

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

INDEPENDENT AUDITORS' REPORT TO  
THE BOARD OF GOVERNORS

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We have audited the financial statements, set out on pages 2 to 16, of the Science and Technology Center in Ukraine as at 31 December 1999 at the request of the Board of Governors. The financial statements comprise the Statement of Revenues and Expenditure, the balance sheet, the statement of cash flows and the notes to the financial statements. These financial statements are the responsibility of the management of the Science and Technology Center in Ukraine. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Science and Technology Center in Ukraine as of 31 December 1998 were audited by another auditor whose report dated 30 September 1999 expressed an unqualified audit opinion on those statements, however an emphasis of matter was noted regarding non-compliance with IAS 16, regarding fixed assets.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and policies adopted and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The terms of the project agreements, concluded between the Science and Technology Center in Ukraine and the recipient institutes, state that grant costs for a specific period of time may not be claimed by the recipient institutes if they are receiving reimbursements from other funding sources for the same period of time. Due to our inability to access appropriate records of the recipient institutes' we were unable to satisfy ourselves as to whether the claims made by the recipient institutes include amounts for which they may have received reimbursements from other sources. There were no alternative audit procedures that we could adopt to confirm the above.

As more fully explained in the Accounting Policies, fixed assets used for both the Center and projects which have useful lives extending beyond the current year were expensed during the current and prior years as costs. The management of the Science and Technology Center in Ukraine believe that because of the unusual nature and circumstances of its activities this treatment properly matches the revenues specifically contributed by the funding parties with the related expenditure. International Accounting Standards require fixed assets to be capitalized and depreciated over their expected useful lives. Capitalization and depreciation of fixed assets used for projects would have a consequential effect on the accompanying financial statements if it were applied.

In our opinion, except for adjustments that might be necessary as a result of the matters noted above, the financial statements give a true and fair view of the financial position of the Science and Technology Center in Ukraine as at 31 December 1999, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Lubbock Fine

*Lubbock Fine*  
25/19/2000