

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

1. Project Expenditure

	USD
Amounts charged to the Statement of Revenues and Expenditure:	
2000	7,096,198
1999	7,904,566
1998	7,351,641
1997	4,987,540
1996	1,339,245
1995	-
Cumulative project costs incurred to 31 December 2000	<u>28,679,190</u>

Project expenditure comprises of grants to scientists, equipment costs, travel costs and overhead costs.

Under the terms of the individual project agreements signed, title to equipment costing less than USD 2,500 is vested with the recipient institutes upon acquisition. The title to all other equipment provided to projects will remain with the Center until termination or completion of the project at which time the title will be vested in the recipient institutes unless prior to or on that date the Center informs the project of its intention to retain title.

2. Administrative Expenditure

	2000	1999
	USD	USD
a) Administrative Operating Budget		
Business operations	166,598	182,791
Public affairs	46,012	30,874
Personnel	453,534	404,582
Personnel support and development	107,921	110,482
Sustainability group operations	138,658	113,442
Legal, accounting, and banking	159,126	158,615
Fixed assets	36,555	63,577
Headquarters and branch offices	33,299	164,504
Contingency	6,401	-
	<u>1,148,104</u>	<u>1,228,867</u>

Included within 'Legal, Accounting and Banking' are exchange gains of \$ 1,063.

'Personnel' costs are comprised of grants made to the grantees in the STCU headquarters and three branch offices situated in Lviv, Kharkiv, and Dnipropetrovsk.

b) Supplemental Budget

Expenditure incurred includes travel and mobility costs and personnel costs.

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3. Exceptional (Gain)/Loss – Bankers House

Upon the recommendation of the secretariat, the Board of Governors decided at its 9th Board Meeting to completely write off the debt of the STCU's former bank – Bankers House, which amounted to \$319,535. In the financial statements of December 31, 1999 this amount was presented as an Exceptional Loss.

In March 2000, the STCU contracted the services of an attorney, and in early May 2000, received a payment from Bankers House in the sum of \$112,647. After attorney's fees, and final compensation of exchange rate differences to STCU scientists, the sum of \$81,557 is reflected as an exceptional gain.

Although the STCU has recovered some money from Bankers House, it is uncertain as to whether any further funds will be recovered. Accordingly, no adjustments have been made in respect of the amounts previously written off, other than the amounts received above.

4. Net Surplus Revenues Over Expenditure

The net surplus of \$ 1,496,910 comprises the following;

	2000	1999
	USD	USD
Surplus / (deficit) administrative budget revenues	306,794	267,389
Investment income	1,107,353	618,400
Bankers House gain/(loss)	81,557	(319,535)
Other (Expenditure)/Revenue	1,206	(93,466)
	<hr/> <u>1,496,910</u>	<hr/> <u>472,788</u>

The net surplus set out above has been allocated to the Funding Parties in accordance with the accounting policies and agreed responsibilities.

5. Taxation

Under the terms of the agreement establishing the STCU and also the Statute approved by the Board of Governors, the STCU is exempted from any form of taxation. However, only since December 1999 has the relevant legal framework been implemented in Ukraine, allowing the STCU to recover its VAT on administrative expenditures.

The VAT incurred on project expenditures has been charged to the Statement of Revenues and Expenditure as part of the project costs because, for the time being there is no process in place for the recovery of VAT for project purchases within Ukraine. However, project items purchased abroad by the STCU and imported into Ukraine are exempt from VAT. Management of the STCU will undertake discussions with the Government of Ukraine to investigate the possibility of

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establishing a procedure to recover project VAT for purchases made within Ukraine, however the management of the STCU does not expect to recover the amounts incurred to date. Accordingly the VAT incurred on project expenditures has been charged to the Statement of Revenues and Expenditure as part of the project costs because the management of the STCU does not expect to recover this amount.

The VAT for administrative expenditures for 2000 has been credited back to the corresponding expense account according to which it was incurred.

6. Amounts Due from Funding Parties – Due Within One Year

	2000 USD	1999 USD
Canada	173,263	140,022
USA	-	339,255
European Union	534,361	1,133,694
Partners	625,621	102,875
Ukraine	-	139,199
	<u>1,333,245</u>	<u>1,855,045</u>

Amounts Due From Funding Parties – Due After One Year

	2000 USD	1999 USD
European Union	223,783	242,682
Partners	149,246	-
	<u>373,029</u>	<u>242,682</u>
Total due from funding parties	<u>1,706,274</u>	<u>2,097,727</u>

7. Other receivables

	2000 USD	1999 USD
Grants in advance	6,124	25,952
VAT recoverable	13,646	14,209
Other receivables	6,162	1,304
	<u>25,932</u>	<u>41,465</u>

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8. Prepayments and accrued income

	2000	1999
	USD	USD
Prepayments	13,450	14,847
Accrued Interest	166,038	53,880
	<hr/> <u>179,488</u>	<hr/> <u>68,727</u>

9. Amounts payable projects

	2000	1999
	USD	USD
Overhead retainage	184,408	152,491
Grants payable	949,276	1,061,829
	<hr/> <u>1,133,684</u>	<hr/> <u>1,214,320</u>

10. Other creditors

Other creditors comprise of amounts due to Sweden.

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11. Designated capital contributions - projects

Designated capital contributions represent the amounts committed on signed projects net of project expenditures incurred to date.

	United States	Sweden	Canada	Japan	European Union	Partners	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2000	4,246,784	158,360	130,677	326,964	1,262,513	355,091	6,480,389
New Projects signed during 2000	6,840,707	-	187,794	192,600	2,521,452	3,109,432	12,851,985
Transfer to statement of revenues and expenditure							
Expenditure incurred on projects in 2000	(4,500,646)	(153,074)	(175,652)	(246,797)	(999,583)	(1,010,577)	(7,086,329)
Administrative Fees	-	-	-	(12,600)	-	(84,896)	(97,496)
Prior year allocation adjustment	(41,659)	34,895	6,764	-	-	-	-
Reduction in value of projects due to currency fluctuations	-	-	-	-	(404,555)	-	(404,555)
Adjustment for Closed Projects	(10,690)	(239)	(502)	-	-	(30,593)	(42,024)
Balance at 31 December 2000	6,534,496	39,942	149,081	260,167	2,379,827	2,338,457	11,701,970

Note : The STCU charges the Designated Contributed Capital account for each Funding Party based on its share of the funding of the project agreement. The prior year allocation adjustment is a reclassification of project expenditures that were incorrectly charged to Sweden and Canada in prior years, and should have been charged to the United States. This incorrect classification of project expenditures usually arises due to the infrequent changing of funding percentages of the funding parties in a particular project agreement.

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12. Designated capital contributions - administration

	United States	Sweden	Canada	Japan	European Union	Partners	Ukraine	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2000	876,455	-	188,428	-	376,072	-	-	1,440,955
Additional Contribution for 2000	-	-	-	-	-	-	15,149	15,149
Transfer to Statement of Revenues and Expenditure	(876,455)	-	(188,428)	-	(376,072)	-	(15,149)	(1,456,104)
Administrative budget 2001	933,616	-	189,630	-	357,626	-	-	1,480,872
Balance at 31 December 2000	933,616	-	189,630	-	357,626	-	-	1,480,872

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13. Designated capital contributions - supplemental

	United States	Sweden	Canada	Japan	European Union	Partners	Ukraine	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2000	-	-	-	-	-	-	-	-
Supplemental Budgets Approved	2,446,840	-	14,800	-	232,625	-	-	2,694,265
Transfer to Statement of Revenues and Expenditure	-	-	-	-	-	-	-	(71,885)
Balance at 31 December 2000	2,374,955	-	14,800	-	232,625	-	-	2,622,380

14. Designated capital contributions – building fund

	United States	Sweden	Canada	Japan	European Union	Partners	Ukraine	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2000	-	-	-	-	-	-	-	-
Surplus Administrative Budget Revenues	152,162	-	64,884	-	88,687	-	-	305,733
Balance at 31 December 2000	152,162	-	64,884	-	88,687	-	-	305,733

Note : At the Eleventh Board of Governors Meeting (Dec. '00) of the STCU, the Governing Board decided not to offset the surplus (underspend) of the 2000 Administrative Operating Budget against the contributions required of the Funding Parties for the 2001 Administrative Operating Budget as mandated in the Financial Regulations of the STCU. The Governing Board instructed the STCU to establish a Building Fund with this surplus, with the intention of utilizing this fund to renovate to Western standards a different headquarters facility to be provided in the future by the Government of Ukraine.

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15. Un-designated capital contributions

	United States	Sweden	Canada	Japan	European Union	Partners	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2000	5,527,333	-	51,592	512,972	1,048,582	80,985	(93,466)	7,127,998
Advances received from funding parties	18,262,183	-	-	-	428,377	1,863,000	-	20,553,560
Transfer to designated capital for signed projects	(6,923,796)	-	(45,000)	(192,600)	(82,521)	(772,965)	-	(8,016,882)
Closed projects	10,690	-	502	-	-	(79)	-	11,113
Allocation of surplus income for 2000	1,089,113	13,536	82,648	40,900	139,103	130,415	-	1,495,715
Adjustment for 2000 administrative budget	(87,318)	-	-	-	(358,459)	-	-	(445,777)
Adjustment for 2000 other purposes	(538,677)	-	541	-	(233,911)	-	-	(772,047)
Euro Revaluation Losses	-	-	-	-	(110,694)	-	-	(110,694)
Transfer to A/P Sweden	(13,536)	-	(152,162)	(64,884)	-	(88,687)	-	(13,536)
Transfer to Building Fund	-	-	-	-	-	-	-	(305,733)
Net Adjustment for 2001	(936,951)	-	(17,765)	-	(28,685)	(130,415)	1,206	(1,112,610)
Administrative budget after allocation of 2000 Administrative Surplus	-	-	-	-	-	-	-	-
Balance at 31 December 2000	16,250,415	-	7,634	361,272	713,105	1,170,941	(92,260)	18,411,107

Note : The amount of \$ 1,206 under 'Other' relates to the performance of the 1999 and 2000 audit. This amount is a timing difference between when the audit cost is accrued as an expense for financial statement purposes, and when the amount is accounted for in the Administrative Operating Budget. The audit cost is expensed in the year before it is included in the AOB. Thus, the 2000 audit cost is accrued as an expense in the 2000 Fiscal Year Financial Statements; however, the cash disbursement will affect the 2001 AOB.

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16. Cash received from funding parties

	2000	1999
	USD	USD
Canada	309,404	311,313
Sweden	29,279	71,925
Ukraine	154,348	(91,409)
Partners	3,281,492	822,561
United States	20,371,596	6,106,986
European Union	2,939,487	1,190,873
Japan	<u>(12,600)</u>	<u>(34,300)</u>
	<u>27,073,006</u>	<u>8,377,949</u>

17. Financial commitments

a) **Science and Technology Center in Ukraine**

No material commitments existed at 31 December 2000.

b) **Funding parties**

At 31 December 2000 the funding parties had approved but not signed 124 projects with a total funding of \$12,863,741. The agreements for these projects are expected to be signed in 2001.

18. Expenditures borne directly by funding parties

Under the terms of the various agreements by which the funding parties set up the Science and Technology Center in Ukraine, certain executive and senior staff salaries are borne by the funding parties.