

1. Project Expenditure

	USD
Amounts charged to the Statement of Revenues and Expenditure:	
2001	10,100,633
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 2001	<u>38,779,823</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

	2001 USD	2000 USD
a) Administrative Operating Budget		
Business Operations	240,825	166,598
Public Affairs	29,024	46,012
Personnel	506,426	453,534
Personnel Support and Development	129,795	107,921
Sustainability Group Operations	9,928	138,658
Legal, Auditing, and Banking	170,832	159,126
Fixed Assets	27,897	36,555
Headquarters and Branch Offices	35,688	33,299
Contingency	-	6,401
	<u>1,150,415</u>	<u>1,148,104</u>

Included within 'Legal, auditing and banking' are exchange losses of \$1,026 (2000 - \$1,063).

'Personnel' costs comprises grants made to the grantees in the STCU headquarters and three branch offices located in Lviv, Kharkiv, and Dnipropetrovsk and two information offices located in Tashkent and Tbilisi.

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	2001 USD	2000 USD
b) Supplemental Budget		
Technical, Collaborator and Contractor Travel Support	25,175	19,293
Information Technology Support	18,096	-
Business Training/ Sustainability Group Support	52,009	-
Patent Support	32,815	-
Travel and Mobility Support	86,741	2,118
Expert Contact	82	-
Expert Review and Advisors	12,810	-
Service Contracts	555,728	50,474
	<u>783,456</u>	<u>71,885</u>

3. Exceptional Gain – Bankers House

Upon the recommendation of the secretariat of the STCU, 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 was presented as an Exceptional Gain in the financial statements of December 31, 2000.

In late June 2001, the STCU received a payment from Bankers House in the sum of \$164,543. After attorney's fees, the sum of \$139,851 is reflected as an Exceptional Gain.

Although the STCU has recovered most of the 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 \$1,745,590 comprises the following;

	2001 USD	2000 USD
Surplus Administrative Budget Revenues	336,600	306,794
Investment Income	1,262,219	1,107,353
Bankers House Gain	139,851	81,557
Other Revenue	6,920	1,206
	<u>1,745,590</u>	<u>1,496,910</u>

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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, Georgia and Uzbekistan. Management of the STCU continues discussions with the Governments of Ukraine, Georgia and Uzbekistan to investigate the possibility of establishing a procedure to recover project VAT for purchases made within Ukraine, Georgia and Uzbekistan, 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. Project items purchased abroad by the STCU and imported into Ukraine, Georgia and Uzbekistan are exempt from VAT.

The VAT on Administrative expenditures for 2001 has been credited back to the corresponding expense account to which it relates.

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

	2001 USD	2000 USD
Canada	31,122	173,263
European Union	1,524,480	534,361
Partners	1,174,509	625,621
	<u>2,730,111</u>	<u>1,333,245</u>

Amounts Due From Funding Parties – Due After One Year

	2001 USD	2000 USD
European Union	397,184	223,783
Partners	148,900	149,246
	<u>546,084</u>	<u>373,029</u>
Total due from funding parties	<u>3,276,195</u>	<u>1,706,274</u>

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7. Other receivables

	2001	2000
	USD	USD
Grants in Advance	-	6,124
VAT Recoverable	20,735	13,646
Other Receivables	19,097	6,162
	<u>39,832</u>	<u>25,932</u>

8. Prepayments and accrued income

	2001	2000
	USD	USD
Prepayments	14,203	13,450
Accrued Interest	45,140	166,038
	<u>59,343</u>	<u>179,488</u>

9. Amounts payable projects

	2001	2000
	USD	USD
Overhead Retainage	259,204	184,408
Grants Payable	1,317,035	949,276
	<u>1,576,239</u>	<u>1,133,684</u>

10. Other creditors

	2001	2000
	USD	USD
Amounts due to Sweden	102,822	87,045
Amounts due to Canada	78,610	-
	<u>181,432</u>	<u>87,045</u>

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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 2001	6,534,496	39,942	149,081	260,167	2,379,827	2,338,457	11,701,970
New Projects Signed During 2001	7,701,459	-	283,085	13,500	2,404,263	3,037,344	13,439,651
Adjustment of Project Agreement Amounts	356	-	548	-	(21,942)	-	(21,038)
Correction of Funding Allocations and Write-offs	(35,870)	(1,856)	(2,761)	320	8,830	(42,785)	(74,122)
Adjustment for Project Agreements Signed in 2000	500,010	-	-	-	-	-	500,010
Revaluation of Project Agreements	-	-	-	-	(62,342)	(6,819)	(69,161)
Adjustment for Closed Projects	(2,041)	(76)	(371)	(18)	(28,809)	(2)	(31,317)
Transfer to Statement of Revenues and Expenditure							
Expenditure Incurred on Projects in 2001	(5,447,114)	(35,097)	(168,005)	(164,283)	(2,029,821)	(2,256,313)	(10,100,633)
Balance at 31 December 2001	9,251,296	2,913	261,577	109,686	2,650,006	3,069,882	15,345,360

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 correction of funding allocations is a reclassification of project expenditures that were incorrectly charged to the various Funding Parties.

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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 2001	933,616	-	189,630	-	357,626	-	-	1,480,872
Additional Contribution for 2001	-	-	-	-	-	-	13,063	13,063
Transfer to Statement of Revenues and Expenditure	(933,616)	-	(189,630)	-	(357,626)	-	(13,063)	(1,493,935)
Administrative Budget 2002	896,207	-	130,027	-	304,406	-	-	1,330,640
Balance at 31 December 2001	896,207	-	130,027	-	304,406	-	-	1,330,640

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 2001	2,374,955	-	14,800	-	232,625	-	-	2,622,380
Supplemental Budgets Approved	661,400	-	5,178	-	937,774	-	-	1,604,352
Transfer to Statement of Revenues and Expenditure	(514,088)	-	(5,976)	-	(263,392)	-	-	(783,456)
Balance at 31 December 2001	2,522,267	-	14,002	-	907,007	-	-	3,443,276

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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 2001	152,162	-	64,884	-	88,687	-	-	305,733
Transfer to Undesignated Capital Contributions	(152,162)	-	(64,884)	-	(88,687)	-	-	(305,733)
Balance at 31 December 2001	-	-	-	-	-	-	-	-

Note : At the Eleventh Board of Governors Meeting (December 2000) 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. Subsequently, at the Thirteenth Board of Governors Meeting (December 2001), with the issue of the current STCU facility seemingly resolved, the Governing Board decided to utilize the amount in this account against the contributions required of the Funding Parties for the 2002 Administrative Operating Budget.

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15. Undesignated Capital Contributions

	United States	Sweden	Canada	Japan	European Union	Partners	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 January 2001	16,250,415	-	7,634	361,272	713,105	1,170,941	(92,260)	18,411,107
Advances Received from Funding Parties	7,060,000	-	-	-	303,087	358,843	-	7,721,930
Reserves Received from Funding Parties	-	-	-	-	49,159	-	-	49,159
Transfer to Designated Capital for Signed Projects	(7,701,459)	-	-	(14,445)	(175,657)	(991,143)	-	(8,882,704)
Adjustment for Closed Projects	2,041	76	371	18	28,809	2	-	31,317
Allocation of Surplus Income for 2001	1,401,264	15,890	123,685	19,047	185,692	12	-	1,745,590
Adjustment for 2001 Supplemental Budget	-	-	-	-	(399,790)	-	-	(399,790)
Adjustment for 2001 Other Purposes	95,609	(189)	17,241	-	36,371	(13)	6,920	155,939
Adjustment for Project Agreements signed in 2000	(500,010)	-	-	-	-	-	-	(500,010)
Transfer to A/P Funding Party	-	(15,777)	(78,610)	-	(23,016)	-	-	(117,403)
Transfer from Building Fund	152,162	-	64,884	-	88,687	-	-	305,733
Transfer to Designated Capital - Supplemental Budget	(661,400)	-	(5,178)	-	-	-	-	(666,578)
Transfer to Designated Capital - Administrative Budget	(896,207)	-	(130,027)	-	(304,406)	-	-	(1,330,640)
Balance at 31 December 2001	15,202,415	-	-	365,892	502,041	538,642	(85,340)	16,523,650

Note : The amount of \$6,920 under 'Other' relates to the performance of the 2000 and 2001 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 2001 audit cost is accrued as an expense in the 2001 Fiscal Year Financial Statements; however, the cash disbursement will affect the 2002 AOB.

16. Cash received from funding parties

	2001	2000
	USD	USD
Canada	372,288	309,404
Sweden	(3,832)	29,279
Ukraine	13,063	154,348
Partners	1,806,897	3,281,492
United States	7,240,721	20,371,596
European Union	1,894,717	2,939,487
Japan	(625)	(12,600)
	<u>11,323,229</u>	<u>27,073,006</u>

17. Financial commitments

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

No material commitments existed at 31 December 2001.

b) **Funding parties**

At 31 December 2001 the funding parties had approved but not signed 98 projects with a total funding of \$13,354,945 (2000 - \$12,863,741). The agreements for these projects are expected to be signed in 2002.

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.