SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

Financial Statements for the
Year Ended 31 December 2010

Lubbock Fine
Chartered Accountants
Registered Auditors

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the financial statements, set out on pages 3 to 25, of the Science and Technology Center in Ukraine as at 31 December 2010 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, Accounting Policies and the Notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Science and Technology Center in Ukraine is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement; whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following three paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 the auditors' 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 the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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 the accounting policies 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.

Basis for Qualified 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 grant claims made by the recipient institutes include amounts for which they may have received reimbursements from other funding sources. There were no alternative audit procedures that we could adopt to confirm this.

As more fully explained in the Accounting Policies, Property, plant and equipment used for both the Center and the projects funded by the Science and Technology Center in Ukraine, which have useful lives extending beyond the current year, were expensed immediately on acquisition to the Statement of Revenues and Expenditure. 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 Standard 16 requires Property, plant and equipment to be capitalized and depreciated over their expected useful lives. Capitalization and depreciation of Property, plant and equipment used for the Center and projects would have a consequential effect on the accompanying financial statements if it were applied. We are unable to quantify the effect on the financial statements of this departure from International Accounting Standard 16.

Qualified Opinion

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 2010, and of the results of its operations and its cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

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19-4-11

Overview of the Science and Technology Center in Ukraine (STCU)

The Science and Technology Center in Ukraine (STCU) is an intergovernmental organization dedicated to nonproliferation of technologies and expertise related to weapons of mass destruction, including nuclear, biological and chemical weapons, and their delivery systems.

The United States, Canada, Sweden and Ukraine signed the agreement establishing the Science and Technology Center in Ukraine on October 25, 1993 (referred to as "the STCU agreement"). The European Communities acceded to the STCU agreement on November 26, 1998, and in so doing, replaced Sweden as a party to the STCU agreement.

The STCU helps develop, finance and monitor science and technology projects that engage the former Soviet weapons community in Ukraine, Azerbaijan, Uzbekistan, Georgia, and Moldova in peaceful civilian activities. The Funding Parties of STCU projects include: the signatories to the STCU agreement, Japan as a sponsor of the STCU agreement and Partners (government and non-government) approved by the Board of Governors.

The STCU is a legal entity and has been registered by the Ministry of Foreign Affairs of Ukraine as an intergovernmental organization with its headquarters in 7a Metalistiv Street Kyiv 03057. The STCU has an international staff of 59 (2009 – 60) full time scientific, financial and administrative experts.

Basis of Preparation

The financial statements represent the results of the STCU as an individual entity and have been prepared under the historic cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) except for International Accounting Standard (IAS) 16 relating to Property, plant and equipment as explained in the policy for Property, plant and equipment.

The financial statements have been prepared in United States Dollars (USD), as required by the STCU's Financial Regulations.

Project Activity

The STCU authorizes and funds scientific projects which are performed at institutions within Ukraine, Azerbaijan, Uzbekistan, Georgia, and Moldova. Projects are financed by the Funding Parties either individually or jointly. All project agreements include a maximum amount of funding to be provided by the Funding Parties.

The project activity is accounted in the financial statements as follows:

Project Recognition

The projects are only recognized after signature of the project agreement between the STCU and the recipient institutes. Upon signature, the total project value is credited to the relevant Funding Parties Designated Capital Account in proportion to the level of funding agreed by each party. To the extent that the value of the signed projects are not covered by advance payments from the respective Funding Parties, a receivable is set up in the financial statements.

Project Expenditure

Project costs consist of three main components: grants to scientists, equipment and overhead. The STCU, being a non-profit making inter-governmental organization, does not envisage that any economic benefits will accrue to it in the foreseeable future from the financing of these projects. Accordingly all project costs incurred, including the purchase of project equipment, are charged immediately to the Statement of Revenues and Expenditure. Projects are performed on a cost reimbursable basis, with a ceiling of funds specified in the project agreements.

The STCU temporarily retains 50 percent of the allowable overhead for the individual projects, in accordance with the project agreements, until the submission, and acceptance of, the financial and technical reports prepared by the project recipients.

When a project has been completed, any funds committed in excess of actual costs are credited back to the relevant Funding Parties’ Undesignated Capital Contributions Account.

Project Revenues

Project revenues recognized during the year in the Statement of Revenues and Expenditure are amounts equal to the total value of project expenditure incurred and written off during the year. These revenues are transferred from the Funding Parties Designated Capital Accounts for Projects.

Administrative and Supplemental Revenues and Expenditure

Administrative Operating Budget

Administrative Revenues recognized in the Statement of Revenues and Expenditure during the year equate to the amounts approved by the Board of Governors for the Administrative Operating Budget for the year. The budget is set and agreed at meetings of the Board of Governors in the previous financial year. The agreed budgeted amounts are transferred from the Designated Capital Accounts for Administrative Expenses of the United States, Canada, the European Union, and Ukraine.

Administrative Expenses are charged to the Statement of Revenues and Expenditure when incurred and are matched against the Administrative Revenues for the year.

Any surplus/(deficit) Administrative Revenues arising during the year are re-allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as the Administrative Revenues contributions.

Supplemental Budget

Supplemental Budgets are approved by the Board of Governors to provide funding for activities that are outside the scope of the Administrative Operating Budget and not directly related to the implementation of projects. Upon agreement of the Supplemental Budgets at Governing Board Meetings the total amount of such budgets approved are credited to the relevant Funding Parties' Designated Capital Accounts for Supplemental Budgets in proportion to the level of funding agreed by each party.

Supplemental Budget expenses are charged to the Statement of Revenues and Expenditure when incurred. Supplemental Budget revenues recognized in the year are amounts equal to the value of the Supplemental Budget expenditure incurred in the year. These revenues are transferred from the Funding Parties' Designated Capital Accounts for Supplemental Budgets.

Partner Fees and Interest

Partner projects may be charged a fee, usually 5% of the total project cost, for the services provided by the STCU to administer the project, which are recognized in the Statement of Revenues and Expenditure. The surplus partner fees are allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as their Administrative Revenues contributions.

Interest earned on Funding Party bank accounts is recognized in the Statement of Revenues and Expenditure. Surplus interest earned is allocated to the Funding Parties Undesignated Capital Contributions Accounts, with the exception of Partner interest earned, which is allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as their Administrative Revenues contributions. Interest earned on administrative and supplemental bank accounts is allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as their Administrative Revenues contributions.

Property, Plant and Equipment

Property, plant and equipment are acquired either for the Center's own use or for the projects and comprises of the following:

Center

Property and equipment acquired by the Center for administrative operations consist of vehicles, office furniture and equipment, including computer hardware and software and communications devices. All commitments and expenditures for administrative equipment are made in accordance with the Board's approved annual budget.

The cost of the Center's equipment is charged to the Statement of Revenues and Expenditure when acquired.

Project Equipment

Since the STCU does not expect to derive any foreseeable economic benefits from the ownership of project equipment, the expenditure incurred during the year on equipment under each project, is written off to the Statement of Revenues and Expenditure.

IAS 16 requires Property, plant and equipment with useful lives of beyond the current accounting period be capitalized and depreciated over their useful lives. The management believe that because of the unusual nature and circumstances of its activities, strict interpretation and application of this standard would not properly match the revenues specifically contributed by the funding parties with the related expenditure. Accordingly, the property, plant and equipment acquired for use by the Center and also the projects are charged in full upon acquisition to the Statement of Revenues and Expenditure in accordance with the accounting policy for property, plant and equipment set out above.

Foreign Currency Transactions

All foreign currency transactions are converted into USD at the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from movements in the exchange rates between the date of the transactions and the date of settlement are charged to the Statement of Revenues and Expenditure under the administrative operating budget in the period incurred. Activities in Azerbaijan, Uzbekistan, Georgia, and Moldova are transacted in USD or Euros and, therefore do not result in any gains or losses from currency exchanges except those arising from USD to Euro exchange differences.

Assets, liabilities and capital denominated in foreign currencies are translated into USD at the rates of exchange ruling at the balance sheet date.

European Union Funded Projects

Project agreements are concluded in Euros if solely funded by the European Union, and in USD if projects are jointly funded.

For project agreements concluded in USD (jointly funded), the European Union provides funding in Euros, before the projects are signed by the STCU Executive Director, and the STCU immediately converts the Euros upon receipt into USD. The total amount of USD provided by the European Union is therefore known before the start of the project, and thus the project agreements are written to match the amount of USD received.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Receivables – Amounts due from funding parties

Amounts due from funding parties are recognised on signature of the project agreement or approval of the Administrative Operating Budget or Supplemental Budget and are carried forward at invoiced amount.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Amounts payable

Amounts payable are recognised and carried forward at invoiced amounts. All non-derivative financial liabilities are carried at their expected contractual cash flows and are anticipated to be settled within a period of less than one year.

Designated capital

Designated capital represents funding party contributions to the STCU which have been designated for a specific purpose by that funding party. Designated capital is initially recognised at committed amounts.

Undesignated capital

Undesignated capital represents funding party contributions to the STCU which have yet to be designated. Undesignated capital is initially recognised at the received amount.

Capital management

The capital of the STCU is represented by the net assets attributable to funding parties. The STCU's objectives in managing capital are to safeguard the assets of the funding parties to enable the STCU to continue as a going concern and enable the future funding of project expenditure.

All significant capital decisions such as project funding, transfers of capital, investment of capital and returns of capital to funding parties, require approval by the funding parties at six-monthly meetings of the governing board or otherwise. As such, the management of the STCU does not actively manage its capital on a day-to-day basis.

Adoption of new and revised standards

The following new standards, amendments and interpretations are mandatory for the first time for the financial year ended 31 December 2010 but have not had a material effect on the financial statements:

- Revised IFRS 3, 'Business combinations'
- IAS 27, 'Consolidation and separate financial statements'
- IFRIC 17, 'Distribution of non-cash assets to owners'

The following new standards, amendments and interpretations are in issue but are not yet effective, have not been adopted early and are not expected to have a material effect on the financial statements in the first period of application:

- IAS 24, 'Related party disclosures'
- IFRS 9, 'Financial instruments'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- IFRIC 14, 'Prepayments of a minimum funding requirement'
- Amendment to IAS 32, 'Classification of rights issues'
- Amendments to IFRS 1, 'Limited exemption from comparative IFRS 7 disclosures'
- Amendments to IFRS 7, 'Disclosures – Transfer of financial assets'
- Improvements to IFRS 2010 (annual improvements project)

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATEMENT OF REVENUES AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 USD	2009 USD
REVENUES			
Project Revenue		14,938,320	15,902,171
Administrative Revenue			
- Administrative Operating Budget		1,778,340	1,875,809
- Supplemental Budget		2,399,954	2,566,932
Partner Fees		123,612	211,291
Interest Income		76,891	264,431
		19,317,117	20,820,634
EXPENDITURE			
Project Expenditure	**1**	14,938,320	15,902,171
Administrative Expenditure	**2**		
- Administrative Operating Budget		1,656,795	1,526,567
- Supplemental Budget		2,399,954	2,566,932
		18,995,069	19,995,670
NET SURPLUS	**3**	322,048	824,964

There are no recognised gains or losses other than the results for the year as set out above.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 USD	2009 USD
CURRENT ASSETS			
Receivables			
Amounts due from funding parties	**5**	5,313,818	9,570,229
Other receivables	**6**	25,069	51,501
Prepayments and accrued income	**7**	73,286	38,100
Cash and cash equivalents		27,851,846	26,688,193
		33,264,019	36,348,023
CURRENT LIABILITIES			
Amounts payable – projects	**8**	(1,692,808)	(1,612,510)
Amounts payable – non-project		(164,810)	(155,430)
		(1,857,618)	(1,767,940)
TOTAL ASSETS LESS LIABILITIES		31,406,401	34,580,083
CAPITAL CONTRIBUTIONS			
Designated capital – projects	**9**	14,406,250	18,663,649
Designated capital – administration	**10**	1,675,139	1,778,340
Designated capital – supplemental	**11**	3,811,570	3,795,231
Undesignated capital	**12**	11,513,442	10,342,863
		31,406,401	34,580,083

The Governing Board of the Science and Technology Center in Ukraine will approve the financial statements at the next Governing Board meeting and have the power to amend the financial statements after issue.

Signed on behalf of
The Science and Technology Center in Ukraine 19 APR **2011**

Andrew A. Hood – Executive Director

Curtis M. Bjelajac – Chief Financial Officer

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 USD	2009 USD
Cash Flows from Operations			
Cash Inflows			
Net Cash Received from Funding Parties	**13**	20,648,771	14,066,756
Interest Income and Partner Fees Received		168,222	478,875
Total Cash Inflows		20,816,993	14,545,631
Cash Outflows			
Project Expenditure		(14,858,171)	(17,192,775)
Administrative and Supplemental Expenditure		(4,023,691)	(4,188,956)
Total Cash Outflows		(18,881,862)	(21,381,731)
Net Cash Inflows/(Outflows) From Operations		1,935,131	(6,836,100)
Net Revaluation (Losses)/Gains		(771,478)	310,993
Cash and cash equivalents at 1 January		26,688,193	33,213,300
Cash and cash equivalents at 31 December		27,851,846	26,688,193

The net revaluation (losses)/gains principally relate to amounts contributed from funding parties in currencies other than USD which are held in the source currency of the original contribution. These notional cash (losses)/gains are fully offset by revaluations of funding parties capital accounts held in a source currency other than USD. Revaluation (losses)/gains are not actual cash movements but a reflection of the changing value of the source currency. Foreign currency risk is managed as set out in the Note 15.

1. Project Expenditure

	USD
Amounts charged to the Statement of Revenues and Expenditure:	
2010	14,938,320
2009	15,902,171
2008	18,657,918
2007	19,305,482
2006	17,434,164
2005	16,291,450
2004	17,675,237
2003	17,937,532
2002	12,317,194
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 2010	189,239,291

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 2,500 USD 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

	2010 USD	2009 USD
a) Administrative Operating Budget		
Business Operations	278,481	322,163
Public Affairs	21,786	14,471
Personnel	782,966	748,743
Personnel Support and Development	213,262	201,199
Legal, Auditing and Banking	266,464	86,093
Property, Plant and Equipment	46,331	95,332
Headquarters and Branch Offices	47,505	58,566
	1,656,795	1,526,567

Included within ‘Legal, auditing and banking’ are exchange losses of 81,787 USD (2009 – gains of 140,099 USD).

2. Administrative Expenditure *(continued)*

Personnel costs comprises grants made to the grantees in the STCU headquarters and six regional offices located in Lviv, Kharkiv, Baku, Tashkent, Chisinau, and Tbilisi. The Tashkent office closed on 30 June 2010.

From March 2009, the STCU have occupied offices provided by the Ukrainian government for which the STCU does not pay rental or utility charges. No reliable estimate can be made of the fair value of the rental and utility benefit provided in 2009 or 2010.

	2010 USD	**2009 USD**
b) Supplemental Budget		
Technical, Collaborator and Contractor Travel Support	63,086	54,425
Information Technology Support	-	(1,050)
Business Training/ Sustainability Group Support	121,571	163,644
Patent Support	24,789	25,223
Travel and Mobility Support	298,921	445,205
Expert Review and Advisors	42,372	46,701
Seminars/ Workshops Support	29,482	55,307
Service Contracts	1,508,725	1,589,117
Targeted Training	-	7,360
Institute Sustainability	28,515	140,974
Biosecurity and Biosafety	130,711	40,026
Partner Promotion and Support	151,782	-
	2,399,954	2,566,932

3. Net Surplus Revenues Over Expenditure

The net surplus of 322,048 USD comprises the following:

	2010 USD	**2009 USD**
Surplus Administrative Budget Revenues	111,575	343,982
Investment Income	76,891	264,431
Partner Fees	123,612	211,291
Other Revenue	9,970	5,260
	322,048	824,964

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

4. 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 practical process in place for the recovery of VAT for project purchases within Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan. Management of the STCU continues discussions with the Governments of Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan to investigate the possibility of establishing a procedure to recover project VAT for purchases made within these respective countries. 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. Project items purchased abroad by the STCU and imported into Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan are exempt from VAT.

The VAT on administrative expenditures for 2010 has been credited back to the corresponding expense account to which it relates.

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

	2010 USD	**2009 USD**
United States	1,312,244	1,047,373
Canada	736,941	3,030,803
European Union	-	1,717,652
Partners	2,685,629	2,778,461
	4,734,814	8,574,289

Amounts Due From Funding Parties – Due After One Year

	2010 USD	**2009 USD**
Partners	579,004	995,940
Total due from funding parties	5,313,818	9,570,229

6. Other receivables

	2010 USD	2009 USD
VAT recoverable	11,595	22,720
Other receivables	13,474	28,781
	25,069	51,501

7. Prepayments and accrued income

	2010 USD	2009 USD
Prepayments	30,648	27,743
Accrued Interest	42,638	10,357
	73,286	38,100

8. Amounts payable – projects

	2010 USD	2009 USD
Grants Payable	1,032,762	927,624
Overhead Payable	69,594	55,899
Overhead Retainage	590,452	628,987
	1,692,808	1,612,510

9. Designated Capital Contributions – Projects

Designated Capital Contributions (DCC) represent the amounts committed on signed projects net of project expenditures incurred to date.

	United States	Canada	European Union	Partners	Total
	USD	USD	USD	USD	USD
Balance at January 1, 2010	1,957,214	2,577,422	5,713,370	8,415,643	18,663,649
New Projects Signed During 2010	798,701	1,047,573	3,303,555	7,548,186	12,698,015
Revaluation of Project Agreements	-	-	(416,938)	(155,206)	(572,144)
Adjustment for Closed Projects	(610,649)	(3,388)	(190,412)	(640,501)	(1,444,950)
Transfer to Statement of Revenues and Expenditure					
Expenditure Incurred on Projects in 2010	(987,062)	(1,760,503)	(4,503,878)	(7,686,877)	(14,938,320)
Balance at December 31, 2010	1,158,204	1,861,104	3,905,697	7,481,245	14,406,250

Note: Included within DCC projects in 2010 is Nil USD (2009 –1,291,524 USD) relating to signed projects in Uzbekistan which have yet to commence. Management of the STCU believe these projects will not take place due to current difficulties between the STCU and the Government of Uzbekistan and in 2010 the funding has been returned to undesignated capital of the funding parties. This is included within the adjustment for closed projects.

9. Designated Capital Contributions – Projects *(continued)*

Designated Capital Contributions (DCC) represent the amounts committed on signed projects net of project expenditures incurred to date.

	United States	Canada	European Union	Partners	Total
	USD	**USD**	**USD**	**USD**	**USD**
Balance at January 1, 2009	2,124,568	2,092,200	7,616,876	7,656,664	19,490,308
New Projects Signed During 2009	1,627,313	2,248,668	3,862,967	7,621,129	15,360,077
Revaluation of Project Agreements	-	-	173,814	52,216	226,030
Adjustment for Closed Projects	(58,716)	(1,125)	(39,829)	(410,925)	(510,595)
Transfer to Statement of Revenues and Expenditure					
Expenditure Incurred on Projects in 2009	(1,735,951)	(1,762,321)	(5,900,458)	(6,503,441)	(15,902,171)
Balance at December 31, 2009	1,957,214	2,577,422	5,713,370	8,415,643	18,663,649

Note: Included within DCC projects at 31 December 2009 was 1,291,524 USD (2008 –1,287,954 USD) relating to signed projects in Uzbekistan which had yet to commence. At 31 December 2009, management of the STCU believed there was still a possibility that these projects would take place.

10. Designated Capital Contributions – Administration

	United States USD	Sweden USD	Canada USD	European Union USD	Partners USD	Ukraine USD	Total USD
Balance at January 1, 2009	613,305	-	341,397	921,107	-	-	1,875,809
Transfer to Statement of Revenues and Expenditure	(613,305)	-	(341,397)	(921,107)	-	-	(1,875,809)
Administrative Budget 2010	499,884	-	437,310	841,146	-	-	1,778,340
Balance at January 1, 2010	499,884	-	437,310	841,146	-	-	1,778,340
Transfer to Statement of Revenues and Expenditure	(499,884)	-	(437,310)	(841,146)	-	-	(1,778,340)
Administrative Budget 2011	652,434	-	364,848	657,857	-	-	1,675,139
Balance at December 31, 2010	652,434	-	364,848	657,857	-	-	1,675,139

11. Designated Capital Contributions – Supplemental

	United States	Sweden	Canada	European Union	Partners	Ukraine	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at January 1, 2009	1,153,652	112,410	1,097,000	1,081,291	255,566	-	3,699,919
Supplemental Budgets Approved	966,000	-	1,366,000	1,172,439	12,000	-	3,516,439
Transfer from/(to) Undesignated Capital Contributions	(146,079)	615	(410,882)	(295,074)	-	-	(851,420)
Adjustment for Revaluation	-	-	-	(2,775)	-	-	(2,775)
Transfer to Statement of Rev. and Exp.	(1,007,573)	(64,043)	(686,118)	(783,441)	(25,757)	-	(2,566,932)
Balance at January 1, 2010	966,000	48,982	1,366,000	1,172,440	241,809	-	3,795,231
Supplemental Budgets Approved	831,667	-	995,667	1,000,620	792,309	-	3,620,263
Transfer from/(to) Undesignated Capital Contributions	(85,935)	92	(555,067)	(376,481)	-	-	(1,017,391)
Adjustment for Revaluation	-	-	-	(84,060)	-	-	(84,060)
Transfer to DCC – Projects Biosecurity and Biosafety Projects Signed	-	-	(102,519)	-	-	-	(102,519)
Transfer to Statement of Rev. and Exp.	(880,065)	(25,322)	(708,414)	(711,898)	(74,255)	-	(2,399,954)
Balance at December 31, 2010	831,667	23,752	995,667	1,000,621	959,863	-	3,811,570

12. Undesignated Capital Contributions

	United States	Sweden	Canada	Japan	European Union	Partners	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at January 1, 2010	3,267,054	-	410,882	-	2,000,958	4,753,869	(89,900)	10,342,863
Advances Received from Funding Parties	875,000	-	995,338	-	7,193,610	4,449,459	-	13,513,407
Transfer to Designated Capital for Signed Projects	(798,701)	-	(820,074)	-	(3,303,555)	(3,680,400)	-	(8,602,730)
Adjustment for Closed Projects	610,649	-	3,388	-	190,412	585,974	-	1,390,423
Allocation of Surplus Income for 2010	88,700	92	70,919	-	162,336	-	-	322,047
Adjustment for 2010 Other Purposes	(2,779)	-	(2,412)	-	(4,779)	-	9,970	-
Adjustment for Revaluation	-	-	-	-	(167,995)	1,732	-	(166,263)
Transferred Between Funding Parties	232,369	-	-	-	-	(232,369)	-	-
Returned to Funding Parties	-	-	-	-	-	-	-	-
Transfer from Designated Capital – Supplemental Budget	85,935	-	555,067	-	376,481	-	-	1,017,483
Transfer to Designated Capital – Supplemental Budget	(966,000)	(92)	(669,608)	-	(2,106,311)	(740,629)	-	(4,482,640)
Transfer to Designated Capital - Administrative Budget	(253,230)	-	(364,848)	-	(1,203,070)	-	-	(1,821,148)
Balance at December 31, 2010	3,138,997	-	178,652	-	3,138,087	5,137,636	(79,930)	11,513,442

Note: The amount of 9,970 USD under ‘Other’ relates to the performance of the 2009 and 2010 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 2010 audit cost is accrued as an expense in the 2010 Fiscal Year Financial Statements; however, the cash disbursement will affect the 2011 AOB.

12. Undesignated Capital Contributions *(continued)*

	United States	Sweden	Canada	Japan	European Union	Partners	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at January 1, 2009	4,993,382	-	56,144	34,507	3,260,496	4,910,717	(95,160)	13,160,086
Advances Received from Funding Parties	392,000	-	-	-	3,674,880	3,566,355	-	7,633,235
Transfer to Designated Capital for Signed Projects	(1,627,313)	-	(50,000)	-	(3,862,967)	(3,596,370)	-	(9,136,650)
Adjustment for Closed Projects	58,716	-	1,125	-	39,829	262,766	-	362,436
Allocation of Surplus Income for 2009	274,149	615	153,020	34	397,146	-	-	824,964
Adjustment for 2009 Other Purposes	(1,717)	-	(901)	-	(2,642)	18,513	5,260	18,513
Adjustment for Revaluation	-	-	-	-	241,841	-	-	241,841
Transferred Between Funding Parties	386,424	-	-	-	-	(386,424)	-	-
Returned to Funding Parties	-	-		(34,541)	-	(21,688)	-	(56,229)
Transfer from Designated Capital – Supplemental Budget	146,079	-	410,882	-	295,074	-	-	852,035
Transfer to Designated Capital – Supplemental Budget	(936,155)	(615)	-	-	(993,467)	-	-	(1,930,237)
Transfer to Designated Capital - Administrative Budget	(418,511)	-	(159,388)	-	(1,049,232)	-	-	(1,627,131)
Balance at December 31, 2009	3,267,054	-	410,882	-	2,000,958	4,753,869	(89,900)	10,342,863

Note: The amount of 5,260 USD under ‘Other’ relates to the performance of the 2008 and 2009 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 2009 audit cost is accrued as an expense in the 2009 Fiscal Year Financial Statements; however, the cash disbursement will affect the 2010 AOB.

13. Net cash received from funding parties

	2010 USD	2009 USD
Canada	3,740,239	3,048,811
Partners	8,839,922	6,985,606
United States	875,000	392,000
Japan	-	(34,541)
European Union	7,193,610	3,674,880
	20,648,771	14,066,756

14. Financial Commitments

a) **Science and Technology Center in Ukraine**
No material commitments existed at December 31, 2010 or 2009.

b) **Funding parties**
At December 31, 2010 the funding parties had approved but not signed 18 projects with a total funding of 1,148,472 USD (2009 – 2,307,209 USD). The agreements for these projects are expected to be signed in 2011.

15. Financial Instruments

The STCU's financial instruments comprise:

- Cash, liquid resources and short term receivables and payables that arise directly from the STCU's operations.

These financial instruments are initially recorded at their nominal value and are stated in the accounts at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

The main risks arising from the STCU's financial instruments are liquidity risk, credit risk, and foreign currency risk. The STCU management reviews and agrees policies for managing each of these risks and they are summarised below.

a) Liquidity Risk
The STCU's assets comprise mainly of cash and bank deposits which are readily realisable to meet funding commitments.

b) Credit Risk
The STCU manage credit risk by only paying project expenses up to the amount of cash received from the relevant funding party. The credit risk is therefore limited to project expenses incurred in excess of cash received from the relevant funding party. At 31 December 2010 the maximum credit risk was 450,511 USD (2009 – 323,215 USD).

15. Financial Instruments *(continued)*

c) Foreign Currency Risk

The STCU's income and expenditure and net assets could be affected by currency translation movement as some of the STCU's assets and revenues are denominated in currencies other than USD. The STCU manages foreign currency risk through keeping funds in the currency of commitment (USD or Euros) and minimizing funds held in local currency.

At the year end, financial assets and liabilities held by the STCU in currencies other than USD were as follows;

	2010		
	Amounts due from Funding Parties	**Cash at Bank**	**Amounts payable**
	USD	**USD**	**USD**
Euros	731,663	10,093,058	658,033
Ukrainian Hryvna	-	61,658	14,688
Azeri Manat	-	2	-
	731,663	10,154,718	672,721

	2009		
	Amounts due from Funding Parties	**Cash at Bank**	**Amounts payable**
	USD	**USD**	**USD**
Euros	2,514,661	9,275,693	308,570
Ukrainian Hryvna	-	101,453	974
Azeri Manat	-	2	-
	2,514,661	9,377,148	309,544

15. Financial Instruments *(continued)*

c) Foreign Currency Risk *(continued)*

The following table details the effect on the Net Surplus and Capital Contributions at December 31, 2010 from a 10% change in US dollar exchange rates against the exposed currencies listed above, with all other variables held constant.

	2010		2009	
	Effect on Net Surplus USD	**Effect on Capital Contributions USD**	**Effect on Net Surplus USD**	**Effect on Capital Contributions USD**
USD increase by 10% against:				
Euros	-	(924,244)	-	(1,043,799)
Ukrainian Hryvna	(4,270)	(4,270)	(8,249)	(8,249)
Azeri Manat	-	-	-	-
	(4,270)	(928,514)	(8,249)	(1,052,048)
USD decrease by 10% against:				
Euros	-	1,016,669	-	1,148,178
Ukrainian Hryvna	4,697	4,697	11,119	11,119
Azeri Manat	-	-	-	-
	4,697	1,021,366	11,119	1,159,297

The method used to arrive at the possible risk of 10% was based on both statistical and non-statistical analyses. The statistical analysis has been based on currency movement for the last five years. This information is then revised and adjusted for reasonableness under the current economic circumstances. A standard rate of 10% is considered possible given past volatility trends.

15. Financial Instruments *(continued)*

d) Concentrations of Risk

Management has determined that the only significant concentration of risk arises in respect of the holding of the majority of cash and cash equivalents at a small number of financial institutions at the balance sheet date as follows:

	Location	2010 USD	2009 USD
Deutsche Bank	USA	17,451,088	17,267,913
BNP Paribas	Belgium	10,071,929	9,258,185
OTP Bank	Ukraine	269,920	103,061
Other	Various	58,909	59,034
		27,851,846	26,688,193

Management does not consider the risk exposure suffered as a result of this concentration of assets to be significant.