IPKO Foundation

Independent Auditor's Report and Financial Statements as at and for the year ended 31 December 2014

Contents

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of " IPKO Foundation"

We have audited the accompanying financial statements of "IPKO Foundation" (the "Organization") which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and 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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Other Matters

The financial statements of the Organization as of and for the year ended December 31, 2013 were audited by another auditor whose report dated February 24, 2014 expressed an unqualified opinion for those financial statements.

Deloitte Kosova sh.p.k.

Deloitte Kosova Shpk

Prishtinë, Kosovë
March 16, 2015

IPKO Foundation

Statement profit or loss and other comprehensive income

for the year ended December 31, 2014

(Amounts expressed in EUR)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Interest income	4	102,569	204,713
Income from donations	6	47,080	35,319
Other Income		300	-
Total Income		**149,949**	**240,031**
Other operating expenses	8	(170,665)	(186,577)
Personnel expenses	7	(64,256)	(65,440)
Interest expense		(517)	(365)
Deficit from operations		**(235,438)**	**(252,382)**
Deficit for the year		**(85,489)**	**(12,350)**
Other comprehensive income/expense		-	-
Total comprehensive expense		**(85,489)**	**(12,350)**

Authorized for issue by management and signed on its behalf on March 16, 2015:

Abetare Gojani
Executive Director

Arbresha Tuhina
Head of Finance and Administration

The accompanying notes from 9 to 20 form an integral part of these financial statements

IPKO Foundation

Statement of financial position as at December 31, 2014

(Amounts expressed in EUR)

	Notes	As at December 31, 2014	As at December 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	10	2,982,407	704
Investments in time deposits	11	-	3,000,000
Prepayments		-	920
Interest accrued	5	-	103,552
TOTAL		**2,982,407**	**3,105,176**
EQUITY AND LIABILITIES			
Shareholders' equity			
Accumulated surplus		3,067,082	3,079,432
Deficit for the year		(85,489)	(12,350)
		2,981,593	**3,067,082**
Current liabilities			
Trade and other payables	12	814	4,278
Bank overdraft	13	-	33,815
		814	**38,093**
TOTAL EQUITY AND LIABILITIES		**2,982,407**	**3,105,176**

The accompanying notes from 9 to 20 form an integral part of these financial statements

IPKO Foundation

Statement of changes in equity as at December 31, 2014

(Amounts expressed in EUR)

	Accumulated surplus	Total
Balance at 1 January 2013	**3,079,432**	**3,079,432**
Deficit	(12,350)	(12,350)
Other comprehensive income/expense	-	-
Total comprehensive expense	(12,350)	(12,350)
Balance at 31 December 2013	**3,067,082**	**3,067,082**
Deficit	(85,489)	(85, 489)
Other comprehensive income/expense	-	-
Total comprehensive expense	(85, 489)	(85,489)
Balance at 31 December 2014	**2,981,593**	**2,981,593**

The accompanying notes from 9 to 20 form an integral part of these financial statements

IPKO Foundation
Statement of cash flows for the year ended December 31, 2014
(Amounts expressed in EUR)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities			
Deficit for the period		(85,489)	(12,350)
Adjustment for:			
Depreciation		-	-
Interest Income	4	(102,569)	(204,713)
		(188,058)	**(217,063)**
Working capital changes:			
Increase /(Decrease) in prepayments		920	(920)
Increase /(Decrease) in Interest Accrued	5	103,552	-
Increase in liabilities	12	(3,465)	3,246
Interest received	4	102,569	204,713
Net cash generated from/(used in) operating activities		**15,518**	**(10,024)**
Net cash used in investing activities		**-**	**-**
Cash flows from investing activities			
Changes in time deposit		3,000,000	-
Proceeds from bank overdraft	13	(33,815)	6,020
Net cash from financing activities		**2,966,185**	**6,020**
Net increase in cash and cash equivalents		**2,981,703**	**(4,004)**
Cash and cash equivalents at beginning of the year	10	704	4,707
Cash and cash equivalents at the end of the year	10	**2,982,407**	**704**

The accompanying notes from 9 to 20 form an integral part of these financial statements

1. GENERAL INFORMATION

IPKO Foundation (the "Organization" 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 Organization was founded to help provide the tools, knowledge and environment required for Kosovo to participate in the global information society. The Organization 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 Organization'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.

At 31 December 2014 the Organization has 6 regular employees (2013: 6 regular employees).

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** – Investment Entities(effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted (continued)

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Organization has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Organization anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Organization in the period of initial application.

(Amounts expressed in EUR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Statement of compliance*

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

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

3.3 Currency of presentation

The reporting currency of the Organization is the Euro, which is the legal currency in the territory of Kosova since January 1, 2002.

3.4 Foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.5 Property, plant and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property, plant and 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 costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

iii. Depreciation

Annual depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of equipment.
For additions depreciation is charged subsequent to the month of purchase while for disposals up to the month of disposal.

Depreciation rates, based on estimated useful lives for the current and comparative periods are as follows:

	As at 31 December 2014	*As at 31 December 2014*
IT equipment	20%	20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term highly liquid investments with maturities of three months or less when purchased and are subject to an insignificant risk of changes in value.

3.7 Trade and other receivables

Trade receivables are stated at their nominal cost less allowance for doubtful debts.

3.8 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.9 Government Grants

Government grants are not recognized until there is reasonable assurance that the Organization will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Organization recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.10 Impairment

Non financial assets
The carrying amounts of the Organization's assets, with the exception of inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In respect of property, plant and equipment, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (continued)

Non financial assets (continued)

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, if no impairment loss had been recognized

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect 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 asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.11 Interest

Interest income and expense are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the profit or loss include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

3.12 Employee benefits

The Company makes no provision for and has no obligation for employee pensions in excess of the contributions paid into the Kosova Pension Savings Trust.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Contingencies and provisions

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

A provision is recognized if the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying eco nomic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

3.14 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.

3.15 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.

3.16 Critical accounting judgments and key sources of estimation uncertainty

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 key estimate used by the Foundation is the depreciation charge for equipment (note 9 and note 3 (c)).

(Amounts expressed in EUR)

4. Interest Income

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income from PCB	51,988	102,713
Interest income from NLB- Prishtina	50,581	102,000
Total	**102,569**	**204,714**

Interest income is generated from two time deposits of EUR 1,500,000 each, both with 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.

5. Interest accrued

The fund has EUR 0 of accrued interest as at 31 December 2014 (2013: EUR 103,552.19).

6. Income from donations

	Year ended December 31, 2014	Year ended December 31, 2013
Income from Norwegian Foreign Ministry	25,096	-
Income from USAID	11,824	-
Income from Local and International NGO's	8,060	-
Income from Municipality's	2,100	-
British Council Kosovo	-	28,500
Dokukino and Tech Soup	-	6,819
Total	**47,080**	**35,319**

7. Personnel expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Gross salaries	61,196	62,324
Pension contribution	3,060	3,116
Total	**64,256**	**65,440**

(Amounts expressed in EUR)

8. Other operating expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Advisory, legal and audit fees	39,035	45,165
Travel and entertainment	32,704	12,942
Scholarships	27,895	39,332
Marketing and advertising	12,620	18,964
Rent expenses	12,605	11,293
Sponsorship	11,618	30,975
Representation	11,182	10,277
Printing materials	7,243	4,129
Office supply	5,199	3,190
Staff Costs	4,165	1,485
Telecommunication Expenses	2,005	2,090
Utilities	1,992	2,053
Other	1,256	2,428
Maintenance	870	149
Purchase of small equipment	276	2,115
Total	**170,665**	**186,587**

9. Equipment

IPKO Foundation does not have any equipment registered in its assets.

10. Cash and cash equivalents

	Year ended December 31, 2014	Year ended December 31, 2013
Cash at banks	2,982,366	687
Cash on hand	41	17
Total	**2,982,407**	**704**

11. Investment in time deposits

During the year 2013 IPKO Foundation had term deposits of EUR 1,500,000 each, one with ProCredit Bank and the other with Nova Ljubljanska Banka which are matured in 1 July 2014. At the end of December 31, 2014 the term deposits are converted in cash.

(Amounts expressed in EUR)

12. Trade and other payables

	Year ended December 31, 2014	Year ended December 31, 2013
Trade and other payables	814	4,278
Total	**814**	**4,278**

13. Bank overdraft

The Foundation had an overdraft with NLB Bank in 2013 but ended during the 2014, and the outstanding balance at 31 December 2014 of EUR 0 (31 December 2013: 33,815.19).

14. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

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

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 Organization'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 Organization 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.

(Amounts expressed in EUR)

14. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK (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 2014 and 31 December 2013, a change in the value of the Euro against other foreign currencies would not impact the Organization's Organization balance due to no 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.

Capital management

The Organization 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 Organization monitors the return on capital, which the Organization defines as net operating income divided by total Organization balance - equity.

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

The Organization is not subject to externally imposed capital requirements.

15. RELATED PARTY TRANSACTIONS

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent.

The total compensation paid to the Organization's board member are:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Consulting Fee	36,798	33,982
Traveling expenses	5,635	1,659
Accommodation	1,087	923
Total	**43,520**	**36,564**

16. COMMITMENT AND CONTIGENCIES

Commitment

At 31 December 2014 and 31 December 2013, the Organization did not have any commitments.

Contingencies

The Organization 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 Organization's results. There were no changes in policies from previous year and management considers there to be no critical areas of judgment.

17. SUBSEQUENT EVENTS

There are no subsequent events that would require either adjustments or additional disclosures in the financial statements.