

# **IPKO Foundation**

**Financial Statements as at and for the year ended 31**

**December 2010**

**(with independent auditor's report thereon)**

# IPKO Foundation

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## Independent Auditors' Report

To the shareholders and management of  
Ipko Foundation

Pristina, 5 April 2011

### Report on the Financial Statements

We have audited the accompanying financial statements of Ipko Foundation ("the Fund"), which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *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, 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.

#### *Auditors' 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 about 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 our 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, we consider 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 give a true and fair view of the financial position of the Fund as at 31 December 2010, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

~~KPMG~~ Albania Shpk Kosovo Branch

KPMG Albania Sh.p.k, - Kosovo Branch  
14, Sulejman Vokshi Street  
Pristina  
Kosovo

# IPKO Foundation

## Statement of comprehensive income for the year ended 31 December 2010

(in thousands of EUR)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Personnel expenses	6	(12)	(13)
Depreciation	8	(1)	(1)
Other operating expenses	7	(135)	(128)
<b>Deficit from operations</b>		<b>(148)</b>	<b>(142)</b>
Interest income	4	204	158
<b>Surplus for the year</b>		<b>56</b>	<b>16</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>56</b>	<b>16</b>

*The notes on pages 5 to 15 are an integral part of these financial statements.*

The financial statements set out on pages 1 to 15 have been approved by management of IPKO Foundation on 5 April 2011 and signed on its behalf by:



Arbresha Tuhina  
Head of Finance and Administration

# IPKO Foundation

## Statement of financial position as at 31 December 2010

(in thousands of EUR)

	Note	31 December 2010	31 December 2009
<b>Assets</b>			
Equipment	8	1	2
Time deposits	10	3,000	3,000
<b>Total non - current assets</b>		<b>3,001</b>	<b>3,002</b>
Prepayments	13	-	11
Interest accrued (up to 3 months)	5	52	-
Cash at bank	9	49	40
<b>Total current assets</b>		<b>101</b>	<b>51</b>
<b>Total assets</b>		<b>3,102</b>	<b>3,053</b>
<b>Equity</b>			
Accumulated surplus		3,044	3,028
Surplus for the period		56	16
<b>Total equity</b>		<b>3,100</b>	<b>3,044</b>
<b>Liabilities</b>			
Security deposit	11	1	7
Trade and other payables	12	1	2
<b>Total current liabilities</b>		<b>2</b>	<b>9</b>
<b>Total equity and liabilities</b>		<b>3,102</b>	<b>3,053</b>

*The notes on pages 5 to 15 are an integral part of these financial statements.*

# IPKO Foundation

## Statement of changes in equity

*(in thousands of EUR)*

	<b>Accumulated surplus</b>	<b>Total</b>
<b>Balance at 1 January 2009</b>	<b>3,028</b>	<b>3,028</b>
<b>Total comprehensive income for the period</b>		
Profit	16	16
Other comprehensive income	-	-
Total comprehensive income for the period	16	16
<b>Balance at 31 December 2009</b>	<b>3,044</b>	<b>3,044</b>
<b>Balance at 1 January 2010</b>	<b>3,044</b>	<b>3,044</b>
Profit	56	56
Other comprehensive income	-	-
Total comprehensive income for the year	56	56
<b>Balance at 31 December 2010</b>	<b>3,100</b>	<b>3,100</b>

*The notes on pages 5 to 15 are an integral part of these financial statements.*

# IPKO Foundation

## Statement of cash flows for the year ended 31 December 2010

(in thousands of EUR)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
<b>Cash flows from operating activities</b>			
Profit for the period		56	16
Adjustments:			
Depreciation	8	1	-
Interest income		(204)	(158)
		<u>(147)</u>	<u>(71)</u>
Change in term deposits up to 3 months	10	-	(2,000)
Change in prepayments	13	11	(11)
Change in interest accrued	5	(52)	11
Change in liabilities	11,12	(7)	(5)
		<u>(195)</u>	<u>(2,147)</u>
Interest received		204	158
<b>Net cash (used in)/from operating activities</b>		<u>9</u>	<u>(1,989)</u>
Net increase in cash and cash equivalents		9	(1,989)
Cash and cash equivalents at 1 January	9	40	2,029
<b>Cash and cash equivalents at 31 December</b>	9	<u>49</u>	<u>40</u>

*The notes on pages 5 to 15 are an integral part of these financial statements.*



# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 1. Reporting entity

IPKO Foundation (the “Fund” or “Foundation”) is a successor of IPKO Institute and is a not-for-profit organization established on 15 February 2000 in accordance with the United Nations Interim Administration in Kosova (UNMIK) Regulation No. 1999/22.

The Fund was founded to help provide the tools, knowledge and environment required for Kosova to participate in the global information society. The Fund provided internet services (“ISP”) through its associate IPKO Net (“ the Associate”) to a number of non-government organizations free of charge.

On 3 April 2008, the General Assembly of IPKO Institute amended the Fund’s mission and purpose from a free internet service provider to an institution to provide scholarships to qualifying students in Kosovo.

On 20 June 2008 the General Assembly of IPKO Institute unanimously decided to amend the name of the Institute to IPKO Foundation. This change in name was made to better reflect the change in mission of the Foundation and it did not encompass a change in the legal structure, as the Foundation remains a not-for-profit membership Foundation.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

The financial statements are presented in Euro (“EUR”), the functional currency within Kosovo. All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 3. Significant accounting policies (continued)

#### (a) Foreign currency transaction (continued)

the period. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (if any) or a financial liability designated as a hedge of the net investment in a foreign operation.

#### (b) Financial instruments

##### *(i) Non derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, deposits, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Normal purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Fund commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Fund's obligations specified in the contract expire or are discharged or cancelled.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and current bank accounts. Bank overdrafts that are repayable on demand and form an integral part of the Fund's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### *Trade and other payables*

Trade and other payables are stated at their fair value and subsequently at their amortized cost.

##### *(i) Non derivative financial instruments*

##### *Other*

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Accounting for finance income and expense is disclosed in note 3.f. (ii).

#### (c) Equipment

##### *(i) Recognition and measurement*

Equipment are stated at cost less accumulated depreciation and impairment, if any (refer note 3.d.(ii)).

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 3. Significant accounting policies (continued)

#### (c) Property and equipment (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining the operating result for the period.

##### *(ii) Subsequent cost*

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item when it is probable that the future economic benefits embodied with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

##### *(iii) Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of equipment.

The estimated useful lives for the current and comparative periods are as follows:

- IT equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### (d) Impairment

##### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 3. Significant accounting policies (continued)

#### (d) Impairment

##### *(ii) Non-financial assets*

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (e) Revenue recognition

Grants, if any, are recognized in the statement of financial position initially as deferred revenue when there is reasonable assurance that they will be received and that the Fund will comply with the conditions attached to them. Grants that compensate the Fund for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Fund for the cost of an asset are recognized in the profit or loss as revenue on a systematic basis over the useful life of the asset.

#### (f) Expenses

##### *(i) Operating lease payments*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

##### *(ii) Net financing income*

Net financing income comprises interest receivable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 3. Significant accounting policies (continued)

#### (f) Expenses

exchange gains and losses. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

#### (g) Employee benefits

##### (i) *Compulsory social security contributions*

The Fund makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Assembly of Kosovo is responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Fund's contributions to the benefit pension plan are charged to profit or loss as incurred.

##### (ii) *Paid annual leave*

The Fund recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange of the employee's service for the period completed.

#### (h) Income tax

As a not-for-profit Foundation, IPKO Foundation is exempt from income taxes. A non-governmental organisation registered in Kosovo may apply for public benefit status and exemption from income tax. The Fund received such status in December 2001.

Additionally, in accordance with the provisions of regulation number 2001/11 of UNMIK, all imports, inflows within the Former Republic of Yugoslavia (or "FRY") or supplies funded from the proceeds of the grants made to UNMIK or the Administrative Departments of the Joint Interim Administration Structure by governments, government agencies, governmental or non-governmental foundations in support of humanitarian and reconstruction programs and projects in Kosovo are exempt from VAT. The activities of the Fund are exempt from VAT.

#### (i) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. None of these are expected to have an effect on the financial statements of the Fund.

#### (j) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### 4. Interest Income

For the year ended 31 December 2010 interest income was EUR 204 thousand, whereas in 2009 it was EUR 158 thousand. Interest income is generated from two time deposits of EUR 1,500 thousand each, both bearing an interest rate of 6.8% p.a and both maturing on 1 July 2014. Interest income is received every six months on 30 June and 31 December.

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

*(Amounts in thousands of EUR, unless otherwise stated)*

### 5. Interest accrued

The fund has EUR 52 thousand in accrued interest as at 31 December 2010 (2009: nil).

### 6. Personnel expenses

At 31 December 2010 the Fund has 2 employees (2009:2). The personnel expenses consist of salaries, wages and bonuses. Personnel expenses at 31 December 2010 are EUR 12 thousand (2009: 13 thousand).

### 7. Other operating expenses

	<b>31 December 2010</b>	<b>31 December 2009</b>
Scholarships	94	58
Advisory, legal and audit fees	31	24
Travel and entertainment	5	5
Marketing and advertising	1	31
Other	4	10
<b>Total</b>	<b>135</b>	<b>128</b>

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

### 8. Equipment

Equipment consisted of the following:

	IT equipment
<hr/>	
<b>Cost</b>	
<b>At 1 January 2009</b>	<b>6</b>
Addition	-
Disposal	-
<b>At 31 December 2009</b>	<b>6</b>
<b>At 1 January 2010</b>	<b>6</b>
Addition	-
Disposal	-
<b>At 31 December 2010</b>	<b>6</b>
<hr/>	
<b>Accumulated depreciation</b>	
<b>At 1 January 2009</b>	<b>(3)</b>
Depreciation charge	(1)
Disposals	-
<b>At 31 December 2009</b>	<b>(4)</b>
<b>At 1 January 2010</b>	<b>(4)</b>
Depreciation charge	(1)
Disposals	-
<b>At 31 December 2010</b>	<b>(5)</b>
<hr/>	
<b>Net book Value</b>	
<b>1 January 2009</b>	<b>3</b>
<b>31 December 2009</b>	<b>2</b>
<b>31 December 2010</b>	<b>1</b>
<hr/>	

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

### 9. Cash and cash equivalents

The balance of cash and cash equivalent at the end of year 2010 is EUR 49 thousand (2009: EUR 40 thousand). The Fund keeps cash and cash equivalent at two local banks: Pro Credit Bank and Nova Lublanska Banka. Also, the Fund keeps petty cash up to EUR 300 for small expenses.

### 10. Term deposit (with maturity greater than 3 months)

IPKO Foundation has two term deposits of EUR 1,500 thousand each, one with Procredit Bank and the other with Nova Lublanska Banka. Both term deposits bear a fixed interest rate of 6.8% p.a. and mature on 1 July 2014.

### 11. Security deposit

At 31 December 2010, security deposits are EUR 1 thousand (2009: EUR 7 thousand). Security deposits are made up of amounts of EUR 500 each paid by certain students to the Foundation in return for the Foundation securing their student loans obtained from ProCredit Bank in 2003, 2004 and 2005. The loans were obtained by these students in relation to attending certain Information Technology trainings. The security deposit amounts are returned to each student upon repayment of the full loan amount to Procredit Bank. The maximum exposure to the Fund in the event of default on the loan by any of the students at any time is the balance remaining in the fund as at the date of default. There have been no defaults to date.

### 12. Trade and other payables

At 31 December 2010 trade and other payables are EUR 1 thousand (2009: EUR 2 thousand). Trade and other payables at 31 December 2009 consist of income tax for December 2009 and other smaller accrued expenses for December.

### 13. Prepayments

At 31 December 2010 the Fund has no prepayments (2009: EUR 11 thousand).

### 14. Financial instruments

#### *Credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Fund does not require collateral in respect of financial assets.

At the reporting date the exposure to credit risk is represented by cash and time deposits. No impairment is provided for these exposures, as management does not believe that it will incur any losses. Cash and term deposits are kept in banks within Kosovo.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.



# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

### 14. Financial instruments (continued)

#### *Interest rate risk*

In managing interest rate risk the Fund aims to reduce the impact of short-term fluctuations on the Fund's earnings over the longer-term. The Fund places the majority of its funds in long term deposits with fixed interest rates, to minimize the impact of interest rate changes.

#### *Foreign exchange risk*

The Fund is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the euro. The currency giving rise to this risk is primarily the U.S. Dollar. In respect of other monetary assets and liabilities held in currencies other than the Euro, in case they arise, the Fund ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. As at 31 December 2010 and 2009 the Foundation did not have any assets and liabilities held in currencies other than the Euro.

#### *Liquidity risk*

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements:

<i>31 December 2010:</i>	<b>Carrying Amounts</b>	<b>6 Months or less</b>	<b>6-12 months</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<i>Financial assets</i>					
Time deposits	3,000			3,000	
Interest accrued	52	52	-	-	-
Cash on hand and at banks	49	49	-	-	-
	<b>3,101</b>	<b>101</b>	-	<b>3,000</b>	-
<i>Financial liabilities</i>					
Accounts payable	(2)	(2)	-	-	-
Income tax payable	-	-	-	-	-
	<b>(2)</b>	<b>(2)</b>	-	-	-
<b>Liquidity risk at 31 December 2010</b>	<b>3,099</b>	<b>99</b>	-	<b>3,000</b>	-
<i>31 December 2009:</i>					
	<b>Carrying Amounts</b>	<b>6 Months or less</b>	<b>6-12 months</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<i>Financial assets</i>					
Time deposits	3,000	-	-	3,000	
Interest accrued	-	-	-	-	-
Cash on hand and at banks	40	40	-	-	-
	<b>3,040</b>	<b>40</b>	-	<b>3,000</b>	-
<i>Financial liabilities</i>					
Accounts payable	(3)	(3)	-	-	-
Income tax payable	-	-	-	-	-
	<b>(3)</b>	<b>(3)</b>	-	-	-
<b>Liquidity risk at 31 December 2010</b>	<b>3,037</b>	<b>37</b>	-	<b>3,000</b>	-

# IPKO Foundation

## Notes to the financial statements for the year ended at 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

### 14. Financial instruments (continued)

#### *Management of liquidity risk*

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation.

Typically, the Fund ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

#### *Sensitivity analysis*

In managing interest rate and currency risks the Foundation aims to reduce the impact of short-term fluctuations on the Foundation's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. At 31 December 2010 and 31 December 2009, it is estimated that a change in the value of the Euro against other foreign currencies would not impact the Fund's fund balance due to negligible foreign currency amounts being held. It is also estimated that a change in interest rates would not affect profit or loss due to a lack of variable rate instruments being discounted at fair value.

#### *Fair values*

In general, the Fund's financial instruments have an estimated fair value approximately equal to their book value due to either their short-term nature or underlying interest rates, which approximate market rates.

#### *Trade payables*

All payables have a remaining life of less than one year and the notional amount is deemed to reflect the fair value.

#### *Capital management*

The Fund policy is to maintain stability of capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Fund monitors the return on capital, which the Fund defines as net operating income divided by total fund balance - equity.

There were no changes in the Fund's approach to capital management during the year.

The Fund is not subject to externally imposed capital requirements.

# **IPKO Foundation**

## **Notes to the financial statements for the year ended at 31 December 2010**

*(Amounts in thousands of EUR, unless otherwise stated)*

### **15. Commitments and contingencies**

#### *Commitments*

At 31 December 2010 and 31 December 2009, the Fund did not have any commitments.

#### *(i) Other*

The Fund is involved in routine legal proceedings in the ordinary course of business. It is management's opinion that the final outcome of these lawsuits will not have a material effect on the Fund's results.

### **16. Accounting estimates and judgments**

Management discusses in their regular meetings the development, selection and disclosure of the Fund's critical accounting policies and estimates and the application of these policies and estimates.

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **17. Subsequent events**

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.