

(Translation from Swedish into English)

Financial Statements

for

Qandil

(Organization ID no. 802401-6845)

Financial year

2009

The Board of Qandil hereby submits Financial Statements for the financial year 2009

Management report

Operation

Qandil is an independent Swedish non-profit association that conducts development assistance operations in northern Iraq, primarily in Kurdistan (KRG), focusing mainly on humanitarian assistance and development and rehabilitation programs. Qandil has six member organizations linked to Kurdish organizations in Sweden. The annual membership fee is symbolic, USD 14 per organization. Qandil does not conduct, and has not previously conducted, fundraising activities under its own auspices or under the auspices of another party to finance its operation during its almost 20-year history.

Qandil consequently has limited equity, and the operation is and has from the start been dependent on grants from Sida for various humanitarian measures, which have recently been supplemented by various assignments, primarily from UNHCR, IOM and other international organizations. Grants were also paid from DANIDA in 2009.

Assignments for UNHCR in 2009 cover three regions, i.e. the northern, southern and central parts of KRG. Qandil's operation has been to provide support for refugees, asylum seekers and internal refugees within Iraq by implementing projects to support infrastructure and social activities in line with UNHCR's priorities through:

- Direct humanitarian support for refugees, internal refugees and returning asylum seekers with a special focus on rehabilitating emergency housing and improving living conditions.
- Maintaining existing basic service functions (such as access to water, the sanitary situation, health and education) at an acceptable level.
- Aid to maintain functions of vital importance for refugees.

The volume of assignments for UNHCR (United Nations High Commission for Refugees) amounted to approximately USD 6.2m in 2009.

The development project for Sida relates to aid for the water project in Erbil. This project, which started in the fall of 2008, comprises four sub-components:

- Developing a business plan for the Water Directorate in Erbil.
- A strategy for planning operations and maintenance.
- Developing and improving the water supply in Kwestan, a district of Erbil.
- Information for the population.

The volume of assignments for the Sida project amounted to approximately USD 2.6m in 2009

The Danida Project, which came to an end at the turn of the year 2009/2010, relates to 'Assistance for communities looking after internal refugees in northern Iraq, Kurdistan'. This aid amounted to approximately USD 1.1m in 2009.

Various projects were also carried out for IOM (Internal Organization for Migration) during the financial year. These projects turned over approximately USD 0.4m.

Qandil has also been a sub-consultant for SWECO for a project for the Ministry of Health in Iraq with the aim of achieving improvements regarding environmental issues and waste management.

Grant applications submitted to Sida in 2009 for continuing humanitarian aid activities, quality control for laboratories, treating burn injuries and town planning have been rejected.

Qandil's locally employed staff at KRG reduced by just over 40 people during the financial year. Qandil's office at KRG is managed by a Country Director who is posted abroad. At the Headquarters in Sweden, a new Secretary General was hired after the former Secretary General left in May 2009. The finance function and project administration have undergone several staff changes during the financial year.

In late 2009, banking relationships were established in Iraq which made it significantly easier to transfer funds between the Headquarters and the Field Office.

Conditions of employment for locally employed staff have been revised and now also include, among other things, remuneration related to the length of time that staff have been employed and '13th month pay' according to the board's instructions.

The Headquarters moved from Uppsala to Stockholm on 1 December 2009 pursuant to a former resolution of the board.

Events after the end of the financial year

Sweden's new strategy for development cooperation with Iraq makes it clear that, among other things, humanitarian aid for KRG and infrastructure projects are no longer being considered. Instead, investments are being made to develop capacity within other sectors, e.g. developing democracy, human rights and strengthening trade and developing industry. Qandil's core operation is thus not directly included in the new strategy, for which reason a number of other routes are continuously being considered to ensure that operations can continue in Iraq. UNHCR is now the main client when aid from Sida can no longer be counted on to the extent it was previously. Qandil has carefully analyzed the situation and, besides trying to obtain grants from Sida for various project applications, is now giving priority to ensuring its presence in Iraq by considering other ways of bringing its expertise to bear in various assignments. Both national and international organizations (UNICEF, UNDP, etc.) are being contacted on an ongoing basis to refill the volume of assignments.

Qandil is now working to enhance the capacity of the Field Office in Erbil within the areas of finance and administration. Qandil's Field Office is currently housed in suitable office space, which is well adapted to Qandil's needs for its operation in KRG. The tenancy agreement for the Field Office has been extended up until the end of April 2011. The Honorary Consulate of Sweden, which was inaugurated in March 2010, contributes a certain amount to cover rental costs. In order to make additional contributions to cover Qandil's rental costs, ongoing activities are underway to acquire new tenants. Work is ongoing within the association to reduce costs in Sweden and KRG.

Most of the funding for the Country Director posted abroad comes from the Sida project, which comes to an end on 31 May 2010. Owing to this lack of funding, the contract for the Country Director will consequently terminate at the end of June 2010. The intention is to locally employ a new Country Director.

Allocation of the association's outcome	Amount in USD
The Board of Directors proposes that the available funds be dealt with as follows:	-65 494
Profit for the year	1 662
Total	-63 832

and be allocated as follows:
to be carried forward into new account -63 832

The association's outcome and financial position in other respects are shown in the following income statement and balance sheet with supplementary disclosures.

Qandil
(Organization ID no. 802401-6845)

3(9)

Income statement (USD)	Note	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008
Grants	1	9 809 480	8 993 965
Project costs	1,2	-9 188 957	-8 408 004
Administrative expenses	2,3	-353 367	-413 094
Transfer to administrative expenses reserve	2,3	-265 588	-171 819
Results of operations		1 568	1 048
Profit/loss from financial investments			
Interest expense and similar profit/loss items		0	-44
Exchange rate differences		94	-152
Profit after financial items		1 662	852
Net profit for the year		1 662	852

Balance sheet (USD)	Note	31 Dec 2009	31 Dec 2008
Assets			
Non-current assets			
<u>Property, plant and equipment</u>			
Equipment		2 073	3 278
Total non-current assets	4,5	2 073	3 278
Current assets			
<u>Current receivables</u>			
Aid for reports for providers of grants		11 279 273	5 225 068
Other receivables		620	345
Prepaid expenses and accrued income	6	9 102	24 005
		11 288 995	5 249 418
Cash and bank balances		1 741 014	3 080 554
Total current assets		13 030 009	8 329 972
Total assets		13 032 082	8 333 250
Equity and liabilities			
Equity			
<u>Capital brought forward</u>			
Accumulated loss		-65 494	-61 784
Profit for the year		1 662	852
		-63 832	-60 932
Total equity	7	-63 832	-60 932
Current liabilities			
Liability, Sida		2 806 570	1 462 642
Liability, UNHCR		6 618 429	3 614 883
Liability, Danida		2 519 458	2 294 566
Liability to other grant organisations		0	4 916
Other liabilities		168 881	162 184
Accrued expenses and deferred income	8	982 576	854 990
		13 095 914	8 394 181
Total equity and liabilities		13 032 082	8 333 249
Pledged assets		None	None
Contingent liabilities		None	None

Qandil
(Organization ID no. 802401-6845)

5(9)

Cash flow statement (USD)

1 Jan 2009 1 Jan 2008
- 31 Dec 2009 - 31 Dec 2008

Operating activities

Profit after financial items	1 662	852
Adjustments for non-cash items	1 450	1 573

**Cash flow from operating activities
before working capital changes**

3 112 2 425

Cash flow from working capital changes

Increase(-)/Decrease(+) in operating receivables	-5 646 553	1 071 531
Increase(+)/Decrease(-) in operating liabilities	4 073 260	1 199 597

Cash flow from operating activities

-1 570 181 2 273 553

Cash flow for the year

-1 570 181 2 273 553

**Cash and cash equivalents at the beginning
of the year**

3 311 195 807 001

**Cash and cash equivalents at the end
of the year**

1 741 014 3 311 195

Supplementary disclosure

Accounting principles

These annual accounts have been prepared in accordance with the Annual Accounts Act and the general advice of the Swedish Accounting Standards Board.

These principles are unchanged compared with the previous year.

These receivables are recorded at the amounts expected to be received.

Receivables and liabilities in foreign currency have been translated at closing day rates.

Other assets and liabilities have been recorded at the cost of acquisition, unless otherwise stated.

Income and expenses have been allocated to a particular period in accordance with generally accepted accounting principles.

Notes in USD

1 Grants and project costs

	2009	2008
Grants, Sida	2 583 061	669 729
Grants, UNHCR	6 267 687	3 630 018
Grants, Danida	1 125 525	1 068 776
Grants, IOM	405 965	2 265 204
Grants, other	16 423	905
	10 398 661	7 634 632
Project costs, Sida	-2 392 191	-570 519
Project costs, UNHCR	-5 860 728	-3 411 235
Project costs, Danida	-1 071 445	-1 019 975
Project costs, IOM	-400 127	-2 135 504
Project costs, other	-16 376	0
	-9 740 867	-7 137 233

2 Employees and personnel costs

Average number of employees in Sweden

Men	1	0
Women	1	2

Pay, remuneration and payroll overhead

Pay and other remuneration to the board	18 360	26 218
Pay and other remuneration to other employees	158 851	101 129
Pension expenses for other employees	9 457	9 798
Other payroll overhead	49 804	33 381
	236 472	170 526

The payroll expenses above refer to personnel and the board in Sweden. Pay for personnel posted in Iraq amounted to USD 95,308 (USD 111,091); this cost has been charged to project costs.

In addition, 81 (72 men and 9 women) domestic personnel and 3 (1 man and 2 women) international personnel in Iraq worked within various projects.

3 Depreciation

Equipment in Northern Iraq shall be carried as a direct expense.
Equipment in Sweden is scheduled over the expected useful life considering the material residual value. The following depreciation rate has been applied:

Property, plant and equipment
Equipment and tools 20%

4 Equipment

	31 Dec 2009	31 Dec 2009
Accumulated acquisition value		
Acquisition value, opening balance	29 108	27 080
Purchases	0	0
Disposals	0	0
Accumulated acquisition value, closing balance	29 108	27 080
Accumulated scheduled depreciation		
Scheduled depreciation, closing balance	-25 585	-22 231
Scheduled depreciation for the year	-1 450	-1 572
Disposals	0	0
Accumulated scheduled depreciation, closing balance	-27 035	-23 803
Scheduled residual value, closing balance	2 073	3 277

5 Equipment in Northern Iraq

Equipment in Northern Iraq shall be carried as a direct expense.

Acquisition value, opening balance	319 559	297 300
Purchases during the year	0	0
Items carried as a direct expense, opening balance	-319 559	-297 300
Items carried as a direct expense	0	0
	0	0

6 Prepaid expenses and accrued income

IDA	347	323
Rent	3 328	17 169
Insurance	4 023	6 513
Other	1 404	0
	9 102	24 005

Qandil
(Organization ID no. 802401-6845)

8(9)

7 Equity

	31 Dec 2009	31 Dec 2008
Opening balance	-65 494	-61 784
Profit for the year	1 662	852
	-63 832	-60 932

8 Accrued expenses and deferred income

Accrued holiday pay	5 112	6 017
Accrued payroll overhead	1 381	1 734
Accrued Staff Benefits, Iraq	149 536	0
Accrued installation costs	17 724	16 489
Accrued pension and payroll tax	5 152	286
Accrued accounting and audit expenses	13 865	12 899
Accrued expenses, Sweco	138 061	118 533
Accrued expenses, Global Reporting	21 827	0
Other accrued expenses	5 545	3 225
Reservation, operating grant	624 374	695 807
	982 577	854 990

Change in reservation, operating grant

Opening balance	747 902	645 770
Operating grant and bank charges	633 802	432 924
Cost of administration and bank charges	-426 442	-382 887
Exchange rate differences in ongoing projects	-266 115	0
Staff Benefits Iraq according to agreement	-149 536	0
Reversal, concluded projects	84 763	0
Closing balance	624 374	695 807

Stockholm, 1 June 2010

Marianne Andersson
Chair

Nils G Rosenberg

Gösta Persson

Lage Elgstrand

Lisbet Olofsdotter-Arvidsson

Birger Carl Forsberg

Conny Fredriksson

Auditor's endorsement

Our audit report was submitted on 1 June 2010.

Mattias Eklöf
Approved Public Accountant
KPMG

Rolf Karlsson
Auditor

Date: 17 September 2010
Certified correct translation
James Hurst, jur.kand.
Authorised Public Translator (Sweden)
English Law Translations
(tel. +46 (0)18 380056 - www.elt.se)