# Annual Accounts of Byggðastofnun

Icelandic Regional Development Institute

2009

## Contents

# Signatures and Report of the Board of Directors of the Icelandic Regional Development Institute

The annual accounts are prepared in accordance with the Annual Accounts Act and rules on the financial statements of credit institutions. The annual accounts are made according to the same accounting principles as the previous year.

The Institute is mainly in the business of providing loans or other financial support in order to, among other things, improve living conditions in individual communities and prevent unwanted demographic changes or that viable inhabited areas become deserted.

According to the profit and loss statement the Institute was operated with a loss of ISK 3,015 million in the past year. According to the balance sheet, equity capital amounted to ISK 1,130 million at year-end.

The equity ratio, as defined by the Act on Credit Institutions, is 4.92%.

At the end of the year the equity ratio was 4.92% as stated above. The Act on Financial Undertakings states that equity shall be at least 8% of the credit risk and the Institute does therefore not fulfil this provision at the end of 2009. In response to this the parliament passed an authorisation in the 2010 budget to provide the Institute with an equity contribution of ISK 1,000 million to meet the statutory limits on equity ratio.

By signing below, the Board of Directors, CEO and Director of Finance hereby confirm the Regional Development Institute's annual accounts for 2009.

*Reykjavik; 30 April 2010*

*Anna Kristín Gunnarsdóttir*
*Chairman*

*Arndís Soffía Sigurðardóttir*
*Bjarni Jónsson*
*Herdís Á. Sæmundardóttir*

*Ásmundur Sverrir Pálsson*
*Drífa Hjartardóttir*
*Kristján Þór Júlíusson*

*Aðalsteinn Þorsteinsson*
*Director*

*Magnús Helgason*
*Director of finance*

# Independent Auditors' Report

**To the Board of Directors and Chief Executive Officer of the Icelandic Regional Development Institute**

On behalf of the National Audit Office, we have audited the accompanying 2009 annual accounts of the Icelandic Regional Development Institute. The annual accounts contain the signatures and report of the Board of Directors, a profit and loss account, balance sheet, statement of cash flow, information on important accounting methods, and other explanations.

**Directors' responsibility for the annual accounts**

The Directors are responsible for the annual accounts being prepared and presented according to the Annual Accounts Act. The Directors shall, accordingly, organise, adopt and maintain internal controls over the preparation and presentation of the annual accounts, such that they will generally be free of significant defects, whether through fraud or mistakes. Directors' responsibility also extends to the use of accounting and valuation methods appropriate for the circumstances.

**Auditors' responsibility**

Our responsibility involves the opinion we give of the annual account, as based on our audit. Our audit was carried out in accordance with international auditing standards. According to these standards, we must observe ethical rules and organise and perform the audit in a manner that provides sufficient certainty that the annual accounts have no substantial shortcomings.

The audit entails measures to confirm amounts and notes in the annual accounts. The selection of auditing procedures was based on the auditor's professional assessment, for instance of the risk of substantial shortcomings in the annual accounts, whether due to fraud or mistakes. This risk assessment took into consideration the Institute's internal control over the preparation and presentation of the annual accounts, in order to plan appropriate auditing measures rather than to give an opinion on the effectiveness of the Institute's internal control. Moreover, the audit includes an assessment of the accounting methods and methods of valuation used by the Directors in compiling the annual accounts as well as an assessment of their overall presentation.

We believe that during our audit, we have obtained sufficient and appropriate data to base our opinion on.

**Opinion**

In our opinion, the annual accounts provide a true and fair view of the performance of the Icelandic Regional Development Institute during 2009, its financial position as of 31 December 2009, and the changes in its liquid assets during 2009, in accordance with the Annual Accounts Act.

**Comment**

Without qualifying the accounts we would like to draw attention to Note 16, concerning the ability of the Institute as a going concern after having to make large provisions for loan losses. The Institute has, cf. Note 14, been allocated funds intended to secure that it meets minimum equity ratio requirements and also to remove any uncertainty as to its ability to continue as a going concern.

*Reykjavik; 30 April 2010*

*Árni Snæbjörnsson*
*Public certified Accountant*
*Ernst & Young hf.*
*Borgartúni 30, IS-105 Reykjavik*

# Income statement for the year 2009

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | ISK 000s | ISK 000s |
| **Interest income** | | | |
| Interest from bankdeposits and securities | | 293.633 | 77.212 |
| Interest on loans | | 1.685.689 | 1.894.991 |
| | | **1.979.323** | **1.972.204** |
| **Interest expenses** | | | |
| Interest on borrowings | | 1.292.804 | 1.511.513 |
| Other interest expense | | 1.914 | 1.070 |
| | | 1.294.718 | 1.512.583 |
| *Net interest income* | | **684.604** | **459.621** |
| **Other income** | | | |
| Regular budget allocation | | 385.200 | 386.300 |
| Other budget allocation | 5 | 46.535 | 118.858 |
| Foreign exchange diffirences | | 41.188 | 711.082 |
| Other income | | 36.333 | 14.211 |
| | | 509.256 | 1.230.450 |
| *Net income* | | **1.193.861** | **1.690.071** |
| **Other expenses** | | | |
| Grants to economic development agencies | | 164.700 | 173.160 |
| Other grants | | 49.437 | 106.445 |
| Salaries and related expenses | *3,4* | 162.831 | 157.768 |
| General operating expenses | | 104.521 | 118.876 |
| Depreciation of operational assets | | 6.052 | 1.408 |
| Allowance for losses on loans and change in share capital | *2,9* | 3.720.936 | 1.660.399 |
| | | 4.208.477 | 2.218.055 |
| **Net profit (loss)** | | **(3.014.616)** | **(527.984)** |

# Balance sheet

| | Notes | 2009<br>ISK 000s | 2008<br>ISK 000s |
|---|---|---|---|
| ***Assets*** | | | |
| ***Funds and claims against financial institutions*** | | | |
| Bank deposits and securities | 6 | 2.167.413 | 2.472.498 |
| ***Loans*** | | | |
| Loans to customers | *7* | 17.412.611 | 19.348.264 |
| Appropriated assets | *8* | 350.755 | 355.235 |
| | | 17.763.366 | 19.703.499 |
| ***Shares held in companies*** | | | |
| Shares | *10* | 1.054.191 | 1.064.417 |
| | | 1.054.191 | 1.064.417 |
| ***Other assets*** | | | |
| Accounts receivable | | 2.675.108 | 13.966 |
| Operational assets | *11* | 54.223 | 54.551 |
| | | 2.729.331 | 68.517 |
| ***Total assets*** | | **23.714.302** | **23.308.932** |

## as of 31 Desember 2009

| | *Note* | **2009** ISK 000s | **2008** ISK 000s |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Borrowings** | | | |
| Securities issued | | 7.606.178 | 5.764.993 |
| Loans from financial institutions | | 14.832.426 | 15.896.356 |
| | 13 | 22.438.604 | 21.661.349 |
| **Other liabilities** | | | |
| Allowance for losses on collateral | | 19.383 | 11.255 |
| Creditors | | 126.394 | 91.791 |
| | | 145.778 | 103.046 |
| **Total liabilities** | | **22.584.381** | **21.764.395** |
| **Equity capital** | *2,14* | **1.129.921** | **1.544.537** |
| **Total liabilities and equity** | | **23.714.302** | **23.308.932** |
| **Outside the balance sheet items** | | | |
| Guarantees provided | | 368.282 | 363.914 |

# Statement of cash flow, 2009

| | | 2009 ISK 000s | 2008 ISK 000s |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Net profit (loss) | | (3.014.616) | (527.984) |
| ***Items not affecting liquid assets:*** | | | |
| Allowance for losses on loans and reduction in share capita | | 3.720.936 | 1.660.399 |
| Depreciation of fixed assets | | 6.052 | 1.408 |
| Interest, indexation and exchange rate difference | | (191.570) | (111.714) |
| Unpaid grants | | 1.225 | (3.199) |
| **Cash flow from operations** | | **522.028** | **1.018.910** |
| **Investment activities** | | | |
| Repayment of loans | | 781.246 | 807.445 |
| New loans made | | (1.147.937) | (3.880.601) |
| Redeemed assets | | (13.512) | 68.198 |
| Shares | | (64.846) | (10.715) |
| Operational assets bought | | (5.724) | 0 |
| Money market loan SPRON | | (256.086) | 0 |
| Debtors | | 2.880 | (3.819) |
| **Investment activities** | | **(703.979 )** | **(3.019.491 )** |
| **Financing activities** | | | |
| Repayment of borrowinga | | (1.156.511) | (1.602.883) |
| New borrowings | | 1.000.000 | 4.156.125 |
| Accounts payable | | 33.378 | 20.689 |
| **Financial activities** | | **(123.133)** | **2.573.931** |
| **Increase (decrease) in cash on hand** | | **(305.085)** | **573.350** |
| **Cash on hand at beginning of year** | | **2.472.498** | **1.899.148** |
| **Cash on hand at year-end** | *6* | **2.167.413** | **2.472.498** |

# Notes to the 2009 financial statements

### 1. Information on the Institute

The Regional Development Institute is a credit institution, its Id. No. 450679-0389, and its main business is providing loans and other financial support. The Institute's registered domicile is Ártorg 1, IS-550 Saudárkrókur, Iceland.

### 2. Accounting Methods

**Basis of financial statement**

The annual accounts are prepared in accordance with the Annual Accounts Act and rules on the financial statements of credit institutions. It is a cost accounting statement, except for investment assets, derivatives and financial instruments intended for resale which are assessed at fair value. The annual accounts are made according to the same accounting principles as the previous year. It is in Icelandic krona (ISK) and all amounts are in ISK thousands, except where otherwise indicated.

**Methods of assessment**

The directors must assess and make specific decisions regarding important items in the annual accounts that are subject to assessment from time to time due to their nature. The methods of assessment are based on generally accepted accounting principles. The real value of items assessed in this way may prove different from the assessment upon sale or other disposal.

**Assets and liabilities linked to a price index and foreign exchange rates**

Accrued exchange rate difference is entered in the annual accounts, as well as inflation adjustments to the principals of assets and liabilities. Indexed assets and liabilities are entered based on the indices of 1 January 2010. Assets and liabilities in foreign currencies are converted into Icelandic krona at the last registered rate of the year. The exchange rate difference is then entered in the profit and loss account.

**Property, plant and equipment**

All property, plant and equipment are entered at cost, less depreciation. Improvements are capitalised if they are considered likely to yield a profit to the Institute in the future and if the cost can be reliably assessed. Any maintenance cost is charged in the profit and loss account as incurred. Depreciation is based on the estimated useful life of individual fixed assets and calculated as a fixed annual percentage of the initial purchase price, less estimated residual value, considering the period of ownership during the year.

**Provisions for losses on loans**

Provisions for losses on loans are made to meet the risk associated with lending, however, this does not constitute a final write-off. Provisions for losses on loans are charged to the profit and loss account less repayments for loans previously written-off.

**Ownership in companies**

Ownership in companies is entered at cost or fair value where possible. Changes in assessment are entered in the profit and loss account.

**Investments**

The Institute's investments are divided into loans and claims. They are originally assessed at fair value or cost plus transaction costs. All investment trade by the Institute is recorded on the business day, which is the date when the Institute has undertaken to make the trade.

**Loans and claims**

Loans and claims are financial assets, excluding derivatives that have a fixed or predetermined payment flow and are not registered in an active market. Loans and claims are generally assessed at cost price.

**Debtors**

Claims on debtors are recorded according to the original trade price, following exchange rate adjustments and less a write-down to meet claims that may be lost. The write-down is based on an assessment of the risk of loss with respect to individual claims and the claims as a whole. Claims that are considered completely lost are removed from the Institute's books.

**Cash**

Cash in the balance sheet and cash flow statement includes bank deposits and due claims on credit institutions.

**Income**

Income is recorded when there is a considerable probability that the financial benefit thereof will come to the Institute and when it can be assessed in a reliable manner. Interest income is entered in the profit and loss account when they occur.
Dividend income is entered when the Institute's right to collect is recognised.
Lease income from leasing of investment assets is recognized on a straight-line basis during the lease period.

### 3. Salaries and related expenses

| | 2009 | 2008 |
|---|---|---|
| | ISK 000s | ISK 000s |
| Wages | 134,092 | 130,202 |
| Pention contribution | 16,369 | 16,042 |
| Other salaries-related expenses | 12,370 | 11,524 |
| **Total** | 162,831 | 157,768 |

In terms of full-year positions, the Institute had an average of about 20 employee's in 2009. At year-end 2009 the company had 20 employees on the payroll.

### 4. Payments to the Board and Director-General

Wages to the Board and Director-General of the Institute of Regional Development were as follows:

| | | |
|---|---|---|
| Örlygur Hnefill Jónsson, Chairman until 20.05.2009 | 933 | 2,239 |
| Anna Kristín Gunnardóttir, chairman from 20.05.2009 | 1,769 | 0 |
| Other Board Members (6) | 6,324 | 6,829 |
| Aðalsteinn Þorsteinsson, Director-General | 10,683 | 11,561 |
| **Total** | 19,709 | 20,629 |

### 5. Allocations from supplementary budget

| | 2009 | 2008 |
|---|---|---|
| Budget allocations for employment promotion | 42,935 | 91,808 |
| Budget allocations for economic dev. projects | 3,600 | 5,050 |
| Other budget allocations | 0 | 22,000 |
| **Total** | 46,535 | 118,858 |

### 6. Cash and claims on financial

Cash on hand consists of unrestricted bank deposits in domestic and foreign currencies and claims due at credit institutions.

| | | |
|---|---|---|
| Bank deposits in ISK | 2,162,639 | 1,081,605 |
| Bank deposits in foreign currencies | 4,774 | 1,390,893 |
| **Total** | 2,167,413 | 2,472,498 |

### 7. Loans

| | | |
|---|---|---|
| **Breakdown by sector:** | | |
| Municipalities | 0,57% | 0,57% |
| Individuals | 5,82% | 5,89% |
| **Industry:** | | |
| Services | 36,60% | 34,69% |
| Fisheries | 32,60% | 33,08% |
| Manufacturing | 15,97% | 14,81% |
| Financial Institute | 5,85% | 5,57% |
| Agricultue | 2,59% | 2,36% |
| Other | 0% | 3,04% |
| **Total** | 100,00% | 100,00% |

Loans by maturity:

| | | |
|---|---|---|
| On demand | 534,765 | 463,213 |
| Up to 3 months | 275,757 | 380,670 |
| 3 months up to 1 year | 1,079,371 | 1,259,855 |
| 1 to 5 years | 5,073,926 | 5,561,940 |
| Over 5 years | 10,448,792 | 11,682,586 |
| **Total** | 17,412,611 | 19,348,264 |

### 8. Appropriated assets

| | | |
|---|---|---|
| Real estate | 350,155 | 355,035 |
| Moveable assets | 600 | 200 |
| **Total** | 350,755 | 355,235 |

### 9. Provision to loan-loss account

***Changes during year (ISK 000s)***

| | | |
|---|---|---|
| Balance at the beginning of the year | 1,767,115 | 795,918 |
| Provision for impairment losses | 3,295,694 | 1,237,392 |
| Loans write off | (430,387) | (266,195) |
| **Balance at end of year** | 4,632,422 | 1,767,115 |

| | 2009 | 2008 |
|---|---|---|
| Allowance during the year | 3,295,694 | 1,237,392 |
| Provision for guarantees | 8,128 | 1,440 |
| Changes in shares | 228,097 | 421,567 |
| Impairment for other claims | 192,065 | 0 |
| Prev. written off loans | (3,048) | 0 |
| Allowance for credit losses, according to profit and loss statemen | 3,720,936 | 1,660,399 |
| Allowance for credit losses, as a percentage of loans | 21,01% | 8,37% |

### 10. Shareholdings

Breakdown of shares held by the IRDI at year-end, by nominal value and holding proportion:

| | Share % | Normal value ISK 000s |
|---|---|---|
| **Real estate** | | |
| Ámundakinn ehf. | 13,16% | 19,000 |
| Ásgarður hf. eignarhaldsfélag | 13,10% | 15,000 |
| Dalagisting ehf. | 12,11% | 8,000 |
| Dýralíf ehf. | 28,92% | 4,000 |
| Fasteignafélagið Borg ehf. | 29,78% | 18,825 |
| Fasteignafélagið Hvammur ehf. | 24,86% | 16,924 |
| Fjarðaraldan hf. | 29,88% | 15,000 |
| Grand hótel Mývatn ehf. | 7,22% | 10,000 |
| Hótel Hellissandur hf. | 24,98% | 19,534 |
| Hótel Norðurljós ehf. | 46,40% | 2,320 |
| Tröllasteinn ehf. | 18,92% | 7,000 |
| Urtusteinn ehf. | 8,36% | 32,487 |
| **Total real estate** | | **168,090** |
| **Banks and financial** | | |
| Saga Capital hf. | 0,36% | 35,378 |
| **Total banks and financial** | | **35,378** |
| **Holding:** | | |
| Eignarhaldsfélag Suðurlands hf. | 40,00% | 109,142 |
| Eignarhaldsfélag Suðurnesja hf. | 19,03% | 96,840 |
| Eignarhaldsfél. Vestmannaeyja hf. | 38,77% | 7,850 |
| Fjárfestingafélagið Vör hf. | 41,83% | 35,940 |
| Gjöll ehf. | 22,04% | 4,000 |
| Hvetjandi ehf. | 49,85% | 53,109 |
| **Total Holding** | | **306,881** |
| **Travel** | | |
| Brimnes hótel ehf. | 12,00% | 4,610 |
| Ferðaskrifstofa Austurlands ehf. | 29,03% | 4,500 |
| Hótel Flúðir hf. | 11,94% | 3,109 |
| Hótel Húsavík hf. | 0,38% | 136 |
| Hótel Valaskjálf hf. | 18,80% | 4,500 |
| Hótel Varmahlíð hf. | 13,04% | 3,000 |
| Hvalamiðstöðin Húsavík ehf. | 19,70% | 2,000 |
| Hvíldarklettur ehf. | 26,63% | 30,000 |
| Nes-Listamiðstöð ehf. | 41,67% | 5,000 |
| P/F Smyril-line | 1,30% | 76,778 |
| Rauðka ehf. | 16,67% | 2,000 |
| Snorri Þorfinnsson ehf. | 19,89% | 12,000 |
| Sæferðir ehf. | 37,52% | 29,903 |
| Textílsetur Íslands ses. | 32,15% | 2,000 |
| **Total travel** | | **179,536** |

| | Share % | Normal value ISK 000s |
|---|---|---|
| **Industrie** | | |
| Borg, saumastofa ehf. | 19,82% | 170 |
| Eðalís ehf. | 11,06% | 3,000 |
| Fjallalamb ehf. | 10,68% | 10,000 |
| Kjörorka ehf. | 8,25% | 2,000 |
| Raflagnir Austurlands ehf. | 22,37% | 12,000 |
| Sigurjón Magnússon ehf. | 30,00% | 214 |
| Skaginn hf. | 3,08% | 5,928 |
| TH ehf. | 4,50% | 2,000 |
| Trico ehf. | 33,33% | 5,000 |
| Ullarvinnsla frú Láru ehf. | 29,76% | 2,500 |
| Vilko ehf. | 8,22% | 2,955 |
| Þvottatækni ehf. | 30,00% | 729 |
| Þörungaverksmiðjan hf. | 27,67% | 7,919 |
| **Total Industrie** | | **54,415** |
| **Health and Biotechnology** | | |
| Globodent á Íslandi ehf. | 7,18% | 2,353 |
| ORF Líftækni hf. | 3,55% | 3,339 |
| **Total Health and Biotechnology** | | **5,692** |
| **Agriculture** | | |
| Fóðuriðjan Ólafsdal ehf. | 28,57% | 6,000 |
| Sláturfélag Austurlands fsvf. | 28,00% | 18,000 |
| Yrkjar ehf. | 7,29% | 1,800 |
| **Total Agriculture** | | **25,800** |
| **Consulting** | | |
| Atvinnuþróunarfélag Vestfjarða hf. | 22,10% | 1,933 |
| Atvinnuþróunarfélag Þingeyinga hf. | 31,86% | 1,833 |
| Forsvar ehf. | 12,28% | 2,000 |
| Frumkvöðlasetur Austurlands ehf. | 14,08% | 7,000 |
| **Total Consulting** | | **12,766** |
| **Fisheries** | | |
| Bakkavík ehf. | 17,14% | 21,589 |
| Bernskan ehf. | 29,54% | 8,132 |
| Eignarhaldsfélagið Gláma hf. | 36,52% | 114,500 |
| Fossvík ehf. | 15,38% | 9,000 |
| Kampi ehf. | 35,35% | 23,328 |
| Norðurskel ehf. | 1,34% | 1,261 |
| Reykofninn-Grundarfirði ehf. | 15,24% | 5,160 |
| Tó hf. | 10,40% | 2,667 |
| Þórsberg ehf. | 7,65% | 2,900 |
| **Total Fisheries** | | **188,537** |
| **IT** | | |
| Gagnaveita Skagafjarðar hf. | 7,66% | 10,000 |
| HotMobileMail ehf. | 24,53% | 15,000 |
| Óley ehf. | 42,02% | 10,000 |
| **Total IT** | | **35,000** |
| **Total shares as ISK** | | **1,025,896** |

The value of shares held by the Institute is entered á in the financial statement as ISK 1,054,191

## *11. Operational assets*

Fixed asset reavaluation and depreciation of operational assets:

| | Real Estate | Fixtures | Cars | Total |
|---|---|---|---|---|
| Total value 1/1 | 70.389 | 29.601 | | 99.990 |
| Depreciated total 1/1 | (18.798) | (26.641) | | (45.439) |
| Added in year | | | 5.724 | 5.724 |
| Depreciated during the year | (1.947) | (2.960) | (1.145) | (6.052) |
| Book value 31/12 | 49.644 | 0 | 4.579 | 54.223 |
| Total value 31/12 | 70.389 | 29.601 | 5.724 | 105.714 |
| Total depreciated 31/12 | (20.745) | (29.601) | (1.145) | (51.491) |
| Book total 31/12 | 49.644 | 0 | 4.579 | 54.223 |
| Depreciation ratios | 2 - 3% | 20% | 20% | |

The institutions real estate are valued according to the following way. For comparison is the book value.

| | Retail value | Insurance value | Book value |
|---|---|---|---|
| Skagfirðingabraut 17-21 | 26.900 | 83.685 | 36.136 |
| Háuhlíð 4 | 26.807 | 46.650 | 13.508 |
| | 53.707 | 130.335 | 49.644 |

***12. Assets and liabilities linked to foreign currencies or inflation-indexed***

| | 2009 ISK 000s | 2008 ISK 000s |
|---|---|---|
| Exchange rate-indexed: | | |
| Assets | 13.289.618 | 16.053.200 |
| Liabilities | 14.832.426 | 15.567.528 |
| Difference | (1.542.808) | 485.672 |
| Inflation-indexed: | | |
| Assets | 4.298.063 | 4.685.957 |
| Liabilities | 7.606.178 | 5.764.993 |
| Difference | (3.308.115) | (1.079.036) |

***13. Borrowing***

Breakdown of liabilities by maturity:

| | | |
|---|---|---|
| On demand | 0 | 328.828 |
| Up to 3 months | 331.018 | 373.218 |
| 3 month up to 1 year | 4.435.196 | 889.112 |
| 1 to 5 years | 7.072.110 | 9.806.118 |
| Over 5 years | 10.600.280 | 10.264.073 |
| **Total** | 22.438.604 | 21.661.349 |

***14. Equity capital***

According to provisions in the Act on Financial Undertakings, No. 161/2002, a lending institution´s equity may at no time fall below an amount equivalent to 8% of the risk base. In reference to this, the equity ratio of the Icelandic Regional Development institute amounted to 4.92% at year end.

In 2010, a 1,000 million ISK contribution was agreed in the national budget to respond to the fact that the institution´s equity ratio did not meet the provisions No. 161/2002 on financial undertakings at year end 2009.

Equity capital and equity ratio, as stipulated by law:

| | | |
|---|---|---|
| Balance at the beginning of the year | 1.544.537 | 2.072.521 |
| Budget contribution | 2.600.000 | 0 |
| Year loss | (3.014.616) | (527.984) |
| | 1.129.921 | 1.544.537 |
| Equity ratio | 4,92% | 2,80% |

***15. Remuneration to auditors was distributed as follows:***

| | | |
|---|---|---|
| Auditing | 3,255 | 2,492 |
| Other professional services | 4,085 | 4,155 |
| **Total** | 7,340 | 6,647 |

***16. Events after statement date***

According to Note 14, the Institute did not meet the equity requirements for financial undertakings, but as indicated in Note 9, the Institute had to make considerable provisions for losses on loans. This alone constitutes circumstances that may cause a considerable uncertainty on the going concern and thereby an uncertainty on whether the Institute can sell its assets and pay its liabilities under normal operating conditions. The Institute is, however, owned by the state and, according to Note 14, the parliament included in the 2010 budget an authorisation to strengthen the Institute's equity so that it meets statutory equity ratio requirements. For this reason and with reference to the Institute being owned by and the responsibility of the State Treasury, we consider it secure as an ongoing concern and that there is no uncertainty in that regard.