agreement With Agence Francaise De Development (AFD) , in which the two parties agreed to initiate a loan portfolio for an amount of EURO 673,000 . Which subject to ACAD credit procedures & bounded only for farmers cooperatives & women economic projects. According to the agreement, ACAD is exempted from paying any interest or fees . The duration for the loan is eight years which includes a grace period of four years. ACAD will pay the loan amount divided on eight quarterly equal payments starting from September 31, 2013.

On July 28, 2008, ACAD signed an agreement with the Islamic Development Bank – Jeddah – Saudi Arabia through UNDP/PAPP, the agreement was to establish a Credit Fund amounted to U.S Dollars 700,000 to be used to support small projects of poor Palestinian people through granting small loans ranging between U.S Dollars 3,500 and U.S Dollar 7,500 with interest rate of 7 % annually. The duration of the loan will be for three years from the date of the agreement. ACAD will pay the loan amount with interest rate of 2 % divided on nine quarterly equal payments starting from September 1, 2009.

On May 11, 2009, ACAD signed an additional agreement with the Islamic Development Bank – Jeddah – Saudi Arabia through UNDP/PAPP which considered a continuation of the previous agreement, the agreement was to establish a Credit Fund amounted to U.S Dollars 400,000 to be used to support existing businesses or to start new businesses for those poor families through granting small loans ranging between U.S Dollars 3,500 and U.S Dollar 7,000 with interest rate of 7 % annually. The duration of the loan will be for three years from the date of the agreement. ACAD will pay the loan amount with interest rate of 2 % divided on nine quarterly equal payments starting from June 1, 2010.

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Notes to the Financial Statements
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9. Employees' Benefits:

	December 31, 2010 USD	December 31, 2009 USD
Provident Fund	266,768	198,841
End of Service Indemnity	285,025	243,726
Annual Leaves	27,963	29,606
	<u>579,756</u>	<u>472,173</u>

The movements in the provident fund, end of service indemnity and annual leaves were as follows:

A- Provident Fund:

	December 31, 2010 USD	December 31, 2009 USD
Opening Balance	198,841	209,534
Reclassification of Fund	22,580	--
Additions to Provident Fund	62,479	45,585
Payments from Provident Fund	(17,132)	(56,278)
Ending Balance	<u>266,768</u>	<u>198,841</u>

B- End of Service Indemnity:

	December 31, 2010 USD	December 31, 2009 USD
Opening Balance	243,726	212,467
Reclassification of Fund	10,325	--
Additions to Provision for Indemnity	44,593	53,821
Payments from Provision for Indemnity	(13,619)	(22,562)
Ending Balance	<u>285,025</u>	<u>243,726</u>

The liabilities towards staff provident fund and end of service indemnity are deposited in a separate bank account (Note 3).

C- Annual Leaves:

	December 31, 2010 USD	December 31, 2009 USD
Opening Balance	29,606	17,115
Additions	688	12,863
Payments	(2,331)	(372)
Ending Balance	<u>27,963</u>	<u>29,606</u>

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Notes to the Financial Statements
For the Year Ended December 31, 2010

10. Operating Expense:

	<u>December 31,</u> <u>2010</u> <u>USD</u>	<u>December 31,</u> <u>2009</u> <u>USD</u>
Salaries and Related Expenses	544,645	507,846
Rent and Utilities	48,387	53,492
Depreciation	18,099	15,926
Medical Expenses	21,380	7,980
Travel (Local and Overseas)	27,423	26,944
Telecommunications	32,667	22,630
Professional and Legal Fees	29,482	22,134
Printing and Stationery	11,606	10,683
Advertising and Promotional Material	1,524	730
Insurance	2,730	2,488
Entertainment	6,315	9,704
Bank Charges	4,372	3,877
Donations	300	1,026
Training and Workshops Expenses	7,116	7,777
Fees and Subscriptions	2,705	3,465
Miscellaneous Expenses	22,635	7,879
Employees Vacations	--	12,863
Capital Expenditures	--	18,422
Interest on Borrowed Funds	9,332	13,336
Maintenance	10,307	7,119
Cars Expenses	8,401	1,169
Loan Closing Expense	32,796	50,312
	<u>842,222</u>	<u>807,802</u>

11. UNDP Fund for Musharakeh:

During the month of September 2010, ACAD has signed an agreement with the UNDP – PAPP (The United Nations Development Programme / Programme of Assistance to the Palestinian People); by which, the UNDP has allocated U.S. Dollar 100,000 and make the sum available to ACAD in order to target and serve the low-income families with an average loan size not exceeding U.S. Dollar 7,000 and a maximum loan size not exceeding U.S. Dollar 15,000. The fund is restricted for use in the declining Musharakeh for a period of (4) years and then ACAD has the right to use the money as a lending capital for Islamic microfinance products only. The term of the agreement commence on September 1, 2010 and terminate on December 31, 2014.

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Notes to the Financial Statements
For the Year Ended December 31, 2010

12. Risks Management Policies:

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

A- Operational Risk:

The Center covers the expenses of loan revolving fund from the income of lending programs. The Center believes that the lending revenue for the year 2011 will be sufficient to finance all lending expenses.

B- Credit Risk:

Credit risk is risk that may result from the failure or inability of the other party to meet its obligations towards the Center. The Center manages credit risk through the development of specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings. These controls and ceilings are reviewed and amended periodically, if necessary. The credit risk on liquid funds is limited because they are placed with reputable financial institutions.

C- Liquidity Risk:

Liquidity risk is the inability of the Center to provide the funding necessary to meet its obligations in due dates. ACAD's policy to prevent this risk requires management to diversify sources of assets and liabilities and maintain an adequate balance of cash and cash equivalent.

D- Interest Rate Risk:

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

E- Currency Risk:

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case ACAD does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.

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Notes to the Financial Statements
For the Year Ended December 31, 2010

13. Accompanying Financial Statements:

ACAD provides loans to small enterprises, services and other assistance to small and poor producers and therefore lending activity is considered one of the most important activities of the Center.

For the purpose of informing users of the financial statements on the results of this activity, the Center's management decided to separate the financial statements of loan revolving fund from the financial statements of the Center effective on December 31, 2008 and issue a separate financial statements for loan revolving fund for the year ended December 31, 2008 and permanently in the future years.

The financial statements of ACAD for the year ended December 31, 2010 and for the previous years were audited as a whole, and the accompanying financial statements represent the financial statements for Loan Revolving Fund only, which is separated from the audited financial statements of the Center for the year 2010 according to the following bases:

- Cash, assets and liabilities of loan revolving fund were separated from the Center's assets and liabilities by using the specific identification method.
- The employees who are working for the loan revolving fund were determined and the provision for these employees and all related costs were separated.
- General reserve for loan losses is calculated according to the criteria detailed on note (2/C).
- Net assets for loan revolving fund are determined by reducing assets by the same amounts of liabilities.

The accompanying financial statements were approved by the Board of Directors on April 20 , 2011 .