

Financial statements and Independent Auditors' Report

Kosovo Association of Information and Communication Technology

31 December 2009 and 2010

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Management Responsibility

The accompanying financial statements as of and for the period from 08 November 2008 until 31 December 2010 of Kosovo Association of Information and Communication Technology STIKK (further referred to as “the NGO” or “STIKK”) on pages 14 to21 are the responsibility of, and have been approved by the Management of the Organization.

The accompanying financial statements have been prepared by the NGO’s Management for the purpose of reporting to the Kosovo government.

Management, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains an internal control structure, including the appropriate control environment, accounting systems and control procedures. Management believes the internal controls provide assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The internal control process also includes management’s communication to employees of policies, which govern ethical business conduct.

Audit AB, Independent Auditors, have been engaged to audit these financial statements in accordance with International Standards on Auditing. Their report is included on pages 4 and 13.

Independent auditors' report

Management of the Kosovo Association of Information and Communication Technology STIKK

We have audited the accompanying financial statements of Kosovo Association of Information and Communication Technology STIKK (further referred to as "the NGO" or "Organization") which comprise of the Balance sheet as at 31 December 2009 and Balance sheet as of 31 December 2010, and the Income Statement, and a summary of significant accounting policies and other explanatory notes, included on pages 14-21.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies disclosed in Note 2. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the 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 of the Organization present fairly, in all material respects, its financial position as of 31 December 2009 and 31 December 2010 in accordance the accounting policies disclosed in Note 2.

Aferdita Çarkaxhiu

Audit AB,

Prishtina,

12 August 2011

Kosovo Association of Information and Communication Technology STIKK

Balance Sheet as at December 31, 2009

		At 31 December	
	Notes	2009	2008
Assets			
Cash and cash equivalents	3	9,804	2,400
Grant receivables			
Equipment		-	
Other assets		-	
Total assets		9,804	2,400
Non current assets			
Vehicles and equipments		0	
		0	
Total assets		9,804	2,400
Liabilities			
Short term liabilities			
Accounts payable		2,383	
Deferred revenue from grants			
Total liabilities		2,383	
Funds			
Retained earnings		2,400	
Surplus of the year		5,021	2,400
Total funds		7,421	2,400
Total Funds & Liabilities		9,804	2,400

Kosovo Association of Information and Communication Technology STIKK

Statement of Operations for the year ended December 31, 2009

		As at December 31st, 2009	
	Notes	2009	2008
Grants			
GTZ			2,400
Grants from Crimson Finance Fund	6	31,149.00	
Grants from Booz Allen Hamilton/Kosovo Private Agency	6	11,408.31	
Grants from Investment Promotion Agency Kosovo	6		
STIKK - Shoqata per Teknologji te Informacionit dhe te Komunikimit te Kosoves	6		
Other	6	930	
Total grants		43,487	2,400
Expenses			
Program expenses	7	(38,466)	0
Depritation expenses		0	
Total expenses		(38,467)	0
Surplus of the year		5,021	2,400

Kosovo Association of Information and Communication Technology STIKK

Statement of Cash Flow for the year ended December 31, 2009

		As at December 31st, 2009	
	Notes	2009	2008
Operating activities			
Cash received - -		-	
Total cash received		-	
Cash paid			
Purchasing miscellaneous things	7		
Rent&utilities	7	(4,213)	
Promotion activities	7	(1,132)	
Marketing expenses	7	(3,764)	
Travel expenses	7	(1,922)	
Communication	7	(369)	
Salaries local staff	7	(17,741)	
Pension salaries	7	(934)	
Accounting expenses	7	(1,600)	
Bank charges	7	(64)	
Consultant's fee	7	(4,455)	
Other	7	(2,272)	
Liabilities from previous years			
Total payments		(36,083)	
Cash flow from operating activities		(36,083)	
Investing activities			
Purchase of property plant and		0	
Cash flow from investing activities		0	
Financing activities			
Grants received	6	43,487	
Cash flow from financing activities		43,487	
Net cash flow during the year	3	7,404	
Cash at the beginning of the year	3	2,400	
Cash at the end of the year	3	9,804	

Kosovo Association of Information and Communication Technology STIKK

Statement of Changes in Funds for the year ended December 31, 2009

	2009	2008
Funds at the beginning of the		
year	2,400	0
Surplus for the year		2,400
Surplus used during the year	5,021	0
Funds at the end of the year	7,421	2,400

Kosovo Association of Information and Communication Technology STIKK

Balance Sheet as at December 31, 2010

		At 31 December	
	Notes	2010	2009
Assets			
Cash and cash equivalents	3	6,674	9,804
Grant receivables			
Equipment		-	-
Other assets		-	-
Total assets		6,674	9,804
Non current assets			
Vehicles and equipments	5	5,440	0
		5,440	0
Total assets		12,114	9,804
Liabilities			
Short term liabilities			
Accounts payable		387	2,383
Deferred revenue from grants			
Total liabilities		387	2,383
Funds			
Retained earnings		7,421	2,400
Surplus of the year		4,302	5,021
Total funds		11,727	7,421
Total Funds & Liabilities		12,114	9,804

Kosovo Association of Information and Communication Technology STIKK

Statement of Operations for the year ended December 31, 2010

		As at December 31st, 2009	
	Notes	2010	2009
Revenues			
Grants from Crimson Finance Fund	6	29,452.00	31,149.00
Grants from Booz Allen Hamilton/Kosovo Private Agency	6	29,737.60	11,408.31
Grants from Investment Promotion Agency Kosovo	6	7,050.00	
STIKK - Kosovo Association of Information and Communication Technology	6	14,073.06	
Other	6	3,706.90	930
Total grants		<u>84,020</u>	<u>43,487</u>
Expenses			
Program expenses	8	(78,354)	(38,466)
Depritation expenses	5	(1,360)	0
Total expenses		<u>(79,714)</u>	<u>(38,467)</u>
Surplus of the year		<u>4,305</u>	<u>5,021</u>

Kosovo Association of Information and Communication Technology STIKK

Statement of Cash Flow for the year ended December 31, 2010

		As at December 31st, 2010	
	Notes	2010	2009
Operating activities			
Cash received -		-	-
Total cash received		-	-
Cash paid			
Purchasing miscellaneous things	8		
Rent&utilities	8	(5,791)	(4,213)
Promotion activities	8	(898)	(1,132)
Marketing expenses	8	(7,414)	(3,764)
Travel expenses	8	(8,166)	(1,922)
Communication	8	(1,794)	(369)
Salaries local staff	8	(24,891)	(17,741)
Pension salaries	8	(1,310)	(934)
Accounting expenses	8	(2,400)	(1,600)
Bank charges	8	(162)	(64)
Consultant's fee	8	(10,095)	(4,455)
Other	8	(12,867)	(2,272)
Liabilities from previous years	8	(1,996)	
	8		
Total payments		(83,534)	(36,083)
Cash flow from operating activities		(83,534)	(36,083)
Investing activities			
Purchase of property plant and	5	(3,106)	0
Cash flow from investing activities		(3,106)	0
Financing activities			
Grants received	6	84,020	43,487
Cash flow from financing activities		84,020	43,487
Net cash flow during the year	3	(3,106)	7,404
Cash at the beginning of the year	3	9,804	2,400
Cash at the end of the year	3	6,699	9,804

Kosovo Association of Information and Communication Technology STIKK

Statement of Changes in Funds for the year ended December 31, 2010

	2010	2009
Funds at the beginning of the year	7,421	2,400
Surplus for the year		
Surplus used during the year	4,305	5,021
Funds at the end of the year	11,726	7,421

Notes to the financial statements

1 General information

Kosovo Association of Information and Communication Technology- STIKK founded and registered as NGO, according to the Law for free association No. 03 / L-134 , on 08 November 2008 with registration Number 5112067-1 and has the fiscal number 600086814 taken on 05 November 2009.

The founders of the Association are: - Enver Doko – Comtrade Computers

- Driton Hapciu –CACTUS

- Visar Dobroshti- IPKO Telekomunication Ilc

- Durmishali Smani – Elting Electronics

- Enver Konjuhi – Data Com

- Valon Budima -Pronet

STIKK is founded to:

- promote the joint and convergent interests of the the businesses of information and communication technologies in Kosove , and the professional individuals.
- to help in long growth of the businesses of information and communication technologies in Kosove
- to upgrade the environment of the businesses of information and communication technologies in Kosove
- to promote the contribution of the information and communication technologies in economic progress and growth in Kosove
- intends to be part of the development and implementation of the policies in Kosove by helping the Government and Kosovo institutions in understanding the trend of actual and future teknologies and to see how the tecnologies can contribute to the economic growth of Kosove.

The governing bodies of the NGO are: Assembly of NGO, Board of Directors and Executive Director. Assembly is the highest body of the NGO that is gathered once per year. Board has the regular meetings every three months. The board decides about the policies and activities of the STIKK.

On 31 December 2010, NGO had 4 employees.

Assets, revenues and the profit of the organization will be used to support the organizations non profitable targets and activities, no asset, revenue or profit will be used to create special individual benefits

2 Basis of preparation and significant accounting policies

Significant accounting policies

Statement of compliance

The accompanying financial statements have been prepared for the purpose of reporting to the management of the Organization on the activities related to funds received for the completion of the Organization's objectives.

Basis of Preparation

The financial statements are presented in Euro. They have been prepared in accordance with the historical cost convention. The accounting policies have been consistently applied, and except where otherwise indicated, are consistent with those adopted for the previous financial year.

The reporting period of the Organization is twelve months ending 31 December of each year. Financial statements are prepared on a comparative basis reflecting balances for the current year and previous year.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and cash deposited with local banks.

Property, plant and equipment

Items included in this category represent vehicles, office supply and IT equipment and are recognized as assets when it is probable that:

- the future economic benefits associated with the asset will flow to the entity; and the cost of the asset can be measured reliably.

They are initially recorded at cost. Cost includes all costs necessary to bring the asset to working condition for its intended use.

The Organization carries the assets at cost less accumulated depreciation and impairment losses, if any. Depreciation of assets is recorded annually using the Straight Line method and taking into consideration their estimated useful life.

The following rates are applied:

- Vehicles - 20 %
- Other equipment – 20 %

An item of property, plant and equipment is removed from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal

- Grants

Grants are recognized only when there is reasonable assurance that:

- The Organization will comply with the conditions attaching to them, and
- The grants will be received.

Operating grants are recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grants earmarked for asset acquisitions are deferred and recognized as income over the useful life of the underlying asset.

- Accounts payable

Accounts payable are recognized when the amount is determinable and the obligation to settle the amount exists as a result of the Organization's operations. They are stated at cost.

- Expense

Expenses are recognized as incurred.

- Foreign currency

Foreign currency transactions are translated using the exchange rate valid on the date of the transaction. Any gains and losses arising on settlement of amounts payable or receivable are recognized in the statement of operations.

At the end of a period, outstanding foreign currency monetary items are reported using the exchange rate valid on the last day of the period. Any resulting gains or losses are recognized in the statement of operations.

- Tax on profit

The Organization is exempt from tax on profit.

- Revenues & Expenses

During the current period, the Organization received grants to sustain its operations and to finance the costs of the Projects. The grants are provided on the basis of specific projects and/or budgets submitted to and approved by the donors.

3 Cash and cash equivalents

At 31 December 2010

Current account with local banks

Pro – Credit Bank, Prishtina	6,255
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Cash and cash equivalents at bank	6,255
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Cash and cash equivalents at cash box

Cash box in Prishtina	444
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Emergency deposit	444
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Cash and cash equivalents at cash box	6,699
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4 Cash and cash equivalents

At 31 December 2009

Current account with local banks

Pro – Credit Bank, Prishtina 9,237

Cash and cash equivalents at bank 9,237

Cash and cash equivalents at cash box

Cash box in Prishtina 567

Emergency deposit **567**

Cash and cash equivalents at cash box 9,804

5 Equipments

On 31 December 2010 the NGO list contains all equipment that are in use for operating activities. Table below shows the movements in cost and the accumulated depreciation .

	Vehicles	Equipments	Total
Cost			
On 1 January, 2010	0	0	0
Purchases during the year	0	6,799	6,799
Sales / disposals			
On 31 December, 2010	0	6,799	6,799
Accumulated depreciation			
On 1 January, 2010	0	0	0
Depreciation of the year	0	1,360	1,360
Adjustments related to sales / disposals			
On 31 December, 2010	0	1,360	1,360
Net book value			
On 1 January, 2010	0	0	0
On 31 December, 2010	0	5,440	5,440

6 Contributions, gifts and grants

<u>NGO STIKK</u>	2008	2009	2010
<u>GTZ</u>	2,400.00		
<u>KPEP- Kosovo Private Enterprise/</u>			
<u>BAH- Booz Allen Hamilton</u>		11,408.31	29,737.60
<u>Crimson Finance Fund</u>		31,149.00	29,452.00
<u>IPAK-Investment Promotion Agency Kosovo</u>			7,050.00
<u>Other</u>		930.00	3,706.90
<u>STIKK- Kosovo Association of Information and Communication Technology</u>			14,073
Total	2,400.00	43,487.31	84,020

7 Program Expenses

Expenses 2009	Amount EUR
Salaries	18,675.15
Equipment	-
Rent & utilities	4,213.00
Communication	368.59
Marketing	3,764.24
Accounting expenses	1,600.00
Promotion activities	1,132.00
Consultant's fees	4,454.70
Bank charges	64.00
Other	2,272.17
Travel expenses	1,922.15
Total expenses	38,466.00

8 Program Expenses

Expenses 2010	Amount EUR
Salaries	26,201.17
Equipment	9,342.10
Rent & utilities	5,791.00
Communication	1,793.61
Marketing	7,413.65
Accounting expenses	2,400.00
Promotion activities	898.19
Consultant's fees	10,095.00
Bank charges	161.50
Other	12,866.68
Travel expenses	8,166.47
Total expenses	85,129.37

Audit AB

Auditing, Accounting, Consulting