

CHF RYADA for Lending and Financial Services
Palestine

Financial Statements and Independent Auditors'
Report for the Year Ended
September 30, 2008

CHF RYADA for Lending and Financial Services
Palestine

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Independent Auditors' Report

CHF RYADA for Lending and Financial Services Palestine

We have audited the accompanying financial statements of CHF RYADA for Lending and Financial Services - Palestine, which comprise the balance sheet as of September 30, 2008, and the statements of activities and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 auditing standards accepted in the United States and the standards applicable to financial audits contained in the Government Audit Standards issued by the Comptroller General of the United States. 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 entity'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 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 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 financial statements present fairly, in all material respects, the financial position of CHF RYADA for Lending and Financial Services - Palestine as of September 30, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

In accordance with Government Auditing Standards, We have also issued our reports dated November 21, 2008 on our consideration of the CHF International - Palestine's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grants. Those reports are integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

For Talal Abu - Ghazaleh & Co. International



Zuhair K. Al Nazer
Gaza on November 21, 2008



CHF RYADA for Lending and Financial Services
Palestine
Balance Sheet as of September 30, 2008

Exhibit (A)

(Amounts are expressed in USD)

	<u>Notes</u>	<u>September 30,</u>	
		<u>2008</u>	<u>2007</u>
<u>Assets</u>			
Cash and Cash Equivalents	3	585,333	2,007,383
Loans Receivable, Net	4	10,510,256	5,128,421
Inter - Company Accounts Receivable		-	8,184
Accounts Receivable	5	160,076	178,944
Advances and Prepaid Expenses	6	7,846	2,630
Security Deposits	7	173	173
Advance Payment from Field to HQ		-	425,000
Total Assets		<u>11,263,684</u>	<u>7,750,735</u>
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Inter-Company Accounts Payable	8	1,263	-
Accounts Payable	9	240,640	266,626
Long-Term Loan	10	500,000	-
Provisions for Staff Benefits		327,768	320,627
Provision for Litigation and Claims	11	157,226	157,226
Total Liabilities		<u>1,226,897</u>	<u>744,479</u>
<u>Net Assets</u>			
Net Assets - End of the Year (Exhibit "B")		10,036,787	7,006,256
Total Liabilities and Net assets		<u>11,263,684</u>	<u>7,750,735</u>

The accompanying notes constitute an integral part of this statement and must be read herewith

CHF RYADA for Lending and Financial Services
Palestine
Statement of Activities and Changes in Net Assets for
the Year Ended September 30, 2008

Exhibit (B)

(Amounts are expressed in USD)

	<u>Notes</u>	<u>September 30,</u>	
		<u>2008</u>	<u>2007</u>
<u>Revenues and Support</u>			
Interest Income		26,044	2,983
Commission Income		104,609	42,080
Interest Income on Loans		1,200,735	361,348
Interest Income on Late Loans		86,074	-
Other Income		10,402	25,654
Total Revenues and Support	12	<u>1,427,864</u>	<u>432,065</u>
<u>Expenses</u>			
Operating Expenses	13	<u>(686,945)</u>	<u>(673,075)</u>
Bad Debt Expenses	14	740,919	(241,010)
		2,290,485	(1,205,122)
Change in Net Assets Before Other Items		<u>3,031,404</u>	<u>(1,446,132)</u>
<u>Other Items</u>			
Inter-Company Revenues - Fund Transfer		237,700	1,142,807
Inter-Company Expense Billings		(238,573)	(238,647)
Total Other Items		<u>(873)</u>	<u>904,160</u>
Change in Net Assets for the Year		<u>3,030,531</u>	<u>(541,972)</u>
Net Assets - Beginning of the Year		<u>7,006,256</u>	<u>7,548,228</u>
Net Assets - End of the Year - (Exhibit "A")		<u>10,036,787</u>	<u>7,006,256</u>

The accompanying notes constitute an integral part of this statement and must be read herewith

CHF RYADA for Lending and Financial Services
Palestine
Statement of Cash Flows for the Year Ended
September 30, 2008

Exhibit (C)

(Amounts are expressed in USD)

	September 30,	
	2008	2007
<u>Cash Flows from Operating Activities</u>		
Net Assets for the Year	3,030,531	(541,972)
<u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided from Operating Activities:</u>		
Change in Provisions for Staff Benefits	7,141	(65,966)
Change in Loans Receivable	(5,381,835)	1,949,252
Change in Inter-Company Receivable	8,184	(5,673)
Change in Inter-Company Payable	1,263	-
Change in Accounts Receivable	18,868	(166,082)
Change in Accounts Payable	(25,986)	(11,059)
Change in Advance Payment from Field to HQ	425,000	-
Change in Advances and Prepaid Expenses	(5,216)	9,270
Net Cash Flows from Operating Activities	(1,922,050)	1,167,770
<u>Cash Flows from Financing Activities</u>		
Change in Long - Term Loan	500,000	-
Net Cash Flows from Financing Activities	500,000	-
Net (Decrease)/Increase in Cash & Cash Equivalents	(1,422,050)	1,167,770
Cash and Cash Equivalents - Beginning of the Year	2,007,383	839,613
Cash and Cash Equivalents - End of the Year- Exhibit (A)	585,333	2,007,383

The accompanying notes constitute an integral part of this statement and must be read herewith

CHF RYADA for Lending and Financial Services
Palestine
Notes to the Financial Statements

(Amounts are expressed in USD)

1. Cooperative Housing Foundation CHF International - Palestine

Cooperative Housing Foundation CHF International – Palestine was registered according to the Article 248 of the Companies Act of 1929 as amended as a Foreign Non Profit Making Organization under a serial registration number (563600915) on December 14, 1995, to implement the Home Improvement Loans Program (HILP). Per Tax Law Non – Profit Organizations are not subject to income tax accountability. CHF International – Palestine commenced its activities in Gaza as a start point with Home Improvement Loans Program (HILP). Since 1995 CHF International – Palestine’s management has expanded its activities in Palestinian Territories in the West Bank and Gaza to execute many programs particularly in the community field. The Following are the programs operating in the West Bank and Gaza through CHF International - Palestine.

A. RYADA

CHF’s RYADA is considered one of the first credit programs in the Palestinian territories. The program has worked throughout Gaza since its inception in 1994 with support from the United States Agency for International Development (USAID). The program expanded in 2001 to three governorates of West Bank, added additional services in Gaza in 2003, and in 2005 expanded to three additional cities in the West Bank (Jenin , Bethlehem , and Tulkarem).

RYADA is leader in the financial services in Palestine by:

- Charging sustainable interest rates.
- Maintaining up to date information on successful businesses.
- Investigating demands of our target groups.
- Building staff capacity and rewarding our employees.
- Continuously growing our portfolio.
- Defining and providing best quality services.

In 2008 it has decided to embark on the process of transforming RYADA from an INGO-owned project into a locally registered Development Finance Institution (DFI), the program name and logo were announced to be changed formally into RYADA which was chosen to reflect the new vision of RYADA as a leader in providing demand-driven, diversified financial services in a stable, efficient and sustainable manner in order to improve the living conditions of the Palestinian people.

RYADA program provides micro & small loans for home improvement, small business development, and loans to buy an apartment or residential land to low- and moderate- income Palestinians. It offers one to three- year loans with monthly payments to improve living conditions. RYADA seeks to provide Palestinians with housing solutions that are technically appropriate and meet adequate standards of livability and safety.

CHF implements RYADA through cooperating with five banks working in the Gaza Strip and the West Bank, two of which share the capital investment of the loans. CHF handles loan application processing, underwriting, collection, and general loan maintenance.

ACP SMART

The Associate Cooperative Agreement between the Academy for Educational Development "AED" and the U.S. Agency for International Development/West Bank Gaza "USAID/WBG", known as the Small and Microfinance Assistance for Recovery and Transition (SMART), CHF International is awarded a Grant in support of the preservation and development of the CHF microfinance program Access to Credit Program (ACP)/Currently (RYADA) in West Bank and Gaza for an amount of USD 1,655,856.

The purpose of this Grant is to provide support and technical assistance to CHF ACP/ Currently (RYADA) to address the strategic issues ACP is facing as well as build the capacity of the staff and the institution in general.

This Grant is effective and obligation is made as of April 1, 2007 and ending March 31, 2008.

This Grant is funded to support the preservation of the microfinance infrastructure in the West Bank and Gaza and help to build a stronger, more sustainable and integrated microfinance industry that can serve a growing number of poor households and micro- and small enterprises in the West Bank and Gaza.

B. Islamic Development Bank Fund (IDB)

On April 11, 2005 CHF International - Palestine signed an agreement with the Islamic Development Bank (IDB). According to this agreement the Islamic Development Bank will make available to CHF the amount of (USD 500,000). The first payment of which (USD 200,000) will be used to support housing projects according to the Islamic methodology, and CHF will contribute in the project by covering 50% of disbursed loans. By the end of the fourth year of the agreement date, the CHF is either required to pay back the principle amount of (USD200,000) or to have the fund renewed by the IDB.

2. Summary of Significant Accounting Policies

Basis of Preparation

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- The financial statements have been prepared under the historical cost convention and the accrual basis of accounting..
- The financial statements are presented in US Dollars.

VAT Exemption for USAID Projects

CHF RYADA - Palestine was awarded a zero V.A.T status according to the authorization letter issued by the Minister of Finance dated on July 3, 2002 in which the Ministry of Finance awarded all USAID financed activities a V.A.T exemption, therefore, all expenses up to September 30, 2003 are recorded including V.A.T and monthly reports for the V.A.T paid are prepared and sent to the USAID Office in order to be refunded from the Ministry of Finance. It's notable that, effective from October 1, 2003 and according to the CHF Field Finance and Accounting Manual for the Fiscal Year ended on September 30, 2004, V.A.T is recorded separately in special expense account (A/C # 65740).

Purchase of Furniture and Equipment

Purchases of any furniture or equipment with cost more than (USD 5,000) are recorded under account Furniture, Fixtures and Equipment no. (65115) and reflected in the statement of activities for the current year. For purchases less than (USD 5,000), they are recorded in the supplies expense account no. (65460).

End of Service Indemnity

CHF RYADA - Palestine is required by the Labor Law to provide indemnity payments upon to the termination of relationship with its employees. The benefit is calculated at one month salary for each year of employee's service based on the latest salary.

Employees' Saving

Since October 1, 2007, CHF RYADA - Palestine has amended its contribution in employees' saving from 5% to 10% of the employees basic salaries and the employees' contributions were reduced to 5% instead of 10%. The total amount 15% of staff basic salaries is recorded as employees' savings.

Provisioning Requirements for Delinquent Loans

CHF RYADA - Palestine used modified provisioning requirements for current and delinquent portfolio as per CHF - HQ approval dated September 18, 2007. The requirements are as follows:

<u>Current Portfolio</u>	0%
<u>Delinquent Portfolio</u>	
1-30 Days	0%
31-60 Days	10%
61-90 Days	20%
91-120 Days	30%
121-180 Days	40%
180 Days or More	60%

Foreign Currencies

- CHF RYADA - Palestine basic functional currency is the USD, transactions which are expressed or denominated in other currencies were converted to USD using the exchange rates in effect at the time of each transaction.
- Gains or losses arising from exchange differences are reflected in the statement of activities.

Litigation and Claims

CHF RYADA - Palestine has built a provision for litigation and claims for case no. 304/2004. This case is still pending and provision amount has not changed.

3. Cash and Cash Equivalents

		<u>September 30,</u>	
	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Cash at Banks - Operational	3.1	18,575	150,717
Cash at Banks - Loan Portfolio	3.2	566,758	1,837,166
Cash at Banks - End of Service		-	19,500
Total - Exhibit (A)		<u>585,333</u>	<u>2,007,383</u>

- Cairo Amman Bank has executed a garnishment on (USD 158,000) of CHF International - Palestine money according to the court decision to meet any expected obligations on CHF International - Palestine that may result from case no. (304/2004). This case belongs to one of CHF ex employee for work accident on January 14, 2004. The amount claimed is USD 157,226 and the case is still pending.

3.1 Cash at Banks - Operational

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Arab Bank - A/C (USD) 100122-513	18,575	122,227
Arab Bank - A/C (USD) 100122-519	-	90
Arab Bank - A/C (USD) 674970-510	-	28,400
Total Cash at Banks - Operational	<u>18,575</u>	<u>150,717</u>

3.2 Cash at Banks - Loan Portfolio

	September 30,	
	2008	2007
<u>Arab Bank</u>		
Gaza Capital - Current - A/C 100122-517	-	838,116
West Bank Capital - Current- A/C 880632-510	-	261,709
West Bank Disbursements - A/C 880632-511	-	3,306
West Bank Collection - A/C 880632-512	8,899	32,221
Gaza Capital - Current- A/C 100122-510	-	1,201
Disbursements Accounts - A/C 100122-511	-	1
Collection Account - A/C 100122-512	-	44
	8,899	1,136,598
<u>Cairo Amman Bank</u>		
Capital Account - A/C 719485-10	(1)	132,844
Disbursements - A/C 719485-11	2	9
Collection - A/C 02500-719485-00	(5)	(7)
West Bank Collections - A/C 02500-719485-12	4,481	10,236
Collection Contribution 100% - A/C 702444-00	-	2,759
CAP Contribution 100% - A/C 702452 - 00	382,314	186,261
Collection El Remal - A/C 0250-1707109-00	1	3,444
Capital /IDB - A/C 719487-00	3,107	61,274
Collection/IDB - A/C 719486-00	(1)	652
RYADA - Ramallah Collection - A/C 821401-01	(2)	-
RYADA - Nablus Collection - A/C 821401-00	(3)	-
RYADA - Tollkarem Collection - A/C 821401-02	(5)	-
	389,888	397,472
<u>Bank of Palestine</u>		
Capital Current Account - A/C 527140-8	127,228	102,478
Collection Account - A/C 527142-4	(81)	15,512
RYADA - Ramallah Collection - A/C 233807	4,862	-
RYADA - Nablus Collection - A/C 193500	3,980	-
RYADA - Tollkarem Collection - A/C 432950	5,226	-
RYADA - Hebron Collection - A/C 314800	2,460	-
	143,675	117,990
<u>Egyptian Arab Land Bank</u>		
Capita Current - A/C 11091-4	5,772	117,298
Collection Account - A/C 11090-6	6,439	1,198
	12,211	118,496
<u>Housing Bank</u>		
Capital Account (100%) - A/C - 212450-1	12,084	65,331
Collection (100%) - A/C 212450-1-1	1	1,279
	12,085	66,610
Total Cash at Banks (Loan Portfolio)	566,758	1,837,166

4. Loans Receivable, Net

	Total	Arab Bank	Cairo Amman Bank	Bank Of Palestine	Eg. Arab Land Bank	Housing Bank
<u>Loans Disbursed</u>						
Balance on October 1, 2007	33,430,410	11,869,275	13,916,666	6,740,954	551,555	351,960
Loans Disbursed through the Year	9,629,350	-	4,455,600	3,989,500	4,000	1,180,250
Loans Written Off	(128,914)	(33,343)	-	(86,683)	(8,888)	-
Up to September 30, 2008	42,930,846	11,835,932	18,372,266	10,643,771	546,667	1,532,210
<u>Loans Repaid</u>						
Balance at October 1, 2007	26,827,267	11,434,183	10,089,626	4,820,808	396,618	86,032
Loans Repaid Through the Year	5,116,954	338,225	2,759,409	1,606,072	102,035	311,213
Up to September 30, 2008	31,944,221	11,772,408	12,849,035	6,426,880	498,653	397,245
Loans Receivable Up to September 30, 2008	10,986,625	63,524	5,523,231	4,216,891	48,014	1,134,965
<u>Provision for Bad Loans</u>						
Balance at October 1, 2007	1,474,722	143,776	631,289	573,319	52,240	74,098
Additions through the Year	852,443	33,343	366,165	389,830	28,903	34,202
Reduction in Provision	(1,721,882)	(133,856)	(752,424)	(692,191)	(60,851)	(82,560)
Loans Written Off	(128,914)	(33,343)	-	(86,683)	(8,888)	-
Up to September 30, 2008	476,369	9,920	245,030	184,275	11,404	25,740
Loans Receivable, Net at September 30, 2008	10,510,256	53,604	5,278,201	4,032,616	36,610	1,109,225
Loans Receivable, Net at September 30, 2007	5,128,421	291,316	3,195,751	1,346,827	102,697	191,830

s.

5. Accounts Receivable

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>Local Inter - Company Receivables</u>		
LDRP	-	-
WFP	-	150,352
CRO	-	-
ACT	-	11,000
LGF	-	4,000
	<u>-</u>	<u>165,352</u>
 <u>Other Receivables</u>		
LDRP	2,836	-
WFP	134,801	-
CRO	715	-
Arab Bank	-	108
Cairo Amman Bank	20,927	13,257
Jawwal Co.	227	227
Vendors	570	-
	<u>160,076</u>	<u>13,592</u>
 Total Accounts Receivable - Exhibit (A)	<u><u>160,076</u></u>	<u><u>178,944</u></u>

6. Advances and Prepaid Expenses

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Prepaid Rent	7,172	2,000
Travel Advances	-	630
Others	674	-
	<u>7,846</u>	<u>2,630</u>
 Total Advances and Prepaid Expenses - Exhibit (A)	<u><u>7,846</u></u>	<u><u>2,630</u></u>

7. Security Deposits

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Arab Bank Guaranty	28	28
Jerusalem Office (Telecommunication)	145	145
	<u>173</u>	<u>173</u>
 Total Security Deposits - Exhibit (A)	<u><u>173</u></u>	<u><u>173</u></u>

8. Inter - Company Accounts Payable

This account of (USD 1,263) represents amounts paid by CHF International - HQ that belongs to CHF RYADA.

9. Accounts Payable

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Islamic Development Bank - IDB Fund	200,000	200,000
Payroll Tax	8,393	19,734
Other Payables	32,247	46,892
Total Accounts Payable - Exhibit (A)	<u>240,640</u>	<u>266,626</u>

10. Long - Term Loan

This loan presents the loan granted by Cooperative Housing Foundation - CHF International to CHF RYADA - Palestine of (USD 500,000) for expanding CHF RYADA lending Program according to the Loan Agreement dated October 30, 2008.

The annual interest rate is (4.5%) payable on a semi-annual basis and the principle repayment period is two years and nine months beginning September 12, 2008.

11. Provision for Litigation and Claims

This item is represented by case no. (304/2004) according to CHF legal advisor confirmation. This case belongs to one of CHF International - Palestine ex employee for work accident on January 14, 2004. The amount claimed is USD 157,226 and the case is still pending.

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Provisions for Case No. 304/2004	157,226	157,226
Total - Exhibit (A)	<u>157,226</u>	<u>157,226</u>

12. Revenues and Support

	HO Cc 24005/1	Gaza Cc 24005/2	Ramallah Cc 24005/3	Nablus Cc 24005/4	Tulkarem Cc 24005/5	Hebron Cc 24005/6	September 30,	
							2008	2007
Interest Income	26,044	-	-	-	-	-	26,044	2,983
Commission Income	-	6,277	16,829	24,963	21,673	34,867	104,609	42,080
Interest Income on Loans (Note 12.1)	496,356	274,344	137,136	88,106	93,235	111,558	1,200,735	361,348
Interest Income on Late Loans	-	31,111	14,438	12,142	15,000	13,383	86,074	-
Other Income (Note 12.2)	6,846	127	1,768	415	340	906	10,402	25,654
Total - Exhibit (B)	529,246	311,859	170,171	125,626	130,248	160,714	1,427,864	432,065

12.1 Interest Income on Loans

	September 30,	
	2008	2007
Arab Bank	154,092	143,246
Cairo Amman Bank	589,649	207,523
Bank of Palestine	353,810	7,307
Egyptian Arab Land Bank	29,828	2,219
Housing Bank	73,356	742
Gaza Municipality	-	311
Total Interest Income on Loans - Exhibit (B)	<u>1,200,735</u>	<u>361,348</u>

12.2 Other Income

The majority of this item is represented by the income generated from the contract between the Arab Bank and CHF RYADA – Palestine for technical engineering services provided by CHF RYADA for site visits and preparation of technical reports.

	September 30,	
	2008	2007
Technical Engineering Services	10,342	25,654
Difference in Currency Translation	60	88
Total Other Income - Exhibit (B)	<u>10,402</u>	<u>25,742</u>

13. Operating Expenses

	HILP Cc 24005	SMART Cc 24023	September 30,	
			2008	2007
International Travel	11,417	-	11,417	5,909
Local Travel Field	20,597	2,782	23,379	9,026
Per Diem (Lodging & M&IE)	16,411	9,687	26,098	30,272
Housing and Utilities Allowance	4,239	-	4,239	2,659
Education Allowance	6,656	-	6,656	1,780
Local Consultants	-	1,700	1,700	11,154
Field Legal Fees	904	-	904	1,400
Field Audit Expense	3,500	-	3,500	3,123
Advertising Expense	2,897	-	2,897	2,183
Vehicles Operation Expenses	25,322	-	25,322	22,649
Bank Charges and Fees	10,997	-	10,997	10,731
Conference & Registrations	362	-	362	307
Dues and Memberships	2,038	-	2,038	512
Equipment Rental	-	-	-	1,152
Furniture and Fixtures	-	-	-	23,693
Insurance Expenses	8,325	-	8,325	7,301
Local Salaries and Fringe	420,093	2,195	422,288	393,683
Office Operating Expenses	5,836	-	5,836	4,827
Participant Training and Workshop	350	1,380	1,730	5,010
Postage, Delivery and Courier	952	-	952	839
Printing and Photocopying	9,508	-	9,508	5,227
Rent and Utilities - Office	32,839	-	32,839	34,341
Repairs and Maintenance	3,163	-	3,163	5,932
Representation Expenses	1,196	823	2,019	2,593
Staff Development and Training	225	-	225	598
Supplies	20,580	-	20,580	47,946
Telecommunication	33,376	-	33,376	21,065
Temporary Help	12,700	-	12,700	7,849
Software Purchase and Support	150	-	150	11
V.A.T Expense	7,249	-	7,249	9,261
Foreign Exchange Loss	105	-	105	42
Other Materials	6,391	-	6,391	-
Telecommunication - PEOPLED	-	-	-	(16,044)
Unallowable Expenses - PEOPLED	-	-	-	16,044
Total Operating Expenses	* 668,378	18,567	686,945	673,075

* Note (13.1)

13.1 Operating Expenses - HILP "Cc 24005"

	<u>September 30,</u>						
	<u>Gaza</u> <u>Cc 24005/2</u>	<u>Ramallah</u> <u>Cc 24005/3</u>	<u>Nablus</u> <u>Cc 24005/4</u>	<u>Tulkarem</u> <u>Cc 24005/5</u>	<u>Hebron</u> <u>Cc 24005/6</u>	<u>2008</u>	<u>2007</u>
International Travel	1,686	2,394	2,314	2,152	2,871	11,417	3,839
Local Travel Field	3,841	4,682	3,967	4,188	3,919	20,597	5,342
Per Diem (Lodging & M&IE)	1,845	3,465	3,496	3,674	3,931	16,411	11,822
Housing and Utilities Allowance	696	845	992	789	917	4,239	2,659
Education Allowance	982	1,381	1,647	1,260	1,386	6,656	1,780
Local Consultants	-	-	-	-	-	-	54
Field Legal Fees	78	140	139	156	391	904	1,400
Field Audit Expense	543	700	902	635	720	3,500	3,123
Advertising Expense	485	622	638	552	600	2,897	2,183
Vehicles Operation Expenses	4,891	6,869	2,761	6,024	4,777	25,322	22,649
Bank Charges and Fees	1,826	2,299	2,203	1,969	2,700	10,997	10,731
Conference & Registrations	-	-	96	122	144	362	307
Dues and Memberships	226	483	457	429	443	2,038	512
Equipment Rental	-	-	-	-	-	-	1,152
Furniture and Fixtures	-	-	-	-	-	-	23,693
Insurance Expenses	2,377	1,448	1,441	1,431	1,628	8,325	7,301
Local Salaries and Fringe	133,775	66,628	69,297	66,878	83,515	420,093	293,406
Office Operating Expenses	1,461	1,359	850	1,174	992	5,836	4,827
Participant Training and Workshop	-	150	100	100	-	350	-
Postage, Delivery and Courier	204	188	177	167	216	952	839
Printing and Photocopying	2,444	2,438	1,886	1,210	1,530	9,508	5,227
Rent and Utilities - Office	8,102	8,950	6,025	3,761	6,001	32,839	34,341
Repairs and Maintenance	912	336	738	533	644	3,163	5,932
Representation Expenses	198	381	204	158	255	1,196	2,462
Staff Development and Training	-	-	-	111	114	225	598
Supplies	2,588	5,609	5,401	2,876	4,106	20,580	47,946

13.1 Operating Expenses - HILP "Cc 24005"/Continued

	<u>Gaza</u> <u>Cc 24005/2</u>	<u>Ramallah</u> <u>Cc 24005/3</u>	<u>Nablus</u> <u>Cc 24005/4</u>	<u>Tulkarem</u> <u>Cc 24005/5</u>	<u>Hebron</u> <u>Cc 24005/6</u>	<u>September 30,</u>	
						<u>2008</u>	<u>2007</u>
Telecommunication	5,970	7,941	6,527	6,035	6,903	33,376	21,065
Temporary Help	1,709	2,685	3,127	2,557	2,622	12,700	7,049
Software Purchase and Support	23	30	39	27	31	150	11
V.A.T Expense	563	2,424	1,307	1,427	1,528	7,249	8,016
Foreign Exchange Loss	16	16	15	35	23	105	42
Other Materials	1,161	1,257	1,467	1,184	1,322	6,391	-
Total - HILP (Cc 24005)	<u>178,602</u>	<u>125,720</u>	<u>118,213</u>	<u>111,614</u>	<u>134,229</u>	<u>668,378</u>	<u>530,308</u>

14. Bad Debt Expenses

The bad debit expense balance on September 30, 2008 is credited in the amount of (USD 2,290,485) because of recovery/collection of previous written off bad loans with amount of (USD 1,421,046) and to the improvement in the loan portfolio for 2008. The said improvement leads to reducing of the provision of the bad loans with amount of (USD 869,439).

	September 30, 2008						September 30, 2007	
	HO Cc 24005/1	Gaza Cc 24005/2	Ramallah Cc 24005/3	Nablus Cc 24005/4	Tulkarem Cc 24005/5	Hebron Cc 24005/6		Total
<u>Reduction in Provision</u>								
Arab Bank	(114,440)	-	-	-	-	-	(114,440)	360,374
Cairo Amman Bank	(490,345)	46,652	26,672	3,704	10,484	16,574	(386,259)	378,664
Bank of Palestine	(572,832)	150,469	39,296	21,214	36,536	22,956	(302,361)	457,089
Egy. Arab Land Bank	(52,240)	20,292	-	-	-	-	(31,948)	(27,123)
Housing Bank	(74,098)	4,451	6,771	10,206	-	4,312	(48,358)	99,891
Gaza Municipality	13,927	-	-	-	-	-	13,927	19,416
	(1,290,028)	221,864	72,739	35,124	47,020	43,842	(869,439)	1,288,311
<u>Bad Loans Recovered</u>								
Arab Bank	(543,078)	-	-	-	-	-	(543,078)	-
Cairo Amman Bank	(521,409)	(26,211)	(2,214)	-	-	(1,056)	(550,890)	(38,391)
Bank of Palestine	(112,653)	(79,197)	(3,026)	(7,261)	(5,258)	(18,667)	(226,062)	(34,243)
Egy. Arab Land Bank	(21,780)	(8,016)	-	-	-	(4,310)	(34,106)	(3,407)
Housing Bank	(32,001)	(26,095)	-	(3,194)	-	(5,620)	(66,910)	(7,148)
	(1,230,921)	(139,519)	(5,240)	(10,455)	(5,258)	(29,653)	(1,421,046)	(83,189)
	(2,520,949)	82,345	67,499	24,669	41,762	14,189	(2,290,485)	1,205,122

15. Comparative Figures

Certain balances as of September 30, 2007 were reclassified to confirm with the current year presentation.