IPKO Foundation (formerly IPKO Institute)

Financial Statements as at 31 December 2009

(with independent auditor's report thereon)

IPKO Foundation

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Independent Auditors' Report

To the Board of Directors of
IPKO Foundation

We have audited the accompanying financial statements of IPKO Foundation ("the Foundation") which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The corresponding figures presented are based on the financial statements of the Foundation as at and for the year ended 31 December 2008, which were audited by another auditor, whose report dated 24 August 2009 expressed an unqualified opinion

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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Shpk Kosovo Branch

KPMG Albania Sh.p.k. Kosovo Branch
Pristina
29 April 2010

IPKO Foundation

Statement of comprehensive income

(in thousands of EUR)

	Note	31 December 2009	Restated 31 December 2008
Revenue	5	-	36
Personnel expenses	6	(13)	(44)
Depreciation	8	(1)	(1)
Other operating expenses	7	(128)	(63)
Deficit from operations		**(142)**	**(72)**
Interest income	4	158	101
Profit for the year		**16**	**29**

The notes on pages 5 to 20 are an integral part of these financial statements.

These financial statements set out on pages 1 to 20 have been approved by the management of IPKO Foundation on 28 April 2009 and signed on its behalf by:

Bujar Musa
Chairman of Board of Directors

Arbresha Tuhina
Head of Finance and Administration

IPKO Foundation

Statement of financial position

(in thousands of EUR)

	Note	31 December 2009	Restated 31 December 2008	31 December 2007
Assets				
Property and equipment	8	2	3	4
Term deposits	10	3,000	1,000	1,000
Interest receivable (3-6 months)	10	-	11	22
Total non - current assets		**3,002**	**1,014**	**1,026**
Prepayments	13	11	-	-
Term deposits up to 3 months	9	-	2,000	2,000
Cash at bank	9	40	28	23
Total current assets		**51**	**2,028**	**2,023**
Total assets		**3,053**	**3,042**	**3,049**
Equity				
Accumulated surplus		**3,028**	**2,999**	**3,064**
Profit for the period		16	29	(65)
Total equity		**3,044**	**3,028**	**2,999**
Liabilities				
Security deposit	11	7	11	45
Trade and other payables	12	2	3	5
Total current liabilities		**9**	**14**	**50**
Total equity and liabilities		**3,053**	**3,042**	**3,049**

The notes on pages 5 to 20 are an integral part of these financial statements.

IPKO Foundation

Statement of changes in equity

(in thousands of EUR)

	Accumulated surplus	Total
Balance at 1 January 2008	**2,999**	**2,999**
Total comprehensive income for the period		
Profit or loss	29	29
Other comprehensive income	-	-
Total comprehensive income for the period	29	29
Balance at 31 December 2008	**3,028**	**3,028**
Balance at 1 January 2009	**3,028**	**3,028**
Profit or loss	16	16
Other comprehensive income	-	-
Total comprehensive income for the period	16	16
Balance at 31 December 2009	**3,044**	**3,044**

The notes on pages 5 to 20 are an integral part of these financial statements.

IPKO Foundation

Statement of cash flows

(in thousands of EUR)

	Note	31 December 2009	31 December 2008 Restated
Cash flows from operating activities			
Profit for the period		16	29
Adjustments:			
Depreciation	8	-	1
Interest income		(158)	(101)
		(142)	(71)
Change in term deposits up to 3 months	10	(2,000)	-
Change in prepayments		(11)	11
Change in interest accrued		11	-
Change in trade and other payables		(5)	(35)
		(2,147)	(95)
Interest received		158	101
Net cash (used in)/from operating activities		**(1,989)**	**6**
Net (decrease)/increase in cash and cash equivalents		(1,989)	6
Cash and cash equivalents at 1 January		2,029	2,023
Cash and cash equivalents at 31 December	9	**40**	**2,029**

The notes on pages 5 to 20 are an integral part of these financial statements.

1. Reporting entity

IPKO Foundation (the "Fund" or "Foundation") is a successor of IPKO Institute and is a not-for-profit organization established on February 15, 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.

(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.

3. Significant accounting policies

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

(a) 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 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.

3. Significant accounting policies

(b) Financial instruments (continued)

(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) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment, if any (refer note *3.d(.ii)*).

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 property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of property and 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 property and 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 property and 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 property and 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.

3. Significant accounting policies (continued)

(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 other comprehensive income.

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.

(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.

3. Significant accounting policies (continued)

(e) Revenue recognition

(i) Grants 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 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 Fuoundation 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.

3. Significant accounting policies (continued)

(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 2009, and have not been applied in preparing these financial statements:

- Revised IFRS 2 *Share-based Payment* - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). This revised Standard requires that an entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets to recognise the goods or services received in its financial statements. Previously group cash-settled share-based payment transactions were not addressed directly in IFRS 2. The Fund does not expect such transactions to happen.

- Revised IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:

  - All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
  - Subsequent change in contingent consideration will be recognized in profit or loss.
  - Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
  - The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The revised IFRS 3 is not relevant to the Fund's operations.

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013, early adoption is permitted) This Standard replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

  - Financial assets will be classified into one of two categories on initial recognition:

  - Financial assets measured at amortized cost or financial assets measured at fair value.

  A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

3. Significant accounting policies (continued)

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

IFRS 9 *Financial Instruments (continued)*

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. The Fund is in the process of determining the impact of this standard on its operations.

- Revised IAS 24 *Related Party Disclosure* (effective for annual periods beginning on or after 1 January 2011) The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

  The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. The amendments to IAS 24 are not relevant to the Fund's operations.

- Revised IAS 27, *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The revisions made to the standard are not expected to impact the Fund operations.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual period beginning on or after 1 February 2010) The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. IAS 32 is not relevant to the Fund's operations.

- Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009). The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Fund's operations as the Fund does not apply hedge accounting.

3. Significant accounting policies (continued)

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

- IAS 17, *Leases* (effective for annual periods beginning on or after 1 January 2010). IAS 17 is amended to delete paragraph 14, which stated that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the residual value of the leased asset is considered negligible. The amendment is not expected to be relevant to the Fund's operations.

- Amendment to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual period beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendment is not expected to be relevant to the Fund's operations.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective prospectively for annual periods beginning on or after 15 July 2009). The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. The amendment is not expected to be relevant to the Fund's operations.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are *consideration paid* in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The amendment is not expected to be relevant to the Fund's operations.

3. Significant accounting policies (continued)

(j) Corresponding figures

Certain corresponding figures have been restated as discussed in note 20, otherwise certain corresponding figures have been reclassified in order to conform to the current year's basis of presentation.

(k) Correction of prior years errors

(i) Errors totalling EUR 11 thousand have arisen in respect of interest receivable and interest income in the financial statements for the year ended 31 December 2008. The errors were corrected retrospectively, and comparative figures have been restated. Refer to note 10 for further details of the correction.

(ii) Errors totalling EUR 1 thousand have arisen in respect of depreciation expense for the year ended 31 December 2008. The errors were corrected retrospectively, and comparative figures have been restated. Refer to note 8 for further details of the correction.

The correction of these two errors resulted in an increase in profit for the year ended 31 December 2008 by EUR 10 thousand.

(l) 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 2009 interest income was EUR 158 thousand, whereas in 2008 it was EUR 101 thousand. Interest income is generated from two time deposits of EUR 1,500 thousand each, both bearing an interest of 6.8% p.a and both maturing on 1 July 2014. Interest income is received every six months on June 30 and December 31. The Fund has restated its 2008 balance for interest income by an amount of EUR 11 thousand.

5. Revenues

The Fund did not receive any grants during 2009. Grant revenue in 2008 was EUR 36 thousand.

6. Personnel expenses

At 31 December 2009 the Foundation had 2 employees (2008: 2 employees). Personnel expenses consist of salaries and bonuses.

(Amounts in thousands of EUR, unless otherwise stated)

7. Other operating expenses

	31 December 2009	31 December 2008
Scholarships	58	-
Advisory, legal and audit fees	24	12
Donations	-	1
Travel and entertainment	5	6
Occupancy costs	-	9
Tax on deposit interest	6	17
Interest expense	-	1
Marketing and advertising	31	1
Insurance fees and bank charges	-	1
Telephone, postage and shipping	-	4
Lost/broken assets/furniture	-	1
Other	4	10
Total	**128**	**63**

(Amounts in thousands of EUR, unless otherwise stated)

8. Property and equipment

Property and equipment consisted of the following:

	IT equipment
Cost	
At 1 January 2008	**6**
Addition	-
Disposal	-
At 31 December 2008	**6**
At 1 January 2009	**6**
Addition	-
Disposal	-
At 31 December 2009	**6**
Accumulated depreciation	
At 1 January 2008	**(2)**
Depreciation charge	(1)
Disposals	-
At 31 December 2008	**(3)**
At 1 January 2009	**(3)**
Depreciation charge	(1)
Disposals	
At 31 December 2009	**(4)**
Net book Value	
1 January 2008	4
31 December 2008	**3**
31 December 2009	**2**

The Fund has restated its 2008 balance for depreciation expense by an amount of EUR 1 thousand.

(Amounts in thousands of EUR, unless otherwise stated)

9. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash at bank	40	28
Term deposits (up to 3 months)	-	2,000
Cash and cash equivalents in the statement of cash flows	**40**	**2,028**

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

IPKO Foundation has two term deposits of 1,500 each one with Procredit Bank and the other one with Nova Lublanska Banka. Both these term deposits bear a fixed interest rate of 6.8% p.a. and mature in 5 years on 1 July 2014.

	31 December 2009	31 December 2008
Term deposit	3,000	1,000
Accrued interest (more than 3 months)	-	11
Term deposits	**3,000**	**1,011**

11. Security deposit

At 31 December 2009, security deposits are EUR 7 thousand [2008: EUR 11 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 2009 trade and other payables are EUR 2 thousand [2008: EUR 3 thousand]. Trade and other payables at 31 December 2009 consist of income tax for December 2009 and accrued expenses for consulting services for the months of November and December 2009.

13. Prepayments

At 31 December 2009 prepayments are EUR 11 thousand [2008: nil]. Prepayments consist of one payment made in December 2009 for consulting services to be received in 2010.

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.

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 2009 and 2008 the Foundation did not have any assets and liabilities held in currencies other than the Euro.

14. Financial instruments (continued)

Liquidity risk

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

31 December 2009

In thousands of EUR	***Carrying amount***	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	2	(2)	(2)	-	-	-	-
	2	**(2)**	**(2)**	-	-	-	-

31 December 2008

In thousands of EUR	***Carrying amount***	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	3	(3)	(3)	-	-	-	-
	3	**(3)**	**(3)**	-	-	-	-

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.

14. Financial Instruments (continued)

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 2009 and 31 December 2008, 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.

15. Commitments and contingencies

Commitments

At 31 December 2009 and 31 December 2008, the Fund did not have any commitments.

Litigation and claims

(i) Dispute with tax authorities

The Fund was subject to an audit by the Kosovo tax authorities on Value Added Tax and Corporate Income Taxes for the period starting 1 January 2002 up to 31 December 2006 which was performed during January 2007. During the inspection period, the tax authorities verbally communicated that IPKO Fund might lose its Public Beneficiary Status because the tuition fee applied on the services provided were higher than other similar institutions or organisations operating in Kosovo or in the region. As at the date of release of these financial statements, the Fund has not received any official Tax Reassessment Notification.

The Fund's management will consider appealing any possible tax reassessment claiming that such findings are not reasonably supported in accordance with UNMIK regulations. No provision for tax risk has been recognized in the accompanying financial statements as the Fund's management is considering undertaking all legal steps to annul the potential assessed amounts. At the date of the release of these financial statements, there is no reliable preliminary assessment on any findings or penalties, which might impact the future cash flows necessary to settle the obligation, and no reliable estimate of the amount of the obligation can currently be made.

(ii) 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.