KPMG

Agencia Nacional de Investigación e Innovación

Financial Statements for the year ended December 31, 2009 and independent auditor's report

KPMG
June 22, 2010
This report contains 19 pages

Contents

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Independent Auditor's Report

Directors of
Agencia Nacional de Investigación e Innovación

We have audited the attached financial statements of Agencia Nacional de Investigación e Innovación which comprise the balance sheet as at December 31, 2009, and the related income statement, statement of cash flows, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and annex (pages 5 to 19).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles in Uruguay and the accounting standards established in the Ordinance N° 81 issued by the Tribunal de Cuentas de la República Oriental del Uruguay. 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 present fairly, in all material respects, the financial position of Agencia Nacional de Investigación e Innovación as at December 31, 2009 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles in Uruguay and the accounting standards established in the Ordinance N° 81 issued by the Tribunal de Cuentas de la República Oriental del Uruguay.

Montevideo, June 22, 2010

KPMG

Cr. Franklin Sibille
Socio
C.J. y P.P.U. 48.719

Balance Sheet as at December 31, 2009

In Uruguayan Pesos (*)

	Note	Dec-09	Dec-08
ASSETS			
Current assets			
Cash and banks		430.662.383	523.925.267
Receivables	3	131.653.152	34.298.655
Total current assets		562.315.535	558.223.922
Non current assets			
Property and equipment (Annex)		6.573.236	5.499.991
Intangible assets (Annex)		3.656.918	1.793.951
Receivables	3	38.225	50.222
Total non current assets		10.268.379	7.344.164
TOTAL ASSETS		572.583.914	565.568.086
LIABIILTIES			
Current liabilities			
Trade payables	4	2.160.952	978.798
Other payables	5	35.741.795	12.449.263
Total current liabilities		37.902.747	13.428.061
TOTAL LIABILITIES		37.902.747	13.428.061
EQUITY			
Retained earnings		552.140.025	41.276.913
Net profit (loss) for the year		(17.458.858)	510.863.112
TOTAL EQUITY		534.681.167	552.140.025
TOTAL LIABILITIES AND EQUITY		572.583.914	565.568.086

(*) Amounts expressed in terms of the measuring unit current at December 31, 2009

The Annex and Notes 1 to 12 are an integral part of these financial statements

Income Statement for the year ended December 31, 2009

In Uruguayan Pesos (*)

	Note	Dec-09	Dec-08
Services revenues		4.423.166	7.908.900
Received funds	6	368.698.807	598.838.869
Total Revenues		373.121.973	606.747.769
Cost of services rendered		(261.238.582)	(93.418.426)
GROSS PROFIT		111.883.391	513.329.343
Administrative and sales expenditures			
Personnel expenses and social security contributions	7	(14.722.513)	(9.446.373)
Professional fees		(3.394.102)	(3.460.609)
Communications		(3.243.302)	(1.561.191)
Depreciations		(2.370.353)	(1.072.193)
Travel expenses		(734.004)	(526.916)
Other expenses		(11.840.673)	(5.235.699)
		(36.304.947)	(21.302.981)
Sundry results			
Other income		1.974.337	5.629
Other expenses		(5.952)	(117.278)
		1.968.385	(111.649)
Financial results			
Interest income and other financial income		16.853	120.311
Financial expenses		(504.420)	(416.664)
Inflation results		(94.518.120)	19.244.752
		(95.005.687)	18.948.399
NET PROFIT (LOSS) FOR THE YEAR		(17.458.858)	510.863.112

(*) Amounts expressed in terms of the measuring unit current at December 31, 2009

The Annex and Notes 1 to 12 are an integral part of these financial statements

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

In Uruguayan Pesos (*)

	Dec-09	Dec-08
Cash flow from operating activities		
Net profit (loss) for the year	(17.458.858)	510.863.112
Adjustments for:		
Depreciations	2.370.353	1.072.193
Financial expenses	504.420	416.664
Exchange differences	56.732.846	(379.418)
Inflation results	14.980.491	7.675.522
Operating results after adjustments	57.129.252	519.648.073
(Increase) / Decrease in receivables	(97.342.500)	(29.346.344)
Increase / (Decrease) in trade payables	1.182.154	(288.903)
Increase / (Decrease) in other payables	23.292.532	10.815.841
Cash obtained from (allocated to) operations	(15.738.562)	500.828.667
Net cash from operating activities	(15.738.562)	500.828.667
Cash flows from investing activities		
Acquisitions of intangibles assets	(2.710.070)	(1.820.578)
Acquisitions of property and equipment	(2.596.495)	(5.101.036)
Net cash from (used) in investing activities	(5.306.565)	(6.921.614)
Cash flows from financing activities		
Financial expenses paid	(504.420)	(416.664)
Net cash from (used) in financing activities	(504.420)	(416.664)
Net increase / (decrease) in cash and cash equivalents	(21.549.547)	493.490.389
Cash and cash equivalents at the beginning of the year	523.925.267	37.730.982
Effect of exchange and inflation rate fluctuations on cash held	(71.713.337)	(7.296.104)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	430.662.383	523.925.267

(*) Amounts expressed in terms of the measuring unit current at December 31, 2009

The Annex and Notes 1 to 12 are an integral part of these financial statements

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

In Uruguayan Pesos (*)

	Retained earnings	Total
Balances as at January 1st, 2008	41.276.913	41.276.913
Net profit (loss) for the year	510.863.112	510.863.112
Balances as at December 31, 2008	552.140.025	552.140.025
Net profit (loss) for the year	(17.458.858)	(17.458.858)
Balances as at December 31, 2009	534.681.167	534.681.167

(*) Amounts expressed in terms of the measuring unit current at December 31, 2009

The Annex and Notes 1 to 12 are an integral part of these financial statements

Schedule of Property and equipment, Intangible assets and Depreciations for the year ended December 31, 2009

In Uruguayan Pesos (*)

	Original restate value				Depreciation					
	Opening balances	Increases	Decreases	Closing balances	Opening balances	Decreases	Depreciation for the year	Closing balances	Net book value Dec-09	Net book value Dec-08
Property and equipment										
Furniture and fittings	2.159.691	197.257	-	2.356.948	140.243	-	227.773	368.016	1.988.932	2.019.448
Communication equipment	142.482	-	-	142.482	22.147	-	47.494	69.641	72.841	120.335
Computers	2.561.889	1.070.366	-	3.632.255	584.485	-	1.084.413	1.668.898	1.963.357	1.977.404
Leased buildings improvements	1.394.815	240.887	-	1.635.702	12.011	-	163.570	175.581	1.460.121	1.382.804
Sub-Total	6.258.877	1.508.510	-	7.767.387	758.886	-	1.523.250	2.282.136	5.485.251	5.499.991
Assets under construction	-	1.087.985	-	1.087.985	-	-	-	-	1.087.985	-
Total	6.258.877	2.596.495	-	8.855.372	758.886	-	1.523.250	2.282.136	6.573.236	5.499.991
Intangible assets										
Licenses	486.906	42.613	-	529.519	150.766	-	168.570	319.336	210.183	336.140
Software	1.661.020	2.667.457	-	4.328.477	203.209	-	678.533	881.742	3.446.735	1.457.811
Total	2.147.926	2.710.070	-	4.857.996	353.975	-	847.103	1.201.078	3.656.918	1.793.951

(*) Amounts expressed in terms of the measuring unit current at December 31, 2009

Notes to the financial statements as at December 31, 2009

Note 1 - Reporting entity

1.1 Legal nature

Article 1 of Law N° 18.084 passed on December 28th 2006 establishes that the Agencia Nacional de Innovación (National Innovation Agency) foreseen in article 256 of Law N° 17.930 dated December 19th, 2005, will be called "Agencia Nacional de Investigación e Innovación" (hereinafter "ANII" or the "Agency"), and will be a public law entity having as its objectives: a) to prepare, organize and administer instruments and programs for the promotion of technical and scientific development and innovation, following the political and strategic guidelines and priorities established by the Executive Power; b) to promote the coordination of actions between the public and the private sector for the creation and use of knowledge, increasing the existing synergies and making full use of the available resources; c) to contribute, together with other entities of the National System of Science, Technology and Innovation (Sistema Nacional de Ciencia, Tecnología e Innovación) in the development of effective mechanisms for the evaluation and follow-up of the existing promotional instruments and programs.

Its Board of Directors was appointed on June, 2007, and started operating the following month.

The ANII's address is located in Rincón 528 (2nd Floor) of the city of Montevideo.

1.2 Main activity

The Agency has been conceived as a relatively small entity, with flexible operations, open and transparent mechanisms for the assignation of resources and systematic procedures of internal and external evaluation.

The main objectives of the ANII include the design, organization and administration of plans, programs and instruments for the scientific and technological development and for the deployment and strengthening of innovation capacities. It is also its strategic objective to promote coordination and articulation between the different parties involved in the creation and use of knowledge, increasing the synergies between them and making full use of the available resources.

It also aims to contribute, in coordination with other entities of the Sistema Nacional de Innovación, in the development of effective mechanisms for the evaluation and follow-up of programs and other promotional instruments related to its competence.

For the fulfillment of these objectives, through the investment of public funds it seeks to leverage private investment in scientific investigation, technological development, and innovation as a way to promote sustainable socio-economic growth in the medium and long term.

The ANII has its own resources and others assigned by the National Budget; it has also started several operations partially financed with external resources that complement the actions financed with national resources allocated by the National Budget.

During the year 2007 the ANII started to execute the following programs:

- Loan Agreement N° 7445 – UR executed between Uruguay and the Banco Internacional de Reconstrucción y Fomento ("BIRF") for US$ 32.500.000, of which US$ 26.000.000 are contributed by the BIRF and US$ 6.500.000 locally. Until ANII developed its operative and administrative capacity, the Ministry of Education (Ministerio de Educación y Cultura, "MEC") executed the Project with the World Bank through the Dirección de Innovación, Ciencia y Tecnología para el Desarrollo - DICyT/DINACYT (Direction of Innovation, Science and Technology for Development) with the support of the Corporación Nacional para el Desarrollo ("CND"). Prior to this Agreement, an initial financing had been approved contained in the Project Preparation Facility of the World Bank (PPF N° P 4290 dated June 28th, 2006) for US$ 500.000.

- Non Reimbursable Technical Cooperation Agreement ATN/KK-10271-UR executed between Uruguay and the Banco Interamericano de Desarrollo (“BID”), as administrator of the Korean Fund of Alliance for the Knowledge in Technology and Innovation, for a total amount of US$ 365.600, of which US$ 265.600 are contributed by the BID and US$ 100.000 locally. In this respect, it is worth noting that an agreement exists between the MEC, the CND and ANII, dated October 23rd, 2007 through which the ANII provides support to the CND in the execution of the project.

In the year 2008 the ANII started executing the following programs, which are financed by international credit entities:

- Loan Agreement N° 2004/OC-UR executed between Uruguay and the BID, called Programa de Desarrollo Tecnológico II (Program of Technological Development II) for US$ 34.000.000 (contributed by the BID).
- Financing Agreement N° DCI-ALA/2007/19040 executed between Uruguay and the European Community (“CE”) for € 8.000.000 (contributed by CE).

The financial statements of the Agency for the year ended December 31, 2009 were approved by the Agency’s Board of Directors on June 21, 2010.

Note 2 - Basis of preparation and significant accounting policies

2.1 Basis of preparation

The Agency’s financial statements have been prepared in accordance to generally accepted accounting principles in Uruguay and the accounting standards established in Ordinance N° 81 (the “Ordinance N° 81”) issued by the Tribunal de Cuentas de la República Oriental del Uruguay (the “TCR”) on December 17, 2002 and its later amendments. This Ordinance establishes as accounting standards, in order of priority, the following:

a) The accounting standards issued by the TCR;

b) The presentation and disclosure accounting standards established in the Decree 103/991 dated February 27, 1991;

c) International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Uruguayan Pesos which is the Agency´s functional currency, as this is the currency of the primary economic environment in which the Agency operates.

The accounting policies applied are consistent with those applied in the financial statements for the year ended December 31, 2008.

The financial statements have been prepared on the historical cost basis, restated in terms of the measuring unit current at the end of the reporting period.

2.2 Restatement of financial statements

The financial statements as at December 31, 2009 have been restated in accordance to the methodology prescribed in the International Accounting Standard 29, applying as restatement index the Indice de Precios al consumo (the “IPC) – Consumer Price Index (CPI) issued by the Instituto Nacional de Estadística. During the year ended December 31, 2009 the CPI increased 5,9% (9,2% during the year ended December 31, 2008).

On April 16, 2009 the TCR published an amendment to article 14 of the Ordinance N° 81 establishing that the financial statements had to be restated for inflation in accordance to the methodology prescribed in the International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies, but applying restatement coefficients derived from the CPI, instead of coefficients derived from the Índice de Precios al Productor de Productos Nacionales (IPPN) - Wholesale Price Index (WPI) issued by the Instituto Nacional de Estadística. The Agency, with the consent of the TCR, restated its financial statements applying restatement coefficients derived from the CPI as from the start of its operations.

Corresponding figures concerning the year ended December 31, 2008, restated for inflation at that date, were restated in terms of the measuring unit current at the end of the reporting period applying the CPI.

2.3 Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows of foreign currency transactions presented in the statement of cash flows have been translated using the exchange rate at the date of the transaction.

Foreign currency differences are recognized in profit or loss.

The following is a detail of the main exchange rates of foreign currency used by the Agency in respect to the Uruguayan peso:

	Average		Closing	
	Dec-09	**Dec-08**	**Dec-09**	**Dec-08**
United States Dollar	22,58	21,10	19,637	24,362
Euro	31,29	33,01	28,16	34,42

2.4 Financial instruments

Financial instruments include cash and cash equivalents, receivables, trade payables and other payables, and they are measured at their amortized cost using the effective interest method less impairment losses when applicable.

2.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it 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.

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 asset's original effective interest rate.

All individually significant financial assets are individually assessed to determine whether there is objective evidence that it is impaired. Other financial assets that are not individually significant are collectively assessed for impairment by grouping them together considering similar risk characteristics.

All impairment losses are recognized in profit and loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non financial assets

The carrying amounts of the Agency's assets are assessed at each reporting date to determine whether there is any objective evidence that they have been impaired. If impairment evidence is identified, the recoverable amount of the asset is estimated as the higher of its net selling price or its value in use, and an impairment loss is posted to the Income Statement when the book value of the asset or its cash-originating unit exceeds its recoverable amount.

Impairment losses recognized in prior years are assessed at each reporting date to determine whether the impairment loss has diminished or disappeared. 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.

2.6 Property and equipment and Intangible assets

Valuation

Property and equipment and Intangible assets are stated at cost restated for inflation applying restatement coefficients derived from the CPI, less accumulated depreciation and impairment loss if any (Note 2.5).

Subsequent Expenditures

The subsequent expenditures later incurred to replace a component of a property and equipment are only acknowledged as an asset when they contribute to increasing the future benefit of such asset. All other expenditures are acknowledged as expenditures in the income statement as at the date they are incurred.

Depreciations

Depreciations are recognized in profit or loss on a straight-line basis over the estimated useful life for each part of an item of property and equipment, since the date of their incorporation.

For each acquired intangible asset the Agency assess whether its useful life is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortization of intangible assets with a finite useful life is calculated applying fixed percentages over its depreciable amount, beginning when the asset is available for use

The following are the estimated useful life for each class of property and equipment and intangible assets:

Property and equipment	**Years**
Furniture and fittings	10
Communication equipment	3
Computers	3
Leased buildings improvements	10
Intangible assets	**Years**
Licenses	3
Software	3

Depreciation of property and equipment and intangible assets for the period ended December 31, 2009, amounted to $ 2.370.353 and was recognized to Administrative and sales expenditures.

Depreciation of property and equipment and intangible assets for the period ended December 31, 2008, amounted to $ 1.072.193 and was recognized to Administrative and sales expenditures.

2.7 Equity

Total Equity at the beginning of the year has been restated at December 31, 2009 as mentioned in Note 2.2.

The restatement of Retained earnings is included in that account.

2.8 Determination of the result

The profit for the year ended December 31, 2009 was determined comparing the equity at the beginning and the end of the year, both measured in terms of the measuring unit current at that date, and considering the variations in equity excluding the results for the year.

The Agency applies the accrual basis for the recognition of income and cost and expense allocation.

In accordance to the TCR´s resolution dated September 2, 2009, funds received from the international funding agencies mentioned in Note 6 through the Ministerios de Educación y Cultura and Economía y Finanzas, are presented as operating income.

Cost of services rendered basically include performed investments at year-end, financed with funds received from the international funding agencies mentioned in Note 6.

Depreciation of property and equipment and intangible assets is calculated as mentioned in Note 2.6.

Inflation results comprise gains and losses over the net monetary position in Uruguayan Pesos and foreign currency differences as mentioned in Note 2.3.

As mentioned in Note 2.2 all Income Statement´s accounts are expressed in terms of the measuring unit current at the end of the reporting period.

2.9 Definition of funds

For the preparation of the statement of cash flow, funds are defined as cash and cash equivalents.

2.10 Use of accounting estimations

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from theses estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the significant effects on the amounts recognized in the financial statements refer to the property and equipment and intangible assets depreciations, among other estimations.

Note 3 - Receivables

The detail of the receivables is as follows:

	Dec-09	Dec-08
Current		
ANII´s funds held by third parties	400.922	852.202
Advances to suppliers	7.478.266	4.792.523
Advances to beneficiaries	84.327.837	21.753.803
Receivables for initial payments due to beneficiaries (Note 9)	13.183.516	6.867.877
Advance payments	25.720.503	-
Receivables for Foro de Innovación de las Américas-FIA	102.112	32.250
Other receivables	439.996	-
	131.653.152	34.298.655
Non current		
Other receivables	38.225	50.222
	38.225	50.222

Note 4 - Trade payables

The detail of trade payables is as follows:

	Dec-09	Dec-08
Current		
Local suppliers	2.160.952	978.798
	2.160.952	978.798

Note 5 - Other payables

The detail of other payables is as follows:

	Dec-09	Dec-08
Current		
Payroll and headcount benefits	2.025.339	854.830
Social security liabilities	884.588	774.339
Tax payables	691.564	721.943
Third - party managed funds	12.937.985	1.654.849
Beneficiaries´ grants	2.403.189	-
Payables of initial payments due to beneficiaries (Note 9)	13.183.516	6.867.877
Other payables	3.615.614	1.575.425
	35.741.795	12.449.263

Note 6 - Received funds

The detail of received funds is as follows:

	Dec-09	Dec-08
Local contribution concerning Korea Donation (ATN/KK-10271)	-	1.122.335
Local contribution concerning BIRF Agreement (N° 7745-UR)	-	89.135.568
Local contribution concerning European Union Agreement (N° DCI-ALA/2007/19040)	39.259.745	42.208.513
Subsidy for ANII (Art 294 law 18.172)	33.104.668	327.267.364
Subsidy for Foro de Innovación de las Américas-FIA	-	8.324.781
Foreign contribution concerning Korea Donation (ATN/KK-10271)	2.176.262	2.768.423
Foreign contribution concerning BIRF Agreement (N° 7445-UR)	71.528.436	6.864.585
Foreign contribution concerning European Union Agreement (N° DCI-ALA/2007/19040)	63.001.848	121.147.300
Foreign contribution concerning BID Agreement (Nº 2004/OC-UR)	159.627.848	-
	368.698.807	598.838.869

Note 7 - Personnel expenses

The average number of employees during the year ended December 31, 2009 was 46 (27 as at December 31, 2008).

The accrued personnel expenses were the following:

	Dec-09	Dec-08
Salaries and employee benefits	25.715.575	15.094.056
Social security contributions	3.067.658	1.731.132
	28.783.233	16.825.188

From these totals $ 14.060.720 ($ 7.378.815 as at December 31, 2008) are included in Cost of services rendered and the remaining $ 14.722.513 ($ 9.446.373 as at December 31, 2008) are presented as Administrative and sales expenditures.

The accrued key management personnel expenses as at December 31, 2009 amount to $ 11.701.949 ($ 7.380.858 as at December 31, 2008).

Note 8 - Financial Instruments

8.1. General

Exposure to the following risks arises in the normal course of Agency’s business:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Agency’s exposure to each of the above risks, the Agency’s objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Agency’s risk management framework. Management has the responsibility for the development and administration of the Agency´s risk, and periodically informs its activities to the Board of Directors.

The Agency’s risk management policies are established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Agency’s activities. The Agency, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

8.2. Credit Risk

Credit risk is the risk of financial loss to the Agency if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Agency's advances to beneficiaries. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management does not expect any significant counter party to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Book value	
	Note	**2009**	**2008**
Banks		430.604.244	523.841.463
Receivables	3	131.691.377	34.348.877
		562.295.621	558.190.340

At 31 December 2009 and 2008 none of the receivables were due and not bad debt provision was set-up.

8.3. Liquidity Risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Agency'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 Agency's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2009	**Book value**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Non derivative financial liabilities				
Trade payables	2.160.952	2.160.952	-	-
Other payables	35.741.795	35.741.795	-	-
	37.902.747	37.902.747	-	-

December 31, 2008	**Book value**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Non derivative financial liabilities				
Trade payables	978.798	978.798	-	-
Other payables	12.449.263	12.449.263	-	-
	13.428.061	13.428.061	-	-

8.4. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Agency's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Agency incurs in the currency risk in transactions that are denominated in a currency other than the Uruguayan Peso. The currencies involving such risk are the US Dollar and the Euro. This risk is closely monitored in order to keep such exposure within a range that is acceptable to the Agency.

The Agency's exposure to foreign exchange risk is the following:

	Dec-09			Dec-08		
	Unites States Dollar	Euro	Total equiv. in Uruguayan Pesos	Unites States Dollar	Euro	Total equiv. in Uruguayan Pesos
Current assets						
Cash and banks	9.745.157	2.267.880	255.227.029	516.971	3.833.822	153.090.531
Receivables	3.567.082	1.467.174	111.361.038	332.919	562.373	29.089.213
Total current assets	13.312.239	3.735.054	366.588.067	849.890	4.396.195	182.179.744
Non current assets						
Receivables	1.947	-	38.225	1.947	-	50.222
Total non current	1.947	-	38.225	1.947	-	50.222
TOTAL ASSETS	13.314.186	3.735.054	366.626.292	851.836	4.396.195	182.229.966
Current liabilities						
Trade payables	(53.755)	-	(1.055.587)	(30.937)	-	(798.164)
Other payables	(776.116)	-	(15.240.590)	(190.081)	-	(4.904.071)
Total current	(829.871)	-	(16.296.177)	(221.018)	-	(5.702.235)
TOTAL LIABILITIES	(829.871)	-	(16.296.177)	(221.018)	-	(5.702.235)
NET POSITION	12.484.315	3.735.054	350.330.115	630.818	4.396.195	176.527.731

Sensitivity analysis

A 10% strengthening of the Uruguayan Peso, as indicated below, against the foreign currencies at December 31, 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

	Equity	Results
December 31, 2009		
United States Dollar	(22.286.000)	(22.286.000)
Euro	(9.562.000)	(9.562.000)

	Equity	Results
December 31, 2008		
United States Dollar	(1.397.000)	(1.397.000)
Euro	(13.756.000)	(13.756.000)

A 10% weakening of the Uruguayan Peso against the foreign currencies at December 31, 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

This risk is associated with the agreed interest rates of financial assets and liabilities.

As at December 31, 2009 and 2008 there aren´t financial assets and liabilities exposed to interest rate.

Note 9 - Payment commitments of initial payments due to beneficiaries

Commitments of initial payments, due to beneficiaries and unpaid at year-end, are registered as a liability in the account "Payables of initial payments due to beneficiaries" and as a receivable in the account "Receivables for initial payments due to beneficiaries".

Note 10 - Payment commitments concerning service contracts Portal Timbó

The Agency has signed the following contracts:

1. Contract dated December 30, 2008 with The Institute of Electrical and Electronics Engineers, Incorporated (IEEE), according to the following detail:

- For the period between 30/11/08 and 31/12/2009 amounting to US$ 211.750
- For the period between 01/01/10 and 31/12/2010 amounting to US$ 222.338
- For the period between 01/01/11 and 31/12/2011 amounting to US$ 233.454

2. Contract dated December 10, 2008 with Elsevier B.V., according to the following detail:

- For the period between 01/09/09 and 31/12/2009 amounting to US$ 799.998
- For the period between 01/01/10 and 31/12/2010 amounting to US$ 931.998
- For the period between 01/01/11 and 31/12/2011 amounting to US$ 1.085.775
- For the period between 01/01/12 and 31/12/2012 amounting to US$ 1.264.931
- For the period between 01/01/13 and 31/12/2013 amounting to US$ 1.473.645

Note 11 - Payments commitments concerning contracts signed with beneficiaries

The Agency has signed contracts with beneficiaries committing itself to pay grants, once that certain conditions included in the contracts are fulfilled.

At December 31, 2009 these commitments amount $ 188.370.203 (equivalent to US$ 9.592.616) and will be financed as follows:

- BID funds amounting to $ 54.726.599 (equivalents to US$ 2.786.912)
- European Union funds amounting to $ 67.169.245 (equivalents to US$ 3.420.545)
- ANII funds amounting to $ 38.142.363 (equivalents to US$ 1.942.372)
- BIRF funds amounting to $ 28.331.996 (equivalents to US$ 1.442.787)

At December 31, 2008 these commitments amounted $ 183.315.948 (equivalent to US$ 7.105.313) and would be financed as follows:

- BID funds amounting to $ 7.570.757 (equivalents to US$ 293.442)
- European Union funds amounting to $ 152.037.687 (equivalents to US$ 5.892.970)
- ANII funds amounting to $ 23.707.504 (equivalents to US$ 918.901)

Note 12 - Tax

In accordance to article 20 of Law N° 18.084, the Agency is exempt of all forms of taxation with the exception of social security contributions.

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