

**SCIENCE AND TECHNOLOGY
CENTER IN UKRAINE**

Financial Statements for the
Year ended 31 December 2015

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

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Independent Auditors' Report

To the Governing Board of Science and Technology Center in Ukraine

Report on the Financial Statements

We have audited the accompanying financial statements of the Science and Technology Center in Ukraine (hereinafter "STCU"), which comprise the statement of financial position as at 31 December 2015, the statements of revenues and expenditure, movements in capital contributions and cash flows for the year then ended, as set out on pages 12 to 16, and notes, comprising a summary of significant accounting policies, as set out on pages 3 to 11, and other explanatory notes, as set out on pages 17 to 32.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 these 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 these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the STCU's preparation and fair presentation of these 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 STCU's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the STCU 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 qualified 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.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to funding from multiple resources, 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphases of Matter

Without further qualifying our opinion we draw attention to accounting policies on Property and equipment disclosed on page 7 of these financial statements. Property and equipment used for both the STCU administrative purposes and the projects funded by the STCU, 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, despite departing from the requirements of International Accounting Standard 16 Property, plant and equipment.

We also draw attention to section Political and Economic Situation in Ukraine of the summary of significant accounting policies, which describes the significant deterioration in Ukraine's political and economic situation, and management's assessment of potential impact of the events in Ukraine on the STCU's operating activities, its ability to continue as a going concern, and the financial statements as at and for the year ended 31 December 2015.

KPMG Baltics SIA
Licence No 55

A handwritten signature in blue ink, appearing to be 'Armine Movsisjana'.

Armine Movsisjana
Chairperson of the Board of
KPMG Baltics SIA
Latvian certified auditor
Certificate No 178
Riga, Latvia
28 April 2016

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

The Science and Technology Center in Ukraine (STCU) is an intergovernmental organization dedicated to non-proliferation 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 25 October 1993 (referred to as “the STCU agreement”). The European Union acceded to the STCU agreement on 26 November, 1998 and in so doing, replaced Sweden as a party to the STCU agreement. Canada withdrew from the Agreement to Establish the STCU in 2013 and their unutilised funds were returned in 2014.

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 Governing Board.

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. During the financial year STCU had international staff of 35 (2014 – 40) full time scientific, financial and administrative experts.

Political and Economic Situation in Ukraine

Ukraine’s political and economic situation has deteriorated significantly since the Government’s decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine’s foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings.

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

Following a decision taken at the 39th Governing Board meeting, STCU ceased to fund activities in occupied Crimea and started the process of termination of the current projects in Crimea, in accordance with the terms of their respective project agreements. At 31 December 2015 all projects in Crimea have been terminated (at 31 December 2014, all projects had ceased operations with four

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projects having remaining balances of accounts receivable, accounts payable and capital) see Note 17 for further details.

During 2015, the economic situation in Ukraine continued to be negative. This economic downturn is primarily attributed to the rapid fall of the Ukrainian national currency, the Hryvnia, against the US dollar, which had an adverse impact on the financial sector and consumption. The Ukrainian economy is also impacted by trade disagreements with Russia, and the decline in the export prices for wheat and steel in the world.

According to the World Bank forecasts for 2015, compared to the previous year, the Ukrainian GDP shrank by 12%. As concerns growth, GDP is forecast to grow by 1% in 2016 and by 2% in 2017.

In February 2015, the second Minsk Protocol was signed and since then vast military operations have not been observed; however, there are frequent reports of provocations, which makes it difficult to forecast the outcome of the political and economic crisis and its impact on Ukraine.

Whilst management believes it is taking appropriate measures to support the sustainability of the STCU's operations in the current circumstances, a continuation of the current unstable environment could negatively affect the STCU's results and financial position in a manner not currently determinable. These financial statements reflect management's current assessment of the impact of the Ukrainian economic and political environment on the operations and the financial position of the STCU. The future economic and political environment may differ from management's assessment.

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) taking into consideration the departure from International Accounting Standard (IAS) 16 relating to Property, plant and equipment as explained in the policy for Property and equipment.

These financial statements were approved by the management of the STCU on 18 April 2016. 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 or request the preparation of new financial statements.

Functional and Presentation Currency, Foreign Currency Transactions

The U.S. dollar is the functional currency for the STCU. Accordingly, these financial statements have been prepared using U.S. dollars as the presentation currency. Use of the U.S. dollar best reflects the economic substance of the transactions and circumstances of the STCU.

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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.

The net revaluation (losses)/gains principally relate to amounts contributed or receivable 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. Revaluation gains or losses are recognized in Administrative operating budget expenditure. Effect of revaluation of Funding Parties capital accounts held in a source currency other than USD is reflected through other comprehensive income.

Foreign currency risk is managed as set out in the Note 15.

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. 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 amounts of USD received.

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:

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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, which is subsequently covered by either transfers from Undesignated Capital Contributions Accounts or direct disbursement by the Funding Parties.

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. The overhead retainage is recognized as part of amounts payable – projects.

When a project has been completed or terminated, any funds committed in excess of actual costs are credited back to the relevant Funding Parties' Undesignated Capital Contributions Account in the same proportion as the initial contributions from the Funding Parties.

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 expensed during the year. These revenues are transferred from the Funding Parties Designated Capital Accounts for Projects to the Statement of Revenues and Expenditure.

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 Governing Board for the Administrative Operating Budget for the year. The budget is set and agreed at meetings of the Governing Board in the previous financial year. The agreed budgeted amounts are transferred from the

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Designated Capital Accounts for Administrative Expenses of the United States and the European Union.

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 and the European Union in the same ratio as the Administrative Revenues contributions.

Supplemental Budget

Supplemental Budgets are approved by the Governing Board 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 to the Statement of Revenues and Expenditure 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 proportionally to the initially deferred and subsequently recognised expenses incurred during the reporting period. The surplus partner fees are allocated to the Undesignated Capital Contributions Accounts of the United States 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 as finance income. 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 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 and the European Union in the same ratio as their Administrative Revenues contributions.

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Property and Equipment

Property and equipment are acquired either for the STCU’s own use or for the projects and comprises of the following:

Center

Property and equipment acquired by the STCU 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 STCU equipment is charged to the Statement of Revenues and Expenditure when acquired.

Project Equipment

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 STCU 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 STCU informs the project of its intention to retain title.

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 “Property, Plant and Equipment” requires non-current assets to be capitalized and depreciated over their useful economic lives. Due to the project-based nature of STCU’s operations, management believes the application of these requirements would result in improper matching between the revenues contributed by the Funding Parties with the related expenses, and, accordingly conflict with the fair presentation objective of these financial statements. As a result, non-current assets acquired for use by participating institutes as part of the projects are charged to the Statement of Revenues and Expenditure upon acquisition.

Based on the management assessment, the average useful life of such non-current assets is 5 years. Total purchases of non-current assets over the last years were as follows:

	2015 USD
2010	1,605,175
2011	1,082,115
2012	1,725,653
2013	717,196
2014	1,139,536
2015	2,207,502
	<u>8,477,177</u>

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Grantee Benefits

All individuals providing services to the STCU as part of their employment agreements are considered grantees. Short term grantees benefits, including staff grants, bonuses, vacations and other benefits are included in expenses on an accrual basis. The STCU has no obligations to pay further contributions relating to grantee services in respect to payroll taxes and any pensions on the retirement of grantees.

Taxation

Under the terms of the agreement establishing the STCU and also the Statute approved by the Governing Board, 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 only 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, 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. Project items purchased abroad by the STCU and imported into Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan are exempt from VAT and import duties. Certain projects have been registered with the respective Ministry of Economy as development aid projects and are exempt from VAT on purchases within Ukraine and Moldova.

Financial Instruments

The STCU uses only non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit, receivables and amounts payable. All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities accounted for at amortized cost.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially on the date that they are originated at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset. When calculating the effective interest rate, STCU estimates future cash flows considering all contractual terms of the financial instruments.

STCU derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are

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transferred. Any interest in transferred financial assets that is created or retained by STCU is recognized as a separate asset or liability.

Financial liabilities are recognized initially on the trade date at which STCU becomes a party to the contractual provisions of the instrument at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

STCU derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, STCU has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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.

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.

Use of Estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Key sources of estimation uncertainty:

Accounting policy applied to Property and equipment: Please refer to accounting policy applied to Property and equipment, as described above.

Valuation of loans and receivables: There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if impairment exists. These risks and uncertainties include the risk that STCU's assessment of funding party's or borrower's ability to meet all of its contractual obligations will change based on changes in the credit characteristics or that the risk that the economic outlook will be worse than expected or have more of an impact on the counterparty than anticipated.

Loans and receivables are valued according to the principle of prudence and recognized at net amount due less allowances for doubtful loans and receivables.

Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable. Given the nature of the STCU funding providers, at the reporting date there was no direct exposure to potential impairment to be recognized in the Statement of Revenues and Expenditure. Credit risk exposures are summarized in Note 15 and Fair values are calculated as set out in Note 16.

New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements.

- (i) *IFRS 9 Financial Instruments (2014)* (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.);
- (ii) *IFRS 14 Regulatory deferral accounts* (Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)
- (iii) *IFRS 15 Revenue from contracts with customers* (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)
- (iv) *Amendments to IAS 1* (Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)
- (v) *Annual improvements*. Annual improvements to IFRSs 2012-2014 cycle were issued on 25 September 2014 and introduces five amendments to four standards that result in accounting changes for presentation, recognition or measurement purposes. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

None of these amendments are expected to have a significant impact on the financial statements of the STCU.

Furthermore, there were no new or revised standards and interpretations that came into force for financial years ending 31 December 2015 that had a material impact on the STCU.

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STATEMENT OF REVENUES AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 USD	2014 USD
Revenues			
Project Revenue		9,383,840	11,723,405
Administrative Revenue			
- Administrative Operating Budget		1,182,240	1,309,827
- Supplemental Budget		629,411	1,082,530
Partner Fees		74,625	227,108
Finance Income		105,131	162,845
		<u>11,375,247</u>	<u>14,505,715</u>
Expenditure			
Project Expenditure	1	9,383,840	11,723,405
Administrative Expenditure	2		
- Administrative Operating Budget		1,187,749	1,183,668
- Supplemental Budget		629,411	1,082,530
		<u>11,201,000</u>	<u>13,989,603</u>
Net Surplus	3	<u>174,247</u>	<u>516,112</u>
Other Comprehensive Result			
Revaluation result of capital contributions		<u>(1,920,297)</u>	<u>(2,092,722)</u>
Net Surplus and Other Comprehensive Result		<u>(1,746,050)</u>	<u>(1,576,610)</u>

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

Accompanying summary of accounting policies, as set out on pages 3 – 11 and notes, as set out on pages 17 – 32, form an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015


	Note	2015 USD	2014 USD
Non – Current Assets			
Receivables			
Amounts due from Funding Parties	4	<u>1,832,873</u>	<u>2,538,082</u>
		<u>1,832,873</u>	<u>2,538,082</u>
Current Assets			
Receivables			
Amounts due from Funding Parties	4	5,080,780	6,593,602
Other Receivables	5	9,971	23,394
Prepayments and Accrued Income	6	93,200	133,684
Cash and Cash Equivalents	7	<u>24,475,306</u>	<u>26,853,995</u>
		<u>29,659,257</u>	<u>33,604,675</u>
Non – Current Liabilities			
Amounts Payable – Projects	8	(139,321)	(112,666)
Deferred Revenue		<u>(52,736)</u>	<u>-</u>
		<u>(192,057)</u>	<u>(112,666)</u>
Current Liabilities			
Amounts Payable – Projects	8	(1,441,686)	(1,577,800)
Amounts Payable – Non-project		(124,069)	(165,422)
Amounts Payable – Partners		(35,895)	-
Deferred Revenue		<u>(69,503)</u>	<u>-</u>
		<u>(1,671,153)</u>	<u>(1,743,222)</u>
Total Assets less Liabilities		<u>29,628,920</u>	<u>34,286,869</u>
Capital Contributions			
Designated Capital – Projects	9	15,464,441	18,215,796
Designated Capital – Administration	10	949,500	1,182,240
Designated Capital – Supplemental	11	941,946	1,595,261
Undesignated Capital	12	<u>12,273,033</u>	<u>13,293,572</u>
		<u>29,628,920</u>	<u>34,286,869</u>

Accompanying summary of accounting policies, as set out on pages 3 – 11 and notes, as set out on pages 17 – 32, form an integral part of these financial statements.

Signed on behalf of

The Science and Technology Center in Ukraine 28 April 2016.


Curtis M. Bjelajac
Executive Director


Anthony Nichol
Chief Financial Officer

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 USD	2014 USD
Cash Flows from Operations			
Cash Inflows			
Net Cash Received from Funding Parties	13	10,191,832	10,258,951
Partner Fees Received		196,864	227,108
Interest Received		144,891	177,793
Total Cash Inflows		<u>10,533,587</u>	<u>10,663,852</u>
Cash Outflows			
Project Expenditure		(9,493,299)	(11,596,187)
Administrative and Supplemental Expenditure		(1,808,470)	(2,361,670)
Total Cash Outflows		<u>(11,301,769)</u>	<u>(13,957,857)</u>
Net Cash Outflows from Operations		(768,182)	(3,294,005)
Net Revaluation Losses		(1,610,507)	(1,764,535)
Cash and Cash Equivalents at 1 January		26,853,995	31,912,535
Cash and Cash Equivalents at 31 December	7	<u>24,475,306</u>	<u>26,853,995</u>

Accompanying summary of accounting policies, as set out on pages 3 – 11 and notes, as set out on pages 17 – 32, form an integral part of these financial statements.

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STATEMENT OF MOVEMENTS IN CAPITAL CONTRIBUTIONS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Designated Capital Contributions – Projects (Note 9) USD	Designated Capital Contributions – Administrative (Note 10) USD	Designated Capital Contributions – Supplemental (Note 11) USD	Undesignated Capital Contributions (Note 12) USD	Total USD
Balance at 1 January 2015	18,215,796	1,182,240	1,595,261	13,293,572	34,286,869
Advances Received from Funding Parties	-	-	-	10,248,871	10,248,871
Budgets Approved	8,491,102	949,500	908,131	-	10,348,733
Surplus of supplemental budget transferred to Undesignated Capital Contributions	-	-	(885,353)	885,353	-
Adjustments for Closed Projects	(36,696)	-	-	36,696	-
Transfers from Advances Received to offset the amounts due & Designated Capital Contributions	-	-	-	(11,680,768)	(11,680,768)
Adjustments for Closed Projects to offset the amounts due	(540,310)	-	-	-	(540,310)
Funds Repaid to Funding Parties	-	-	-	(92,934)	(92,934)
Transfers to Statement of Revenues and Expenditure	(9,383,840)	(1,182,240)	(629,411)	-	(11,195,491)
Allocation of Net Surplus	-	-	-	174,247	174,247
Revaluation Result of Capital Contributions	(1,281,611)	-	(46,682)	(592,004)	(1,920,297)
Balance at 31 December 2015	15,464,441	949,500	941,946	12,273,033	29,628,920

Accompanying summary of accounting policies, as set out on pages 3 – 11 and notes, as set out on pages 17 – 32, form an integral part of these financial statements.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATEMENT OF MOVEMENTS IN CAPITAL CONTRIBUTIONS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Designated Capital Contributions – Projects (Note 9)	Designated Capital Contributions – Administrative (Note 10)	Designated Capital Contributions – Supplemental (Note 11)	Undesignated Capital Contributions (Note 12)	Total
	USD	USD	USD	USD	USD
Balance at 1 January 2014	18,833,716	1,309,827	2,037,412	15,924,682	38,105,637
Advances Received from Funding Parties	-	-	-	10,326,904	10,326,904
Budgets Approved	17,835,207	1,182,240	1,110,493	-	20,127,940
Surplus of supplemental budget transferred to Undesignated Capital Contributions	-	-	(513,250)	513,250	-
Adjustments for Closed Projects	(4,325,728)	-	-	4,325,728	-
Transfers from Advances Received to offset the amounts due & Designated Capital Contributions	-	-	80,645	(17,475,530)	(17,394,885)
Adjustments for Closed Projects to offset the amounts due	(1,118,402)	-	-	-	(1,118,402)
Funds Repaid to Funding Parties	-	-	-	(67,953)	(67,953)
Transfers to Statement of Revenues and Expenditure	(11,723,405)	(1,309,827)	(1,082,530)	-	(14,115,762)
Allocation of Net Surplus	-	-	-	516,112	516,112
Revaluation Result of Capital Contributions	(1,285,592)	-	(37,509)	(769,621)	(2,092,722)
Balance at 31 December 2014	18,215,796	1,182,240	1,595,261	13,293,572	34,286,869

Accompanying summary of accounting policies, as set out on pages 3 – 11 and notes, as set out on pages 17 – 32, form an integral part of these financial statements.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

1. Project Expenditure

	USD
Amounts charged to the Statement of Revenues and Expenditure:	
2015	9,383,840
2014	11,723,405
2013	12,969,568
2012	14,919,329
2011	13,256,863
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 2015	<u>251,492,296</u>

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

2. Administrative Expenditure

	2015	2014
	USD	USD
a) Administrative Operating Budget		
Business Operations	103,777	153,319
Public Affairs	4,780	6,979
Personnel	613,073	660,125
Personnel Support and Development	124,832	139,041
Legal, Auditing and Banking	107,276	137,462
Property and Equipment	35,375	13,638
Net Foreign Exchange Losses/(Gains)	176,365	48,437
Headquarters and Branch Offices	22,271	24,667
	<u>1,187,749</u>	<u>1,183,668</u>

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

2. Administrative Expenditure (continued)

Personnel costs comprise grants made to the grantees in the STCU headquarters and four regional offices located in Kharkiv, Baku, Chisinau, and Tbilisi.

From March 2009, the STCU have occupied offices provided by the Ukrainian government for which the STCU does not pay rental or utility charges. In 2015 the estimated fair value of the rent, utility and security benefit is USD 92,348 (2014 – USD 158,770).

	2015	2014
	USD	USD
b) Supplemental Budget		
Technical, Collaborator and Contractor Travel Support	5,321	13,519
Business Training/ Sustainability Group Support	12,985	69,414
Patent Support	(46)	(1,942)
Travel and Mobility Support	172,469	136,956
Expert Review and Advisors	16,723	20,410
Seminars/ Workshops Support	-	417
Service Contracts (Key management remuneration)	353,087	585,227
Partner Promotion and Support	61,972	144,856
Consulting Projects	6,900	113,673
	<u>629,411</u>	<u>1,082,530</u>

3. Net Surplus Revenues over Expenditure

The net surplus comprises the following:

	2015	2014
	USD	USD
Surplus Administrative Budget Revenues	(5,509)	126,159
Finance Income	105,131	162,845
Partner Fees	74,625	227,108
	<u>174,247</u>	<u>516,112</u>

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

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

4. Amounts Due from Funding Parties – Due within One Year

	2015 USD	2014 USD
European Union	3,078,099	3,427,846
Partners	<u>2,002,681</u>	<u>3,165,756</u>
	<u>5,080,780</u>	<u>6,593,602</u>

Amounts Due from Funding Parties – Due after One Year

	2015 USD	2014 USD
European Union	143,514	299,605
Partners	<u>1,689,359</u>	<u>2,238,477</u>
	<u>1,832,873</u>	<u>2,538,082</u>
Total due from Funding Parties	<u><u>6,913,653</u></u>	<u><u>9,131,684</u></u>

There are no Amounts Due from Funding Parties at 31 December 2015 relating to the Crimean projects in termination process (2014 - USD 105,915). Please refer to Note 17 for further details.

5. Other Receivables

	2015 USD	2014 USD
VAT Recoverable	4,931	11,262
Other Receivables	<u>5,040</u>	<u>12,132</u>
	<u>9,971</u>	<u>23,394</u>

6. Prepayments and Accrued Income

	2015 USD	2014 USD
Prepayments	6,449	7,173
Accrued Interest	<u>86,751</u>	<u>126,511</u>
	<u>93,200</u>	<u>133,684</u>

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

7. Cash and Cash Equivalents

	2015	2014
	USD	USD
Cash on Hand	6,026	7,331
Non-interest Bearing Accounts	115,633	319,854
Short-term Deposits	<u>24,353,647</u>	<u>26,526,810</u>
	<u>24,475,306</u>	<u>26,853,995</u>

Interest bearing cash and cash equivalents are placed in foreign banks. Interest rates earned on interest bearing deposits is 0.10%.

8. Amounts Payable – Projects

	2015	2014
	USD	USD
Grants Payable	1,171,754	1,146,389
Overhead Payable	39,029	51,479
Overhead Retainage	<u>370,224</u>	<u>492,598</u>
	<u>1,581,007</u>	<u>1,690,466</u>

Overhead Retainage includes amounts which may be due for payment after one year depending on when the financial and technical reports are prepared and submitted by the project recipients and accepted by the STCU. Included within Overhead Retainage is USD 95,825 (2014 – USD 112,666) in relation to projects with a completion date after more than one year from the balance sheet date.

There are no Amounts payable - projects at 31 December 2015 relating to the Crimean projects in termination process (2014 – USD 99,783). Please refer to Note 17 for further details.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

9. Designated Capital Contributions – Projects

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

	United States	European Union	Partners	Total
	USD	USD	USD	USD
Balance at 1 January 2015	293,837	10,066,976	7,854,983	18,215,796
New Projects Signed During 2015	757,500	3,714,917	4,018,685	8,491,102
Adjustment for Closed Projects	(5)	(1,602)	(575,399)	(577,006)
Transfer to Statement of Revenues and Expenditure				
Expenditure Incurred on Projects in 2015	(593,458)	(3,363,392)	(5,426,990)	(9,383,840)
Revaluation of Project Agreements	-	(976,148)	(305,463)	(1,281,611)
Balance at 31 December 2015	457,874	9,440,751	5,565,816	15,464,441

Included in DCC projects is USD 3,556,679 (2014: USD 4,019,473) relating to a project the completion of which before its August 2016 termination date is uncertain. In case of inability to complete the project the STCU has plenty cash resources to return cash to the funding party or allocate this cash to other projects; however management are of the opinion that the project's implementation period will be extended by the funding party.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

9. Designated Capital Contributions – Projects (continued)

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

	United States	European Union	Partners	Total
	USD	USD	USD	USD
Balance at 1 January 2014	176,602	6,165,810	12,491,304	18,833,716
New Projects Signed During 2014	553,438	10,788,657	6,493,112	17,835,207
Adjustment for Closed Projects	(812)	(4,231,149)	(1,212,169)	(5,444,130)
Transfer to Statement of Revenues and Expenditure				
Expenditure Incurred on Projects in 2014	(435,391)	(1,776,715)	(9,511,299)	(11,723,405)
Revaluation of Project Agreements	-	(879,627)	(405,965)	(1,285,592)
Balance at 31 December 2014	293,837	10,066,976	7,854,983	18,215,796

Included within DCC - projects at 31 December 2014 is USD 2,313 relating to the Crimean projects in termination process (no balances at 31 December 2015). Please refer to Note 17 for further details.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
 NOTES TO THE FINANCIAL STATEMENTS

10. Designated Capital Contributions – Administration

	United States	European	Total
	USD	Union	USD
	USD	USD	USD
Balance at 1 January 2014	753,579	556,248	1,309,827
Transfer to Statement of Revenues and Expenditure	(753,579)	(556,248)	(1,309,827)
Administrative Budget 2014	426,880	755,360	1,182,240
Balance at 1 January 2015	426,880	755,360	1,182,240
Transfer to Statement of Revenues and Expenditure	(426,880)	(755,360)	(1,182,240)
Administrative Budget 2015	323,885	625,615	949,500
Balance at 31 December 2015	323,885	625,615	949,500

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

11. Designated Capital Contributions – Supplemental	United States	European Union	Partners	Total
	USD	USD	USD	USD
Balance at 1 January 2014	560,000	633,323	844,089	2,037,412
Supplemental Budgets Approved	565,000	446,744	98,749	1,110,493
Transfer to Undesignated Capital Contributions	(270,771)	(182,365)	(60,114)	(513,250)
Transfer from Undesignated Capital Contributions	-	18,527	62,118	80,645
Transfer to Statement of Revenues and Expenditure	(289,229)	(433,657)	(359,644)	(1,082,530)
Adjustment for Revaluation	-	(35,828)	(1,681)	(37,509)
Balance at 1 January 2015	565,000	446,744	583,517	1,595,261
Supplemental Budgets Approved	420,000	342,561	145,570	908,131
Transfer to Undesignated Capital Contributions	(328,509)	(162,008)	(394,836)	(885,353)
Transfer to Statement of Revenues and Expenditure	(236,491)	(239,911)	(153,009)	(629,411)
Adjustment for Revaluation	-	(44,825)	(1,857)	(46,682)
Balance at 31 December 2015	420,000	342,561	179,385	941,946

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

12. Undesignated Capital Contributions

	United States	European Union	Partners	Total
	USD	USD	USD	USD
Balance at 1 January 2015	6,063,575	5,774,854	1,455,143	13,293,572
Advances Received from Funding Parties	-	4,361,516	5,887,355	10,248,871
Transfer of result of Closed Projects	5	1,602	35,089	36,696
Transfer from Designated Capital – Supplemental Budget	328,509	162,008	394,836	885,353
Transfer to Designated Capital for Signed Projects	(757,500)	(3,953,857)	(5,025,244)	(9,736,601)
Transfer to Designated Capital – Supplemental Budget	(420,000)	(345,998)	(160,295)	(926,293)
Transfer to Designated Capital - Administrative Budget	(323,885)	(693,989)	-	(1,017,874)
Returned to Funding Parties	-	-	(92,934)	(92,934)
Transferred Between Funding Parties	-	15,812	(15,812)	-
Allocation of Surplus Income for 2015	37,467	136,780	-	174,247
Adjustment for Revaluation	-	(591,268)	(736)	(592,004)
Balance at 31 December 2015	4,928,171	4,867,460	2,477,402	12,273,033

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

Undesignated Capital Contributions (*continued*)

	United States	European Union	Partners	Total
	USD	USD	USD	USD
Balance at 1 January 2014	6,701,676	7,269,407	1,953,599	15,924,682
Advances Received from Funding Parties	1,372,275	2,944,010	6,010,619	10,326,904
Transfer of result of Closed Projects	812	3,977,417	347,499	4,325,728
Transfer from Designated Capital – Supplemental Budget	270,771	182,365	60,114	513,250
Transfer to Designated Capital for Signed Projects	(553,438)	(7,821,857)	(6,644,545)	(15,019,840)
Transfer to Designated Capital – Supplemental Budget	(1,125,000)	(92,906)	(179,220)	(1,397,126)
Transfer to Designated Capital - Administrative Budget	(902,392)	(156,172)	-	(1,058,564)
Returned to Funding Parties	-	-	(67,953)	(67,953)
Transferred Between Funding Parties	25,147	-	(25,147)	-
Allocation of Surplus Income for 2014	273,724	242,388	-	516,112
Adjustment for Revaluation	-	(769,798)	177	(769,621)
Balance at 31 December 2014	6,063,575	5,774,854	1,455,143	13,293,572

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

13. Net Cash Received from Funding Parties

	2015	2014
	USD	USD
Partners	5,830,316	5,942,666
United States	-	1,372,275
European Union	4,361,516	2,944,010
	<u>10,191,832</u>	<u>10,258,951</u>

14. Financial Commitments

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

No material commitments existed at 31 December 2015 or 2014.

b) **Funding Parties**

At 31 December 2015 the Funding Parties had approved but not signed project with a total funding of USD 437,256 (2014 – USD 2,608,563). The agreement for this project is signed in 2016.

15. Financial Risks

The STCU's financial instruments comprise:

Cash, liquid resources and receivables and payables that arise directly from the STCU's operations:

	2015	2014
	USD	USD
Financial Assets		
Amounts due from Funding Parties	6,913,653	9,131,684
Cash and Cash Equivalents	24,475,306	26,853,995
Financial Liabilities		
Amounts Payable	1,740,971	1,855,888

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.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Risks (*continued*)

a) Liquidity Risk

Liquidity risk is the risk that the STCU will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. STCU'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, and maintain net working capital surplus. 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 2015 the maximum credit risk represented by the net amount of receivables due from Funding Parties and the related Designated Capital Contributions received was USD 393,031 (2014 – USD 919,237).

The ageing of accounts receivable due from Funding Parties at the reporting date is as follows:

	2015	2014
	USD	USD
Not past due	6,477,385	8,190,205
Past due < 1 year	393,285	759,298
Past due > 1 year	42,983	182,181
	<u>6,913,653</u>	<u>9,131,684</u>

Amounts past due include funds receivable under contracts without set payment dates before the project completion but not fully settled in the reporting year. The STCU expects to receive all amounts due in due course and as such has made no impairment allowance against these receivables.

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.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

15. Financial Risks (continued)

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

	2015		
	Amounts due from Funding Parties USD	Cash and cash equivalents USD	Amounts payable USD
Euros	4,138,695	14,216,075	926,632
Ukrainian Hryvnia	-	1,270	6,527
Other	-	6	16
	4,138,695	14,217,351	933,175

	2014		
	Amounts due from Funding Parties USD	Cash and cash equivalents USD	Amounts payable USD
Euros	5,288,189	14,029,812	556,104
Ukrainian Hryvnia	-	17,394	48,488
Other	-	54	-
	5,288,189	14,047,260	604,592

The following table details the effect on the Net Surplus and Other Comprehensive Result at 31 December 2015 from a 10% change in US dollar exchange rates against the exposed currencies listed above, with all other variables held constant.

	2015		2014	
	Effect on Net Surplus USD	Effect on Other Comprehensive Result USD	Effect on Net Surplus USD	Effect on Other Comprehensive Result USD
USD strengthening by 10% against:				
Euros	(54,743)	(1,688,071)	(25,651)	(1,850,539)
Ukrainian Hryvnia	526	-	3,109	-
Other	1	-	(6)	-
	(54,216)	(1,688,071)	(22,548)	(1,850,539)
USD weakening by 10% against				
Euros	54,743	1,688,071	25,651	1,850,539
Ukrainian Hryvnia	(526)	-	(3,109)	-
Other	(1)	-	6	-
	54,216	1,688,071	22,548	1,850,539

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE NOTES TO THE FINANCIAL STATEMENTS

15. Financial Risks *(continued)*

c) Foreign Currency Risk *(continued)*

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.

During 2014 and 2015 significant divergences in the growth rate of the Eurozone countries compared with other economies, particularly the United States, together with the European Central Bank's programme of Quantitative Easing has resulted in a significant strengthening of the Dollar against the Euro. This has required a significant revaluation of the capital contributions. These notional losses are reflected through Other Comprehensive Income (see Accounting Policies on pages 4 and 5).

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	2015 USD	2014 USD
Deutsche Bank	USA	10,157,495	12,469,673
BNP Paribas	Belgium	14,196,152	13,983,073
OTP Bank	Ukraine	61,403	324,064
Other	Various	60,256	77,185
		<u>24,475,306</u>	<u>26,853,995</u>

Management does not consider the risk exposure suffered as a result of this concentration of assets to be significant. The cash funds placed with credit institutions in Ukraine are current accounts in nature and are used for everyday operations only.

16. Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which STCU has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, STCU uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE NOTES TO THE FINANCIAL STATEMENTS

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

STCU recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The STCU has performed an assessment of its financial instruments, as required by IFRS 7 Financial Instruments: Disclosures, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability. The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instrument at the reporting date and are classified in Level 3 of fair value hierarchy.

Due to the mostly short-term nature of the STCU financial assets and liabilities and minimal prevailing funds placement interest rates, the estimated fair values of all financial instruments of the STCU do not differ materially from their carrying amounts as at 31 December 2015 and 2014.

17. Terminated Operations

Due to Ukraine's political and economic situation and the annexation of the Ukrainian territory of Crimea Governing Board decided that STCU should cease all project activities in occupied Crimea and started the process of termination of the current projects in Crimea, in accordance with the terms of their respective project agreements. At 31 December 2015 all projects in Crimea have been terminated (at 31 December 2014, all projects had ceased operations with four projects having remaining balances of accounts receivable, accounts payable and capital), and as at 31 December 2015 STCU had no operations or financial exposure in the annexed territory of Crimea:

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	USD	USD
ASSETS		
Amounts due from Funding Parties	-	105,915
LIABILITIES		
Amounts Payable	-	99,783
CAPITAL CONTRIBUTIONS		
Designated Capital – Projects	-	2,313

18. Related Parties

Other than the parties to the agreement (The United States, Ukraine and the European Union), there are no related parties (2014 - None). All transactions with related parties have been undertaken on arm's length terms and are disclosed within capital contributions movements.

19. Contingent Liabilities

There are no contingent liabilities to report in 2015 (2014 – None).