Financial Statements of

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

For the year ended December 31, 2013

Independent Auditors' Report

To the Governing Board of
International Science and Technology Center

Report on the Financial Statements

We have audited the accompanying financial statements of the International Science and Technology Center (hereinafter "ISTC"), which comprise the statement of financial position as at 31 December 2013, the statements of revenues and expenses, movements in capital contributions and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 27.

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 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles 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 qualified opinion.

KPMG

Basis for Qualified Opinion

International Science and Technology Center requires all funded institutions to provide written representation that they do not receive funding from multiple sources. Funding received from multiple sources may result in certain misclassifications of project costs. We were unable to confirm that the funded institutions do not receive funding from multiple sources due to restricted access to institute records. There were no alternative audit procedures that we could adopt to confirm the above.

Furthermore, as disclosed in Note 2, non-current assets including computer software costs, which have useful lives extending beyond one year, were expensed when acquired during the current and prior years. For non-current assets acquired for administrative needs, International Financial Reporting Standards require these assets to be capitalized and depreciated over their expected useful economic lives. Capitalization of non-current assets used for administrative purposes and the related depreciation would have a significant impact on the accompanying financial statements if applied.

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 sources and except for the effect on the financial statements of not capitalizing non-current assets used for administrative purposes and depreciating them over their expected useful lives, the financial statements give a true and fair view of the financial position of the International Science and Technology Center as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Notes 1 and 17 to the financial statements, which describes the process of wind – down of the ISTC operations in the Russian Federation and its transfer to the Republic of Kazakhstan. Taking into consideration the timeline of the wind-down and move projects, as well as the conditions attached to the ISTC terminating the operations in the Russian Federation, the management concluded that it is appropriate to apply the going concern principle in the preparation of these financial statements.

KPMG Baltics SIA

Armine Movsisjana
Member of the Board
Riga, Latvia
24 April 2014

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
FINANCIAL STATEMENTS
For the year ended December 31, 2013

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Financial Position
December 31, 2013 and 2012
(Thousands of U.S. Dollars)

	2013	2012
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	49,668	63,668
Receivables		
Amounts due from funding parties (Note 5)	1,530	3,104
Project advances	-	32
Other receivables	75	161
Accrued income receivable	139	193
Loan receivable (Note 7)	-	69
Other assets (Note 6)	433	160
	51,845	67,387
NON-CURRENT RECEIVABLES FROM FUNDING PARTIES (Note 5)	281	155
	52,126	67,542
LIABILITIES AND CAPITAL CONTRIBUTIONS		
CURRENT		
Accounts payable		
Projects	$ 1,135	$ 1,301
Administration and project vendors	419	1,419
Grants payable to institutes	1,770	3,007
	3,324	5,727
CAPITAL CONTRIBUTIONS		
DESIGNATED CAPITAL CONTRIBUTIONS ("DCC") - PROJECTS	10,847	14,295
DESIGNATED CAPITAL CONTRIBUTIONS ("DCC") - OPERATING		
Administrative budget	19	49
Supplemental budget	3,606	3,894
UNDESIGNATED CAPITAL CONTRIBUTIONS ("UCC")	34,330	43,577
	48,802	61,815
TOTAL LIABILITIES AND CAPITAL CONTRIBUTION	$ 52,126	$ 67,542

Accompanying notes, as set out on pages 9 - 27, form an integral part of these financial statements.

Signed on behalf of International Science and Technology Center on 24 April 2014

David Cleave
Acting Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statements of Revenues and Expenses
Years ended December 31, 2013 and 2012
(Thousands of U.S. Dollars)

		2013	2012
REVENUES			
Project revenues (Capital movement note (a))	$	13,544	$ 18,111
Operating revenues			
Administrative budget (Capital movement note (b))		4,592	5,952
Supplemental budget (Capital movement note (b))		3,900	7,346
Investment income (Capital movement note (c))		615	999
Other income (Note 8)		799	302
		23,450	32,710
EXPENSES			
Project expenses (Note 10)			
On-going projects		11,551	15,777
Completed projects		1,993	2,334
Operating expenses (Note 11)			
Administrative budget		4,048	5,465
Supplemental budget		3,900	7,346
Other expenses (Note 9)		32	38
		21,524	30,960
EXCESS OF REVENUES OVER EXPENSES (Note 12)	$	1,926	$ 1,750

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Signed on behalf of International Science and Technology Center on 24 April 2014

David Cleave
Acting Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statements of Cash Flows
Years ended December 31, 2013 and 2012
(Thousands of U.S. Dollars)

	2013	2012
Cash flows from operating activities		
Cash received from funding parties (Note 13)	$ 8,470	$ 10,441
VAT reimbursements (Note 8)	598	-
Other	62	65
Cash out	(23,945)	(34,047)
Cash generated from operation	(14,815)	(23,541)
Net cash from operating activities	(14,815)	(23,541)
Cash flows from investing activities		
Investment Income	669	962
Net cash used in investing activities	669	962
Cash flows from financing activities		
Effects of exchange rate changes on cash and cash equivalents	146	104
Net increase/(decrease) in cash and cash equivalents	(14,000)	(22,475)
Cash and cash equivalents at beginning of period (Note 4)	63,668	86,143
Cash and cash equivalents at end of period (Note 4)	49,668	63,668

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Signed on behalf of International Science and Technology Center on 24 April 2014

David Cleave
Acting Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Movements in Capital Contributions
For the year ended December 31, 2013

Movements in capital accounts during fiscal years 2013 and 2012 are as follow:

a. *Designated Capital Contributions ("DCC") - Projects*

Designated capital contribution – Projects represent amounts committed on signed projects net of project expenses incurred to date

	EU	U.S.	Canada	Japan	South Korea	Other Parties	Total
DCC projects - December 31, 2011 and January 1, 2012	$ 4 113	$ 10 443	$ 2 596	$ 1 486	$ 343	$ 7 787	$ 26 768
Transfers to statement of revenues and expenses	(2 942)	(7 098)	(1 381)	(952)	(350)	(5 388)	(18 111)
New projects signed during 2012	-	3 785	1	-	200	3 266	7 252
Funding received in excess of close prj. expenses transfer to UCC	(180)	(394)	(318)	-	-	(224)	(1 116)
Funding received in excess of termin.prj.expenses transfer to UCC	-	(186)	(312)	-	-	-	(498)
DCC projects - December 31, 2012 and January 1, 2013	991	6 550	586	534	193	5 441	14 295
Transfers to statement of revenues and expenses	(895)	(6 610)	(423)	(359)	(146)	(5 111)	(13 544)
New projects signed during 2013	122	4 938	-	250	-	5 381	10 691
Funding received in excess of close prj. expenses transfer to UCC	(52)	(354)	(102)	(8)	(1)	(78)	(595)
DCC projects - December 31, 2013	$ 166	$ 4 524	$ 61	$ 417	$ 46	$ 5 633	$ 10 847

Accompanying notes, as set out on pages 9 – 27, form an integral part of these financial statements.

Statement of Movements in Capital Contributions

For the year ended December 31, 2013

b. *Designated Capital Contributions ("DCC") - Operating*

Administrative operating budget represents amount committed for the administration budget for the next fiscal year.

	EU	U.S.	Canada	Japan	Norway	South Korea	Russia	Other Parties	Total
Administrative operating budget - December 31, 2011 and January 1, 2012	-	-	-	-	-	-	-	$ 73	$ 73
New budget approved 2012	1 457	2 659	795	726	110	115	-	-	5 862
Transfer to statement of revenues and expenses	(1 457)	(2 659)	(795)	(726)	(110)	(115)	(50)	(40)	(5 952)
Additional contribution (net of adjustments)	-	-	-	-	-	-	50	16	66
Revenues in excess of expenses for the year	121	221	66	60	9	10	-	-	487
Transfer to UCC for revenues in excess of expenses	(121)	(221)	(66)	(60)	(9)	(10)	-	-	(487)
Administrative operating budget - December 31, 2012 and January 1, 2013	-	-	-	-	-	-	-	49	49
New budget approved 2013	1 054	2 165	414	571	215	93	-	-	4 512
Transfer to statement of revenues and expenses	(1 054)	(2 165)	(414)	(571)	(215)	(93)	(50)	(30)	(4 592)
Additional contribution (net of adjustments)	-	-	-	-	-	-	50	-	50
Revenues in excess of expenses for the year	127	261	50	69	26	11	-	-	544
Transfer to UCC for revenues in excess of expenses	(127)	(261)	(50)	(69)	(26)	(11)	-	-	(544)
Administrative budget - December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19	$ 19

Accompanying notes, as set out on pages 9 – 27, form an integral part of these financial statements.

b. Designated Capital Contributions ("DCC") - Operating (continued)

SOB represents amounts committed to programs and program activities net of related expenses incurred to date.

	EU	U.S.	Canada	Japan	Norway	South Korea	Other Parties	Total
Supplemental budget - December 31, 2011 and January 1, 2012	$ 182	$ 3 248	$ 1 000	$ 357	-	$ 109	$ 858	$ 5 754
Transfer to statement of revenues and expenses	(975)	(3 442)	(877)	(615)	(682)	(274)	(481)	(7 346)
Additional contribution	1 011	2 797	6	718	896	323	713	6 464
Transfer to DCC - projects	-	(61)	-	-	-	-	(422)	(483)
Transfer to UCC for unused funds	(155)	(120)	(2)	(46)	(117)	(37)	(42)	(519)
Transfer from DCC - projects for unused funds	8	8	8	-	-	-	-	24
Supplemental budget - December 31, 2012 and January 1, 2013	71	2 430	135	414	97	121	626	3 894
Transfer to statement of revenues and expenses	(733)	(1 668)	(29)	(491)	(188)	(169)	(622)	(3 900)
Additional contribution	1 074	2 011	5	247	169	120	1 006	4 632
Transfer to DCC - projects	-	(130)	-	-	-	-	(170)	(300)
Transfer to UCC for unused funds	(352)	(131)	(108)	(6)	(56)	(53)	(14)	(720)
Transfer from DCC - projects for unused funds	-	-	-	-	-	-	-	-
Supplemental operating budget - December 31, 2013	$ 60	$ 2 512	$ 3	$ 164	$ 22	$ 19	$ 826	$ 3 606

Accompanying notes, as set out on pages 9 – 27, form an integral part of these financial statements.

Statement of Movements in Capital Contributions

For the year ended December 31, 2013

c. *Undesignated Capital Contributions ("UCC")*

Undesignated capital contributions are the amounts paid or committed by the funding parties which have not yet been designated for the operating budget or project purposes (see also Note 2d for additional explanations)

	EU	U.S.	Canada	Japan	Norway	South Korea	Other Parties	Total
UCC - December 31, 2011	$ 6 494	$26 790	$ 5 174	$ 2 952	$ 1 006	$ 753	$ 2 814	$ 45 983
Increase of capital								
Contributions from parties	2 108	5 049	-	480	257	-	212	8 106
Investment income allocation	111	561	112	60	7	12	136	999
Transfer from DCC for revenues in excess of expenses in operating - administrative budget	121	221	66	60	9	10	-	487
Transfer from DCC for unused funds on programs under operating - supplemental budget	155	120	2	46	117	37	42	519
Transfer from DCC - projects for approved funding in excess of expenses	180	580	630	-	-	-	224	1 614
VAT reimbursment								-
Foreign exchange differences	113	(6)	1	1	-	-	(4)	105
Other	41	38	111	4	-	-	3	197
Decrease of capital								
Transfer to DCC - projects for signed projects	-	(2 580)	-	-	-	(200)	(175)	(2 955)
Transfer to DCC for operating - administrative budget	(1 457)	(2 659)	(795)	(148)	(110)	(115)	-	(5 284)
Transfer to DCC for operating - supplemental budget	(1 010)	(2 797)	(6)	(518)	(896)	(120)	(367)	(5 714)
Transfer of funds	(66)	-	-	-	-	-	(376)	(442)
Other	(5)	(12)	(16)	(5)	-	-	-	(38)
UCC - December 31, 2012	$ 6 785	$25 305	$ 5 279	$ 2 932	$ 390	$ 377	$ 2 509	$ 43 577

Accompanying notes, as set out on pages 9 – 27, form an integral part of these financial statements.

Statement of Movements in Capital Contributions

For the year ended December 31, 2013

c. *Undesignated Capital Contributions ("UCC") (continued)*

	EU	U.S.	Canada	Japan	Norway	Korea	Parties	Total
UCC - December 31, 2012	$ 6 785	$25 305	$ 5 279	$ 2 932	$ 390	$ 377	$ 2 509	$ 43 577
Increase of capital								
Contributions from parties	2 184	3 274	-	500	-	617	386	6 961
Investment income allocation	84	375	-	50	3	13	90	615
Transfer from DCC for revenues in excess of expenses in operating - administrative budget	127	261	50	69	26	11	-	544
Transfer from DCC for unused funds on programs under operating - supplemental budget	352	131	108	6	56	53	14	720
Transfer from DCC - projects for approved funding in excess of expenses	52	354	102	8	-	1	78	595
VAT reimbursment	136	293	76	59	13	14	7	598
Foreign exchange differences	167	12	1	1	-	-	1	182
Other	8	6	1	1	-	-	3	19
Decrease of capital								
Transfer to DCC - projects for signed projects	(122)	(4 808)	-	(250)	-	-	(40)	(5 220)
Transfer to DCC for operating - administrative budget	(1 054)	(2 165)	(414)	(113)	(215)	(93)	-	(4 054)
Transfer to DCC for operating - supplemental budget	(1 074)	(2 011)	(5)	(4)	(169)	(120)	(729)	(4 112)
Transfer of funds	-	-	(4 862)	(21)	-	-	(1 180)	(6 063)
Foreign exchange differences	-	-	-	-	-	-	(15)	(15)
Other	-	-	-	-	-	-	(17)	(17)
UCC - December 31, 2013	$ 7 645	$21 027	$ 336	$ 3 238	$ 104	$ 873	$ 1 107	$ 34 330

Accompanying notes, as set out on pages 9 – 27, form an integral part of these financial statements.

Signed on behalf of International Science and Technology Center on 24 April 2014

David Cleave
Acting Executive Director

1. ORGANIZATION AND BUSINESS

The International Science and Technology Center (hereinafter "ISTC") was established in 1992 pursuant to an Agreement signed in Moscow, Russian Federation.

The objectives of the ISTC are set forth in Article II of the Agreement. ISTC develops, approves, finances and monitors science and technology projects for civilian purposes, which are to be carried out primarily at institutions and facilities located in the Russian Federation and other states of the Commonwealth of Independent States ("CIS") and Georgia. The parties to the Agreement during 2012 and 2013 were the Russian Federation, the European Union, the United States of America, Canada, Armenia, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Japan, Norway and South Korea. Funding parties which contribute to the ISTC include the parties, other government organizations and private contributors.

Based on Article IX of the Agreement, the Government of the Russian Federation provides ISTC with free office space and other facilities, along with maintenance, utilities and security for the facility. The value of such items provided is not recorded in the accompanying financial statements as a reliable estimate cannot be obtained.

On 11 August 2010, the President of the Russian Federation Mr. Dmitry Medvedev signed Decree 534, which announced the Russian Federation government's intention to withdraw from the ISTC. Acting in accordance with Article XV (c) of the Agreement, the Russian Federation will withdraw from the Agreement six months after giving written notification to the other Parties to the Agreement.

During 2010 and 2011, formal and informal discussions and meetings took place between ISTC, the Funding Parties, the State Atomic Energy Corporation (Rosatom) and the Ministry of Foreign Affairs (MFA) of the Russian Federation on this issue, which resulted in the ISTC Secretariat being informed by the MFA that the Russian Federation has the intention to withdraw from ISTC by mid 2015. This was officially confirmed in a letter from the MFA on 13 July 2011. Until that time, the ISTC Agreement will remain fully in force. All ISTC privileges and immunities will stay in place. ISTC has been informed that all ongoing (status 6) projects in Russia should be completed in 2014 to allow the Secretariat to have sufficient time to carry out necessary project-related auditing, financial activities and closure before the proposed mid-2015 closure.

As at the date of these financial statements the wind-down process is underway leading, ultimately, to the total liquidation of the ISTC in Russia within the timeframe set forth in the 13 July 2011 letter. In parallel, the main Office set up in Astana, the Republic of Kazakhstan, is being implemented. Work on the various agreements for the new office site and bilateral agreements are in process and all Parties are involved in this process. It is expected that two offices in Moscow and Astana will be run in parallel during 2014, while the operations transfer to Astana is gradually rolled out.

Negotiations continue between the ISTC Secretariat and Rosatom, on behalf of the Russian Federation government, to address the financial, legal and scientific consequences of the withdrawal.

Taking into consideration the timeline of the wind-down and move projects, as well as the conditions attached to the ISTC terminating the operations in the Russian Federation outlined above, the management concluded that it is appropriate to apply the going concern principle in the preparation of these financial statements.

ISTC's registered office as at the date of approval of these financial statements is located at Krasnoproletarskaya ulitsa, 32-34, 127473, Moscow, Russian Federation.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), except as described below, and management has concluded that the financial statements present fairly the entity's financial position, results of operations and cash flows.

International Accounting Standard ("IAS") 16 "Property, Plant and Equipment" requires non-current assets to be capitalized and depreciated over their useful economic lives and IAS 38 "Intangible Assets" requires computer software costs and other intangible assets be capitalized and amortized over their useful economic life. Due to the project-based nature of ISTC'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, as well as non-current assets acquired by ISTC for the administrative needs, are charged to the Statement of Revenues and Expenses upon acquisition (project related non-current assets acquired in 2013 - $1,364 thousand; 2012 - $2,061 thousand).

These financial statements were approved by the Executive Director, the Chief Financial Officer and the Executive Management Committee of the ISTC on 24 April 2014. The financial statements of the ISTC are subject to approval by the Governing Board. The Governing Board has the power to reject the financial statements, and the right to request that new financial statements be issued.

In these financial statements statement of comprehensive income is called "the statement of revenues and expenses" and the statement of changes in equity is called "the statement of movements in capital contributions".

Statement of Cash flows is prepared based on direct method.

The financial statements have been prepared on a historical cost basis.

b. Functional and presentation currency and foreign currency transactions

The U.S. dollar is the functional currency for the ISTC. 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 ISTC. All financial information presented in U.S. dollars has been rounded to the nearest thousand.

Foreign currency transactions are translated into U.S. dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the European Central Bank for EUR currency and the Central Bank of Russian Federation for RUB currency exchange rates prevailing at the year-end date. Foreign currency translation gains and losses are charged to the Statement of Revenues and Expenses under Other expenses with the exception of translation gains and losses arising from project and programme funding related transactions involving the European Union and EU partners. The exchange rates applied at the period end for the principal currencies are as follows: EUR/USD 1.3791 (2012: 1.3194), USD/RUB 32.7292 (2012: 30.3727).

c. *Project activity*

ISTC authorizes and funds scientific projects which are carried out at institutes within CIS and Georgia. 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 for in the financial statements as follows:

Projects

Projects are initially accounted for upon the later occurrence of either the signing date of the project agreement between ISTC, the recipient institutes and the partners or the project commencement date. Upon commencement of the project accounting, the total amount of the funding is credited to the relevant funding parties' designated capital accounts in proportion to the level of funding agreed to by each party. To the extent that the signed projects are not funded by advance payments from the respective funding parties, a receivable is recorded in the accounting records.

Project expenses

Project expenses consist of three primary components: grants to scientists for time invested in the project activity, purchases of equipment and other sundry project expenses. All project expenses are charged to the Statement of Revenues and Expenses when incurred.

Projects that have not completed the project closing procedures are presented as on-going projects in the Statement of Revenues and Expenses.

Project revenues

Project revenues recognized during the year in the Statement of Revenues and Expenses are amounts equal to the total value of project expenses incurred during the year.

Closed projects

On the closure of a project, revenues in excess of expenses are generally reallocated to the funding parties' undesignated capital contributions accounts in the same proportion as the initial contributions from the funding parties. Where closed projects have received funds from private contributors, private contributor revenues in excess of expenses are repaid to the private contributor.

Terminated projects

On the termination of a project, revenues in excess of expenses are generally reallocated to the funding parties' undesignated capital contributions accounts in the same proportion as the initial contributions from the funding parties. Where terminated projects have received funds from private contributors, private contributor revenues in excess of expenses are repaid to the private contributor.

d. *Operating revenues and expenses*

Administrative operating budget ("AOB")

Administrative operating budget revenues recognized in the Statement of Revenues and Expenses during the year are amounts approved by the funding parties for the administrative operating budget for the year and transferred from the funding parties' designated capital contributions - administrative - operating budget.

Administrative budget operating expenses are charged to the Statement of Revenues and Expenses when incurred.

Revenues in excess of expenses are generally reallocated to the funding parties' undesignated capital contributions accounts in the same proportion as the administrative revenues contributions or upon the Governing Board's approval can be allocated in total or a portion to the AOB and/or SOB in the same method as described above.

Supplemental operating budget ("SOB")

Supplemental operating budget revenues recognized in the year in the Statement of Revenues and Expenses are amounts equal to expenses incurred during the year.

Supplemental budget operating expenses are charged to the Statement of Revenues and Expenses when incurred.

Any surplus in funds upon completion of the programs within the supplemental operating budget are transferred to the funding parties' undesignated capital contribution account.

Undesignated capital contributions

Undesignated capital contributions are amounts paid or committed by the funding parties which have not yet been designated for the operating budget or project purposes, or are funding party revenues in excess of expenses from closed and terminated projects.

In the case of projects funded by the European Union, the annual protocol signed between ISTC and the European Union and specifying the amount of funding allocated allows a certain proportion of project amounts to be invoiced upon signing the protocol and before the commencement of the individual projects. As a result, the invoices issued during the year are recognized in the financial statements by including them in the European Union's undesignated capital contributions account and amounts receivable from funding parties. Subsequently, when these projects are finally signed, an appropriation is made between the designated and undesignated capital contributions account.

e. *Investment income*

Investment income is comprised of interest earned during the year on the cash deposits held by the ISTC.

Investment income is credited to the Statement of Revenues and Expenses and allocated to undesignated capital contributions accounts of each funding party based on the average cash balance of the funding parties.

f. Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash and deposits with original maturity of less than 3 months and subject to insignificant risk of change in value.

g. Accounts receivable recognition

Amounts due from funding parties/private partners are recognized per the obligation schedule of payments when the project agreement is signed (see Note 2c). Uncommitted funding is recognized at the date, when the funding provider commits to the transfer of funds (date of invoice – see also Note 2c).

h. Non-current assets

Non-current assets are acquired for the ISTC's own use or for the projects and other activities and are comprised of the following:

ISTC equipment

The costs of the ISTC's equipment, information technology related to purchases and facility improvements are charged to administrative expenses when acquired.

Project equipment

Since ISTC does not expect to derive any foreseeable economic benefits from the ownership of project equipment, expenses incurred for equipment under each project is recorded as an expense in the Statement of Revenues and Expenses together with other project expenses incurred during the year (see Note 2c).

Despite the fact that ISTC does not consume economic benefits derived from the project equipment over the term of its useful life, ISTC maintains ownership of the equipment during and beyond the period of project implementation. At the Governing Board meeting in June 2013, it was mandated that equipment be written off 2 years after purchases and immediately after project closure in accordance with the terms of the ISTC agreement and in particular Article X.A.(c).

i.

j. Contingent assets and liabilities

Possible assets and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ISTC, and give rise to the possibility of future inflows, are disclosed in the financial statements. ISTC does not have other types of contingent liabilities.

k. Employee benefits

Short term employee benefits, including staff salaries and social security contributions to the staff in the Russian Federation, bonuses, vacations and other benefits are included in expenses on an accrual basis. The ISTC has no obligations to pay further contributions relating to employee services in respect to payroll taxes and contributions outside the Russian Federation and any pensions on the retirement of employees.

l. Taxation

Under the terms of the agreement establishing ISTC with the Russian Federation government, ISTC is exempt from income taxes. In addition, ISTC is exempt from custom duties and Value Added Taxes ("VAT") on imported goods and VAT is zero rated on purchases within Russia.

m. Financial Instruments

The ISTC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit, accounts receivable and accounts payable, and a loan receivable. 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, ISTC estimates future cash flows considering all contractual terms of the financial instruments.

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

Financial liabilities are recognized initially on the trade date at which ISTC 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.

ISTC 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, ISTC 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.

n. 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.

Key sources of estimation uncertainty:

Accounting policy applied to non-current assets: Please refer to Note 2a and 2h 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 ISTC'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 ISTC funding providers, at the reporting date there was no direct exposure to potential impairment (31 December 2012: see Note 3).

Recognition of accruals: Accruals are established when it is certain that a past event has given rise to a present obligation (accrued liabilities) or present right (accrued income), but there is uncertainty about the amount payable or receivable. The estimate of the amount of a liability or asset requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

As at 31 December 2013 ISTC recognized accrued liabilities of \$ 2,178 thousand as part of current liabilities (2012: \$ 2,935 thousand) with respect to grants and overheads payable. Furthermore, project advances paid to the institutes for project execution have been reduced by the amount of accrued expenses incurred but not yet reported by institutes as at 31 December 2013 of \$ 268 thousand (2012: \$ 353 thousand).

o. Changes in accounting policies

There were no changes in accounting policies in the current year.

ISTC has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initital application of 1 January 2013:

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of the fair value as the price that would be received to sell an asset or pad to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the ISTC has included additional disclosures in this regards (see Note 3).

In accordance with the transitional provisions of IFRS 13, ISTC has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the ISTC's assets and liabilities.

(ii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2013 did not have any impact on these consolidated financial statements:

- Amendment to IFRS 7 – Offsetting of financial assets and liabilities
- Amendment to IAS 19 (2011) – Employee benefits
- Amendments to IAS 12 – Deferred tax: Recovery of Underlying Assets
- IFRS 10 Consolidated Financial Statements and revised IAS 27 (2011) Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

p. New standards and interpretations not yet adopted

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2013 and have not been applied in preparing these financial statements: Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions);

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014; the amendments apply retrospectively);

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively)

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively).

3. FINANCIAL INSTRUMENTS

Financial assets		Loans and receivables 2013		Loans and receivables 2012
Cash and cash equivalents	$	49,668	$	63,668
Amounts due from funding parties	$	1,811	$	3,259
Accrued income receivable	$	139	$	193
Loan receivable	$	-	$	69
	$	51,618	$	67,189

Financial liabilities		Other liabilities 2013		Other liabilities 2012
Accounts payable	$	1,554	$	2,720
Grants payable to institutes	$	1,770	$	3,007
	$	3,324	$	5,727

Management of risk is an essential element of the ISTC's operations. Due to the non-trading nature of the activities of the ISTC, the organization is not exposed to a high degree of financial risk, as disclosed below:

Credit risk

Credit risk arises when one party to a financial obligation may fail to discharge an obligation and cause the other party to incur a financial loss. The maximum potential exposure to credit risk of ISTC as at 31 December 2013 and 31 December 2012 is represented by the carrying amounts of financial assets as disclosed above (see also Note 5 for the geographical split of amounts due from funding parties and Note 7 for the details on loan receivable). However, given the nature of the ISTC funding providers, at the reporting date there is no direct exposure to credit risk, while as at 31 December 2012 it arose only from loan receivable, which showed no indications of impairment.

Liquidity risk

Liquidity risk is the risk that ISTC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. ISTC'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. Practically all of ISTC's financial assets are formed of cash and cash equivalents that are available on demand; net working capital surplus is $ 48,521 thousand as at 31 December 2013 (2012 - $ 61,660 thousand). All carrying amounts of the financial liabilities as at 31 December 2013 and 31 December 2012 agree with the respective value of the contractual cash flows and the contractual maturities do not exceed 6 months.

Currency risk

The notional amounts of financial assets and liabilities denominated in foreign currencies were as follows as at the reporting date:

Financial assets as of 31 December 2013	**EUR**	**RUB**	**USD**	**Total**
Cash and cash equivalents	$ 5 178	$ 15	$ 44 475	$ 49 668
Amounts due from funding parties	$ 370	$ -	$ 1 441	$ 1 811
Accrued income receivable	$ -	$ -	$ 139	$ 139
	$ 5 548	$ 15	$ 46 055	$ 51 618

Financial liabilities as of 31 December 2013	**EUR**	**RUB**	**USD**	**Total**
Accounts payable	$ 14	$ 321	$ 1 219	$ 1 554
Grants payable to institutes	$ -	-	$ 1 770	$ 1 770
	$ 14	$ 321	$ 2 989	$ 3 324
Net currency position as of 31 December 2013	**$ 5 534**	**$ (306)**	**$ 43 066**	

A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2013 would have increased (decreased) excess of revenues over expenses and capital contributions by $ 553 thousand. This analysis assumes that all other variables remain constant.

Financial assets as of 31 December 2012	**EUR**	**RUB**	**USD**	**Total**
Cash and cash equivalents	$ 4 003	$ 91	$ 59 574	$ 63 668
Amounts due from funding parties	$ 2 190	$ -	$ 1 069	$ 3 259
Accrued income receivable	$ -	$ -	$ 193	$ 193
Loan receivable	$ -	$ 69	$ -	$ 69
	$ 6 193	$ 160	$ 60 836	$ 67 189

Financial liabilities as of 31 December 2012	**EUR**	**RUB**	**USD**	**Total**
Accounts payable	$ 138	$ 341	$ 2 241	$ 2 720
Grants payable to institutes	$ -	-	$ 3 007	$ 3 007
	$ 138	$ 341	$ 5 248	$ 5 727
Net currency position as of 31 December 2012	**$ 6 055**	**$ (181)**	**$ 55 588**	

A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2012 would have increased (decreased) excess of revenues over expenses by $ 606 thousand. This analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. ISTC manages interest rate risks by entering into deposit and current account agreements with interest rates that do not significantly differ from market rates. At the reporting date the only interest bearing assets of ISTC were term deposits and investments in currency fund of $ 37,941 thousand (2012: $55,422 thousand).

Capital management

The capital of the ISTC is represented by the net assets attributable to funding parties. The ISTC's objectives in managing capital are to safeguard the assets of the funding parties to enable the ISTC 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. The management of the ISTC after receiving funds from the parties takes care to manage the Parties funds and minimise various risks with the Banks that are chosen to keep these funds and as such these funds are managed on a regular weekly/monthly basis in terms of operational and liquidity requirements.

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, or in its absence, the most advantageous market to which ISTC 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, ISTC 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:

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.

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

ISTC 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 other 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.

Due to the short-term nature of ISTC financial assets and liabilities, the estimated fair values of all financial instruments of ISTC approximate their carrying amounts as at 31 December 2013 and 2012 and are classified to Level 3 in fair value hierarchy.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following amounts:

	2013	2012
Cash and short-term deposits	$ 44,235	$ 53,246
Investments in currency fund	5,433	10,422
	$ 49,668	$ 63,668

Both as at 31 December 2013 and 31 December 2012 cash and cash equivalents are placed in Russian and foreign banks in approximately equal proportions. Interest rates earned on interest bearing deposits are in line with market rates prevailing in the countries of placement.

5. AMOUNTS DUE FROM FUNDING PARTIES

Amounts due from funding parties at December 31 were as follows:

	2013	2012
Due within one year		
European Union	-	2 108
Japan	-	-
Canada	-	-
Norway	-	-
United States	-	-
South Korea	-	-
Other funding parties	1 530	996
	$ 1 530	$ 3 104
Due after one year		
Japan	-	-
Canada	-	-
United States	-	-
Other funding parties	281	155
	$ 281	$ 155

6. OTHER RECEIVABLES

	2013	2012
Prepayments	433	161
	$ 433	$ 161

7. LOAN RECEIVABLE

During the year ended December 31, 2003, ISTC acquired a bank note in the amount of 10,328 thousand rubles ($351 thousand) maturing on July 1, 2004 as part of its agreement with FSUE Red Star (the landlords) to relocate to and renovate the currently rented premises. ISTC repaid the bank note and assumed a loan receivable of 10,000 thousand rubles ($343 thousand) from FSUE Red Star. The loan was interest-free and was repayable by 31 December 2013 based on the repayment schedule agreed in 2012 (the loan was overdue based on original maturity as at 31 December 2011 and therefore classified short-term). The loan was fully repaid in 2013.

8. OTHER INCOME

Other income during 2013 and 2012 consisted of the following:

	2013	2012
VAT	$ 598	$ -
Net foreign exchange gain	$ 182	$ 105
Other	$ 19	$ 197
	$ 799	$ 302

Agreement on the recovery of VAT paid during the period from 1 January 2001 to 1 August 2007 was reached with the authorities in 2008. During 2013, VAT recovery of $598 thousand was received. (2012 - $0 thousand)

The Parties have agreed that VAT recoveries should be repaid to the individual funding bodies when received. As a consequence, the VAT receipts have been allocated to each funding body in proportion to their funding of the annual agreed AOB budget for each period of the VAT recovery, as follows:

	2013	2012
Canada	$ 76	$ -
European Union	136	-
Japan	59	-
United States	293	-
Norway	13	-
South Korea	14	-
Other parties	7	-
Total	$ 598	$ -

9. OTHER EXPENSES

Other expenses during 2013 and 2012 consisted of the following:

	2013	2012
Other expenses		
Net foreign exchange loss	$ (15)	$ -
Oher	$ (17)	$ (38)
	$ (32)	$ (38)

10. PROJECT EXPENSES

Project expenses charged to the statements of revenues and expenses during each year ended December 31 since inception are as follows:

2013	$ 13,544
2012	18,111
2011	30,927
2010	39,307
2009	45,992
2008	57,158
2007	66,002
2006	67,454
2005	72,476
2004	77,102
2003	75,715
2002	68,215
2001	52,690
2000	43,923
1999	36,039
1998	33,320
1997	31,029
1996	28,459
1995	22,001
1994	1,765
Cumulative project expenses incurred as of December 31, 2013	$ 881,229

10. PROJECT EXPENSES (continued)

Cumulative project expenses amounting to $881,229 thousand (2012 - 867,685 thousand) reflect actual expenses incurred on ongoing projects and completed projects. Such expenses consisted of the following in 2013 and 2012:

	2013	2012
Grants to scientists	$ 6,237	$ 10,166
Equipment	1,364	2,061
Other project costs	5,943	5,884
	$ 13,544	$ 18,111

11. OPERATING EXPENSES

Operating expenses incurred during 2013 and 2012 consisted of the following:

	2013	2012
Administrative budget		
Personnel	$ 3 152	$ 4 080
Center operations	682	1 100
Center facilities and equipment	145	201
Information and branch offices	69	84
	$ 4 048	$ 5 465

	2013	2012
Supplemental budget		
Training	$ 15	$ 214
Seminars	893	2,784
Management information systems	39	55
Expert participation		
United States	1,414	2,254
European Union	1,103	890
Canada	5	545
Japan	317	396
South Korea	102	192
Russia	12	16
	$ 3,900	$ 7,346

12. FUNDING PARTY INFORMATION

The revenues in excess of expenses during the year have been allocated to the funding parties as follows:

	Project Revenues	Net Admin Budget Revenues	Supplemental Budget Revenues	Investment Income	Project Expenses	Supplemental Budget Expenses	Net Other Income (Expenses)	Total
2013								
Canada	$ 423	$ 50	$ 29	$ -	$ (423)	$ (29)	$ 78	$ 128
European Union	895	127	733	84	$ (895)	$ (733)	311	522
Japan	359	69	491	50	$ (359)	$ (491)	61	180
United States	6 610	261	1 668	375	$ (6 610)	$ (1 668)	311	947
Norway	-	26	188	3	$ -	$ (188)	13	42
South Korea	146	11	169	13	$ (146)	$ (169)	14	38
Other parties	5 111	-	622	90	$ (5 111)	$ (622)	(21)	69
	$ 13 544	$ 544	$ 3 900	$ 615	$ (13 544)	$ (3 900)	$ 767	$ 1 926
2012								
Canada	$ 1 381	$ 66	$ 877	$ 112	$ (1 381)	$ (877)	$ 96	$ 274
European Union	2 942	121	975	111	$ (2 942)	$ (975)	149	381
Japan	952	60	615	60	$ (952)	$ (615)	-	120
United States	7 098	221	3 442	561	$ (7 098)	$ (3 442)	20	802
Norway	-	9	682	7	$ -	$ (682)	-	16
South Korea	350	10	274	12	$ (350)	$ (274)	-	22
Other parties	5 388	-	481	136	$ (5 388)	$ (481)	(1)	135
	$ 18 111	$ 487	$ 7 346	$ 999	$ (18 111)	$ (7 346)	$ 264	$ 1 750

All revenues in excess of expenses arising during the year have been allocated to the funding parties UCC accounts based on the funding levels of the sponsors.

13. AMOUNTS RECEIVED FROM FUNDING PARTIES

Amounts received during the year from the funding parties have either been recorded against accounts receivable or directly against the parties' capital contributions accounts. Such amounts received, less transfer of funds back to funding parties, during 2013 and 2012 were as follows:

	2013	2012
European Union	$ 4,313	$ -
Japan	1,181	1,258
United States	3,274	6,193
Norway	-	257
South Korea	617	203
Canada	(4,862)	-
Other parties	3,947	2,530
	$ 8,470	$ 10,441

During 2012 ISTC received verbal notification of Canada's intention to withdraw from the ISTC agreement. The withdrawal was finalized in 2013 and undesignated capital contributions of $ 4,862 thousand were transferred back to the Canadian funding party.

14. FINANCIAL COMMITMENTS

The funding parties have approved but not yet signed 16 (2012 - 6) projects with a total funding of $3,839 thousand (2012 - $3,459 thousand) including €0 thousand; (2012 - €0 thousand) denominated pledges at December 31, 2013 and 2012.

The agreements for projects unsigned as of December 31, 2013 are expected to be signed in 2014.

The Governing Board approved the 2014 Administrative Operating Budget ($3,421) and the 2014 Supplementary Operating Budget ($838) at its December 11, 2013 meeting. The budgets will be funded by the various parties in a predetermined formula.

15. CONTINGENT LIABILITIES

There are no contingent liabilities to report in 2013. (2012 – None)

16. RELATED PARTIES

Other than the parties to the Agreement described in Note 1, there are no related parties. (2012 - None) All transactions with related parties have been undertaken on arm's length terms.

17. SUBSEQUENT EVENTS

The budget for 2014 was approved by the Governing Board in December 2014, against the background of the Presidential Decree 534 and the subsequent MFA confirmation on allowing ISTC to continue operations until the last current ISTC project has been completed and all necessary projects related auditing, financial activities and closure have been carried out by mid 2015. Additionally, the declining workload for ISTC continues, as a result of a decrease in financial means, has had a consequential effect on the 2014 budget for the Moscow office.

17. SUBSEQUENT EVENTS (CONTINUED)

For the first time the Secretariat presented a split budget between Moscow and Astana to better reflect the likely expenses between the closing down office in Moscow and new to be opened office in Astana. The Board however has given the Secretariat the flexibility to work within the two budgets as required. Therefore, the 2014 budget provides for decreases in all Moscow budget line items, including a further reduction in the total ISTC staff numbers, which continues to be subject to discussions among the parties and the Executive Director.

As for the Astana side of the budget this takes into account the planned and approved staffing of the new office and the set up costs. It is envisioned that the Astana office will become operation by mid-2014.

Since November 2013 Canada has withdrawn from the ISTC Agreement, however, the remaining CIS Countries along with Georgia have expressed their strong desire that ISTC continues and support the move of the ISTC Headquarters to Astana, Kazakhstan. Currently the formalities of planning for the change of Head Office status are ongoing and the official agreements of the ISTC are being changed and updated to reflect the future ISTC situation. A Continuation Agreement has been drafted and all stakeholders have reviewed this draft with the intention to have a final draft signed off at the June 2014 Governing Board (GB) and for each ISTC Partner Country to then ratify the Continuation Agreement accordingly. The ISTC already has a premises and agreement to set up its office in Astana and work is currently underway for final renovations and fit-out as well as steps being taken for the hiring of new Kazakh staff.

Planning for a Moscow office liquidation team to wind down the Russian Federation Office operations has already started and the official liquidation decision by the GB is likely to be taken and become into effect from 01 June 2014. The Parties are being kept informed of Russian Federation project closure progress and staffing reductions. All termination costs reasonably known and committed as at 31 December 2013 have been accrued in these financial statements.

Work continues on the equipment title transfer and write off and good progress has been made with Rosatom Institutes. The GB has expressed concern however to Rosatom and the Russian Federation on the lack of progress on non-Rosatom Institutes and formal letters have been sent seeking further cooperation and assistance to resolve these issues and Rosatom has indicated willingness to assist in this matter later in 2014.

As has been noted in these Financial Statements the outstanding loan of Redstar has now been paid off as at the end of 2013.

The Issue of the Parties investment into the Krasnoproletarska 32-24 building and the Parties request to the Russian Federation to the return of the investment made by the ISTC and its Funding Parties in renovating the building at the Krasnoproletarska Street, Moscow office premises continues and the Parties and the Governing board have agreed to escalate this issue to higher Government Authorities and individuals. The amount of the investment totals US$4.5 million and the ISTC claim is still under question by Rosatom and related Government Authorities. No receivables have been recognized with respect to these amounts as at 31 December 2013.

There are no other events subsequent to 31 December 2013 that require disclosures in these financial statements.

Summary of Uncorrected Audit Misstatements
For year ended 31 December 2013
Amounts shown in USD thousand

Method used to quantify audit misstatements: Rollover (Income Statement)

W/P Ref	#	Accounts and Description	Debit	(Credit)	Type of Error Known Audit Misstatement (KM) or Most Likely Audit Misstatement (MLM)	Income effect of correcting the balance sheet in prior period (carried forward from prior period's column C)	Income effect of correcting the current period balance sheet	Income effect according to the Rollover (Income Statement) method	Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Activities	Investing Activities	Financing Activities	Tax rate applicable to determine tax effect
		Correcting Entry Required at Current Period End (Note - If there is an end-of-period balance sheet error, the correcting entry should be written irrespective of the period in which the error originated (i.e., there should not be any adjustments to opening retained earnings). If there was an uncorrected error in the prior end-of-period balance sheet, but there is not an error in the current end-of-period balance sheet, include only a description in this section.)				Income Statement Effect Debit/(Credit)			Impact of audit misstatements on financial statement captions: Balance Sheet Effect Debit/(Credit)					Cash Flow Effect Increase/(Decrease)			
			A			B	C = A (Only Inc Stmt accounts)	C - B									
F-20		AIDCO forex difference not billed (PY and CY adjustment) Dr P&L Cr Trade AR	260	260		40	260	220	220	260							
F-20		Doubtful receivables Kaneka and IAS (PY adjustment) Dr P&L Cr Trade AR				32	-	(32)	(32)	-							
U-40		Periodization of Administrative budget (PY and CY) Dr Expenses Cr Trade AP	107	107			107	107 -	-			107					
U-40		Periodization of Supplementary budget (CY) Dr Trade AP Cr Expenses	56	56			56	56				56					
U-40		Adjustments of Administrative budget revenue (due to expenses correction) Dr UCC Cr Administrative budget Cr Administrative budget revenues	107	(107)			(107)	(107)	107 (107)								
U-40		Adjustments of Supplementary budget revenue (due to expenses correction) Dr UCC Cr Supplementar budget Cr Supplementary budget revenues	56	(56)			(56)	(56)	56 (56)								
U-40		Vacation reserve (PY and CY adjustment) Dr Expenses Cr Provision for vacations	12	12		59	12	(47)	(47)			12					
U-40		Termination benefit reserve (CY) Dr Expenses Cr Provisions for termination	53	53			53	53	53			(53)					
		Aggregate of uncorrected audit misstatements (before tax)				131	272	194	194	260	-	122	-	-	-	-	
		Tax effect of uncorrected audit misstatements						-	-								
		Aggregate of uncorrected audit misstatements (after tax)						194	194	260	-	122	-	-	-	-	
		Financial statement amounts (per final financial statements)						1,926	46,602	51,845	281	3,324	-				
		Uncorrected audit misstatements after tax effect as a percentage of financial statement amounts						10.1%	0.4%	0.5%	0.0%	3.7%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	

Communication of Uncorrected Audit Misstatements

David Cleave, Acting Executive Director

Date: 24 April 2014