



Financial Statements of

**INTERNATIONAL SCIENCE AND
TECHNOLOGY CENTER**

For the year ended December 31, 2023

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Financial statements

for the year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the International Science and Technology Center

Opinion

We have audited the financial statements of the International Science and Technology Center (the "ISTC"), which comprise the statement of financial position as at December 31, 2023, and the statement of income and expenses, statement of movements in capital contributions and, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ISTC as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the ISTC in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the ISTC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ISTC or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ISTC's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 ISTC's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ISTC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ISTC to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

The engagement partner responsible for the audit resulting in this independent auditor's report is Aisulu Narbayeva.

RSM Qazaqstan LLP

Aisulu Narbayeva
Auditor/General Director
RSM Qazaqstan LLP



Auditor qualification certificate # 0000137
dated 21 October 1994

State audit license for audit activities on the
territory of the Republic of Kazakhstan #19024411
issued by the Ministry of Finance of the Republic
of Kazakhstan on 24 December 2019

Office 60, 210 "B" Dostyk Avenue
Almaty, 050051, Republic of Kazakhstan

June 5, 2024

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Financial Position

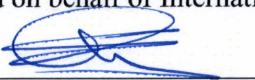
As of December 31, 2023 and 2022

Thousands of U.S. Dollars

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT		
Cash and short-term deposits (Note 3)	40,865	32,429
Receivables		
Amounts due from funding parties (Note 4)	14,274	6,934
Prepayments (Note 5)	694	857
Other receivables (Note 5)	48	73
Interest receivable	63	91
	<u>55,944</u>	<u>40,384</u>
NON-CURRENT RECEIVABLES FROM FUNDING PARTIES (Note 4)		
	11,400	3,090
TOTAL ASSETS	\$ 67,344	\$ 43,474
LIABILITIES AND CAPITAL CONTRIBUTIONS		
CURRENT		
Accounts payable		
Projects	\$ 253	\$ 130
Administration and project vendors	3,429	2,143
Deferred revenues (Note 6)	103	148
Grants payable to institutes	693	659
	<u>4,478</u>	<u>3,080</u>
CAPITAL CONTRIBUTIONS		
DESIGNATED CAPITAL CONTRIBUTIONS ("DCC") - PROJECTS		
	40,888	20,757
DESIGNATED CAPITAL CONTRIBUTIONS ("DCC") - OPERATING		
Administrative budget	2,399	1,287
Supplemental budget	4,805	6,406
	<u>14,774</u>	<u>11,944</u>
UNDESIGNATED CAPITAL CONTRIBUTIONS ("UCC")	62,866	40,394
TOTAL LIABILITIES AND CAPITAL CONTRIBUTION	\$ 67,344	\$ 43,474

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 June 5, 2024


David Cleave
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Income and Expenses

For the year ended December 31, 2023 and 2022

(Thousands of U.S. Dollars)

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statements of Revenues and Expenses

Years ended December 31, 2023 and 2022

(Thousands of U.S. Dollars)

	2023	2022
REVENUES		
Project revenues (Capital movement note (a))	\$ 8,994	\$ 9,947
Supplemental budget (Capital movement note (b))	1,858	2,040
Operating revenues		
Administrative revenue (Note 6)	1,183	983
<i>Administrative budget (Capital movement note (b))</i>	1,210	1,131
<i>Changes in deferred revenue</i>	(27)	(148)
Investment income (Capital movement note (c))	691	226
Other income (Note 8)	422	-
	13,148	13,196
EXPENSES		
Project expenses (Note 9)	8,994	9,947
<i>Projects ongoing</i>	8,569	9,852
<i>Projects completed</i>	425	95
Supplemental budget (Note 10)	1,858	2,040
Operating expenses		
Administrative costs	1,183	983
<i>Administrative expenses (Note 10)</i>	1,210	1,131
<i>Changes in administrative commitments</i>	(27)	(148)
Other expenses (Note 7)	422	1,480
	12,457	14,450
EXCESS OF REVENUES OVER EXPENSES	\$ 691	\$ (1,254)

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 June 5, 2024



David Cleave
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Cash Flows


For the year ended December 31, 2023 and 2022

(Thousands of U.S. Dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from funding parties	\$ 17,841	\$ 5,853
Cash out	<u>(10,528)</u>	<u>(11,951)</u>
Cash generated from / (used in) operation	<u>7,313</u>	<u>(6,098)</u>
<i>Net cash from / (used in) operating activities</i>	7,313	(6,098)
Cash flows from investing activities		
Investment Income	<u>720</u>	<u>141</u>
<i>Net cash from investing activities</i>	720	141
Cash flows from financing activities		
Effects of exchange rate changes on cash and cash equivalents	<u>403</u>	<u>(1,023)</u>
Net increase/(decrease) in cash and cash equivalents	<u>8,436</u>	<u>(6,980)</u>
Cash and cash equivalents at beginning of period	32,429	39,409
Cash and cash equivalents at end of period (Note 3)	<u><u>40,865</u></u>	<u><u>32,429</u></u>

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 June 5, 2024


David Cleave
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Movements in Capital Contributions

For the year ended December 31, 2023
(Thousands of U.S. Dollars)

Movements in capital accounts during fiscal years 2023 and 2022 are as follows:

a. *Designated Capital Contributions ("DCC") – Projects are presented at the country level which summarizes funding parties and partners associated with that country.*

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

	EU	UK	U.S.	Japan	South Korea	SG	Total
DCC projects - December 31, 2021 and January 1, 2022	\$ 21,764	\$ 287	\$ 3,837	\$ 575	-	-	\$ 26,463
Transfers to statement of income and expenses	(6,935)	(43)	(2,317)	(652)	-	-	(9,947)
New projects signed during 2022	74	-	4,156	1,983	-	2,060	8,273
Project modification reduction	(3,503)	-	(8)	-	-	-	(3,511)
Foreign exchange differences	(475)	(30)	-	-	-	-	(505)
Funding received in excess of closed proj. expenses transfer to UCC	(2)	(8)	(3)	(3)	-	-	(16)
DCC projects - December 31, 2022 and January 1, 2023	\$ 10,923	\$ 206	\$ 5,665	\$ 1,903	-	2,060	\$ 20,757
Transfers to statement of income and expenses	(4,851)	(77)	(3,251)	(782)	-	(33)	(8,994)
New projects signed during 2023	15,953	44	11,523	35	-	-	27,555
New project awarded	446	-	1,860	-	-	-	2,306
Project unspent funds refunded	(515)	-	-	-	-	-	(515)
Project modification reduction	(68)	-	(158)	-	-	-	(226)
Foreign exchange differences	412	10	-	-	-	-	422
Funding received in excess of closed proj. expenses transfer to UCC	(57)	-	(358)	(2)	-	-	(417)
DCC projects - December 31, 2023	\$ 22,243	\$ 183	\$ 15,281	\$ 11,54	\$ 0	\$ 2027	\$ 40,888

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

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Movements in Capital Contributions (continued)

(Thousands of U.S. Dollars)

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

Administrative operating budget as of December 31, 2023 represents amount committed for the administration budget for the next fiscal year.

	EU	UK	U.S.	Japan	Norway	South Korea	Kazakhstan	Partners fees	Total
Administrative operating budget - December 31, 2021 and January 1, 2022	-	-	-	-	-	-	-	824	824
New budget approved 2022	486	-	50	116	50	50	40	-	792
Interest transferred to 2022	60	1	60	18					139
Transfer to statement of income and expenses	(546)	(1)	(110)	(134)	(50)	(50)	(40)	(200)	(1,131)
Additional contribution (net of adjustments)	-	-	-	-	-	-	-	663	663
Administrative operating budget - December 31, 2022 and January 1, 2023	-	-	-	-	-	-	-	1287	1 287
New budget approved 2023	590	-	50	160	50	50	40	-	940
Transfer to statement of income and expenses	(590)	-	(50)	(160)	(50)	(50)	(40)	(270)	(1,210)
Additional contribution (net of adjustments)	-	-	-	-	-	-	-	1 382	1 382
Administrative budget - December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2 399	\$ 2 399

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

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Movements in Capital Contributions (continued)
(Thousands of U.S. Dollars)

b. *Designated Capital Contributions ("DCC") – SB programs are presented at the country level which summarizes funding parties and partners associated with country.*

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

	EU	UK	U.S.	Japan	Total
Supplemental budget - December 31, 2021 and January 1, 2022	1 577	-	5,586	157	7,320
Transfer to statement of income and expenses	(1,146)	-	(644)	(250)	(2 040)
Additional contribution	986	-	438	186	1,610
Transfer to DCC - projects	-	-	(143)	-	(143)
Transfer to DCC - admin	-	-	(4)	-	(4)
Transfer to UCC for unused funds	(262)	-	-	(75)	(337)
Supplemental budget - December 31, 2022 and January 1, 2023	1 155	-	5,233	18	6,406
Transfer to statement of income and expenses	(1,083)	-	(656)	(119)	(1,858)
Additional contribution	374	-	198	271	843
Funds refunded	-	-	(125)	-	(125)
Transfer to DCC - projects	-	-	(197)	-	(197)
Transfer to DCC - admin	-	-	(4)	-	(4)
Transfer to UCC for unused funds	(187)	-	-	(73)	(260)
Supplemental operating budget - December 31, 2023	\$ 259	\$ -	\$ 4,449	\$ 97	\$ 4,805

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

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Statement of Movements in Capital Contributions (continued)

(Thousands of U.S. Dollars)

c. Undesignated Capital Contributions ("UCC")

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

	EU	UK	U.S.	Japan	Norway	South Korea	Kazakhstan	Total
UCC - December 31, 2021	\$ 3,662	\$ 200	\$ 4,951	\$ 4,146	\$ 22	\$ 36	-	\$ 13,017
Increase of capital								
Contributions from parties	1,335	(9)	3,555	680	-	-	100	5,661
Investment income allocation	91	2	98	35	-	-	-	226
Transfer from DCC for revenues in excess of expenses in operating - administrative budget	-	1	-	-	-	-	-	1
Transfer from DCC for unused funds on programs under operating - supplemental budget	262	-	-	75	-	-	-	337
Transfer from DCC - projects for approved funding in excess of expenses	2	8	3	3	-	-	-	16
Decrease of capital								
Transfer to DCC - projects for signed projects	(74)	-	(1,631)	(1,983)	-	-	-	(3,688)
Transfer to DCC for operating - administrative budget	(546)	(1)	(335)	(59)	-	-	(40)	(981)
Transfer to DCC for operating - supplemental budget	(986)	-	(438)	(186)	-	-	-	(1,610)
Other	-	-	-	-	-	-	(60)	(60)
Foreign exchange differences	(973)	(2)	-	-	-	-	-	(975)
UCC - December 31, 2022	\$ 2,773	\$ 199	\$ 6,203	\$ 2,711	\$ 22	\$ 36	\$ -	\$ 11,944

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

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Movements in Capital Contributions (continued)
(Thousands of U.S. Dollars)

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

	EU	UK	U.S.	Japan	Norway	South Korea	SG	Kazakhstan	Total
UCC - December 31, 2022	\$ 2,773	\$ 199	\$ 6,203	\$ 2,711	\$ 22	\$ 36	\$ -	\$ -	\$ 11,944
Increase of capital									
Contributions from parties	4,805	-	1,750	680	4	-	-	100	7,339
Investment income allocation	242	4	333	92	1	1	18	-	691
Transfer from DCC for unused funds on programs under operating - supplemental budget	187	-	-	73	-	-	-	-	260
Transfer from DCC - projects for approved funding in excess of expenses	57	-	358	2	-	-	-	-	417
Foreign exchange differences	422	-	-	-	-	-	-	-	422
Decrease of capital									
Transfer to DCC - projects for signed projects	(760)	-	(1,130)	(35)	-	-	-	-	(1,925)
Transfer to DCC - projects for approved projects	(608)	-	(1,750)	-	-	-	-	-	(2,358)
Transfer to DCC for operating - administrative budget	(590)	-	(379)	(104)	-	-	-	(40)	(1,113)
Transfer to DCC for operating - supplemental budget	(374)	-	(198)	(271)	-	-	-	-	(843)
Other	-	-	-	-	-	-	-	(60)	(60)
UCC - December 31, 2023	\$ 6,154	\$ 203	\$ 5,187	\$ 3,148	\$ 27	\$ 37	\$ -	\$ -	\$ 14,774

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

Signed on behalf of International Science and Technology Center on June 5, 2024.



David Cleave
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Notes to the Financial Statements

For the year ended December 31, 2023

(Thousands of U.S. Dollars)

1. ORGANIZATION AND BUSINESS

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

Agreement continuing the ISTC was signed on December 9, 2015 at the GB 61 in Astana (Nur-Sultan) city, the Republic of Kazakhstan and fully ratified on December 14, 2017.

The objectives of the ISTC are set forth in Article II of the Agreement. The ISTC develops, approves, finances and monitors science and technology projects for peaceful purposes, which are to be carried out at institutions and facilities located in the territories of the Parties. The projects may be conducted in states that are not Parties to the Agreement. The Parties to the Continuing Agreement signed in December 2015 were the European Union, the United States of America, Armenia, Georgia, the Republic of Kazakhstan, the Kyrgyz Republic, Tajikistan, Japan, Norway, and the Republic of South Korea. Funding parties, which contribute to the ISTC, are the States parties, government and non-government partners.

Based on Article IX of the Continuing Agreement, the Government of the Republic of Kazakhstan provides the ISTC with free office space and other facilities, along with maintenance, utilities and security for the facility. Since August 2014, the ISTC has occupied office space provided in kind by the Government of the Republic of Kazakhstan. The annual contribution included free rent, utilities and security services and is estimated at fair value of \$126,885 in 2023 and \$124,667 in 2022.

The ISTC has been registered with the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (the Committee). The Committee established that the ISTC, as a part of “Diplomatic and consular representations”, is not a corporate income taxpayer and is not obligatory to submit the declaration for the corporate income tax. Furthermore, the Committee recognized that the ISTC, in accordance with the Paragraph a) of the Article 34 of the Vienna Convention on Diplomatic Relations dated from 18.04.1961, shall be exempt from all dues and taxes, personal or real, national, regional or municipal.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

International Accounting Standard (“IAS”) 16 “Property, Plant and Equipment” requires non-current assets to be capitalized; depreciated over their useful economic lives and derecognized upon disposal and IAS 38 “Intangible Assets” requires computer software costs and other intangible assets be capitalized and amortized over their useful economic life and derecognized upon disposal. Due to the project-based nature of ISTC’s operations, management believes the application of these requirements would result in improper matching between the income contributed by the funding parties with the related expenses, and accordingly conflict with the fair presentation objective of these financial statements.

Non-current assets acquired for use by participating institutes as part of the projects and for use by sustainability program partners, as well as non-current assets acquired by the ISTC for the administrative needs, are charged to the Statement of Income and Expenses upon acquisition (project related non-current assets acquired in 2023 - \$1,182 thousand; 2022 - \$1,556 thousand (Note 8)). For the administrative needs, ISTC acquired \$ 4 thousand of non-current assets in 2023 and \$3 thousand in 2022.

These financial statements were approved by the Executive Director and the Chief Financial Officer on June 5, 2024 and will be presented for approval to the Governing Board on 5 June 2024. The Governing Board has the power to reject the financial statements, and the right to request that new financial statements be issued.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In these financial statements, the statement of Comprehensive Income is called “the Statement of Income 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 National Bank of Republic of Kazakhstan for KZT currency exchange rates prevailing at the year-end date. Foreign currency translation gains and losses are charged to the Statement of Income and Expenses under Other expenses/Other income with the exception of translation gains and losses arising from project and program 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 1.1050 (2022: 1.0666), USD/KZT 454.56 (2022: 462.65).

The unrealized exchange gain from the revaluation of the bank accounts in currencies other than US dollars was charged to the Undesignated Capital Contribution (UCC) accounts of the relevant funding Party/Partner. The unrealized exchange loss arose from the revaluation of accounts receivable transactions due under project agreements and was charged to the DCC accounts of the relevant funder.

The realized exchange gain from contracts with suppliers in currencies other than US dollars, due under project and AOB agreements, was charged to the project and administrative operating expenses accordingly in the Statement of Income and Expenses.

c. Project activity

The ISTC authorizes and funds various projects which are carried out at institutes or various organizations. Projects are financed by the funding parties and partners either individually or jointly. All project agreements include a maximum amount of funding to be provided by the funding parties or partners. ISTC's projects include sustainable capacity and capabilities building support programs. These programs are different from scientific research and technology projects in a way that they provide material and technical assistance to Partner Countries that participate in the programs to strengthen their legislative, institutional and educational/training frameworks.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Project recognition

Projects are initially accounted for upon the later occurrence of either the signing date of the project agreement between the 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, which is subsequently covered by either transfers from Undesignated Capital Contributions Accounts or direct disbursement by the funding parties.

Project expenses

Project costs consist of several main components: grants to scientists, technical services, travel, equipment and overheads. The ISTC, being a non-profit 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 Income and Expenses. Projects are performed on a cost reimbursable basis, with a ceiling of funds specified in the project agreements.

Based on the project agreement the ISTC temporarily retains the payment of the allowable overheads 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 overheads retainage is recognized as part of amounts payable for projects that were completed in the audited year.

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.

d. Revenue

IFRS 15, which was adopted by the ISTC in 2018, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. An entity adopts a five-step model to determine when to recognize revenue, and at what amount. The new model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, income is recognized:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

A performance obligation is a promise to deliver a good or provide a service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer). Additionally, it is provided that an asset will be recognized for the incremental costs of obtaining a contract with a customer if they are expected to be recovered. The current practices applied by the ISTC imply that there are no contract costs to be capitalized.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The specific accounting policies for the ISTC's main types of income are explained below.

Project Revenues

Project revenues recognized during the year in the Statement of Income and Expenses are amounts equal to the total value of project expenditure incurred and expensed during the year. The revenues are transferred from the funding parties Designated Capital Accounts for Projects to the Statement of Income and Expenses.

Project revenues do not arise from contracts with customers where a 'customer' is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activity. Therefore, revenue recognition model under IFRS 15 is not applicable for the project revenues recognized by the ISTC.

Partner Fees

Partner projects may be charged a fee of 10% of the total project cost for the services provided by the ISTC to administer the project. Revenues from partner fees meet the definition of the contracts with customers as stipulated under IFRS 15. Revenues from partner fees derived from contracts with customers are recognized based on compliance with performance obligations with customers. Partner fees reflect the transfer of services to funding parties at an amount that reflects the consideration to which the ISTC expects to be entitled in exchange for such services. Partner fees are recognized in the Statement of Income and Expenses upon receipt of the Partner Fees from the partners.

Agent vs. Principal

The ISTC has performed assessment over principal vs agent presentation under IFRS 15. The ISTC has concluded that it acts as a principal. The ISTC obtains control of a service performed by recipient institutes and directs this service by administering the projects and holds primary responsibility for fulfilling the specified service to the funding parties. During the project administration the ISTC has discretion in selecting suppliers and agreeing on the prices paid.

Operating income and expenses

Administrative and operating budget ("AOB")

Administrative and operating income recognized in the Statement of Income and Expenses during the year when appropriate administrative and operating expense incurred. The AOB amount approved by funding parties for the particular year and transferred from the funding parties' designated capital contributions to administrative and operating budget. Such income does not meet the definition of revenue from contracts with customers as per IFRS 15.

AOB operating expenses are charged to the Statement of Income and Expenses when incurred.

Income in excess of expenses is generally reallocated to the funding parties' undesignated capital contributions accounts in the same proportion as the administrative income contributions.

Supplemental operating budget ("SOB")

SOB is approved by the funding parties and partners to provide funding for activities that are outside the scope of the Administrative Operating Budget and not directly related to the implementation of projects.

SOB income is recognized in the Statement of Income and Expenses are amounts equal to expenses incurred during the year. Such income does not meet the definition of revenue from contracts with customers as per IFRS 15.

SOB expenses are charged to the Statement of Income and Expenses when incurred.

Any surplus in funds upon completion of the programs within the SOB is transferred to the funding parties' undesignated capital contribution account.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. 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 parties' funds are kept at the banks that are recommended by the ISTC's management and approved by the funding parties.

Designated capital contribution

Projects represent amounts committed on signed projects net of project expenses incurred to date.

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 income in excess of expenses from closed or terminated projects.

In the case of some projects funded by the European Union, the annual agreements are signed between the 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 agreements 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.

f. Cash and cash equivalents

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

g. Prepayments

Prepayments include prepaid expense related to projects and to administrative and supplemental activities. The ISTC recognizes prepayments upon cash transfer for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

h. Equipment and furniture

Equipment is 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.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Project equipment

Since the 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 Income and Expenses together with other project expenses incurred during the year (see Note 2c).

Despite the fact that the ISTC does not consume economic benefits derived from the project equipment over the term of its useful life, the ISTC maintains ownership of the equipment during and beyond the period of project implementation.

i. 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 the ISTC and give rise to the possibility of future. The ISTC does not have either contingent assets or liabilities.

j. Employee benefits

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

k. Taxation

Under the terms of the Agreement Continuing the ISTC with the Republic of Kazakhstan government, the ISTC is exempt from corporate income taxes. In addition, the ISTC is exempt from custom duties and Value Added Taxes ("VAT") on imported goods and VAT exempt on purchases within the countries of the Parties to the Continuing Agreement signed in December 2015.

l. Financial Instruments

Financial Assets

The ISTC uses only non-derivative financial instruments as part of its normal operations.

Initial recognition and measurement

Financial assets include trade and other receivables and cash and cash equivalents. Similarly, to the past practice all financial assets held by the ISTC are classified as instruments at amortized cost under IFRS 9. The ISTC determines the classification of its financial assets at initial recognition. All financial assets held by the ISTC are recognized initially at fair value plus directly attributable transaction costs.

Subsequent measurement

Subsequent to initial recognition 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, the ISTC estimates future cash flows considering all contractual terms of the financial instruments.

Derecognition

The 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 the ISTC is recognized as a separate asset or liability.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

The ISTC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The ISTC recognizes doubtful debt impairment allowances based on an individual management assessment of the recoverability of each receivable. Trade and other receivables are recognized as balance sheet assets against capital contribution. Thus, loss given default (LGD) for trade and other receivables is equal to zero. Subsequently, expected credit loss (ECL) ($ECL = PD * LGD * EAD$ where PD the probability of default and EAD the exposure at default) is also equal to zero. Given the nature of the ISTC funding providers, at the reporting date there was no direct exposure to potential impairment to be recognized in the Statement of Financial Position.

Given the short-term nature the ECL impact on cash and cash equivalents is assessed as not significant. Therefore, no significant additional disclosures included in financial statements as allowed under IAS 1.31.

Credit risk exposures are summarized and Fair values are calculated in Note 15 to the Financial Statements.

Interest income

Interest earned on balances in the ISTC's bank accounts is reported in the Statement of Income and Expenses as finance income, using the effective interest rate method. Surplus interest is allocated to the funding parties' Undesignated Capital Contributions Accounts, distributed proportionally based on their respective cash balances. Any interest earned that amounts to less than \$500 is retained by ISTC for administrative expenses.

Financial liabilities

Initial recognition and measurement

The ISTC's financial liabilities include trade and other payables.

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortized cost. The ISTC determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, trade and other payables are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Income and Expenses when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Income and Expenses.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

m. Use of estimates and judgments

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 recognized 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.

Sources of estimation uncertainty:

Accounting policy applied to tangible and intangible a assets: Please refer to Note 2a and 2h above.

Valuation of accounts receivable: 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.

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

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.

n. New and amended standards and interpretations

The ISTC has adopted for the first time certain standards and amendments that are effective for annual reporting periods starting 1 January 2023 (unless otherwise stated). The ISTC has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by: a specific adaptation for contracts with direct participation features (the variable fee approach); a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard had no impact on the ISTC's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the ISTC' financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the ISTC's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the ISTC's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the ISTC's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. New and amended standards and interpretations (continued)

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (continued)

The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the ISTC's financial statements.

o. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

3. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits are made up of the following amounts:

	<u>2023</u>	<u>2022</u>
Cash and short-term deposits	39 877	30 037
	<u>\$ 39 877</u>	<u>\$ 30 037</u>

Cash and cash equivalents for cash flow purposes:

	<u>2023</u>	<u>2022</u>
Cash and short-term deposits	39 877	30 037
Securities custody account	988	2 392
	<u>\$ 40 865</u>	<u>\$ 32 429</u>

As of 31 December 2023 and 2022 cash equivalents in the short-term deposit is placed in the foreign banks only. Interest rates earned on interest bearing deposits are in line with market rates prevailing in the countries of placement.

The securities custody accounts are presented by amounts on trust management on international bank with the credit rating ranged from (A- to AAA) by S&P and Fitch or Moody's equivalent.

4. AMOUNTS DUE FROM FUNDING PARTIES AND PARTNERS

Amounts due from funding parties as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Due within one year		
Other funding parties and partners	14,274	6,934
	<u>\$ 14,274</u>	<u>\$ 6,934</u>
Due after one year		
Other funding parties and partners	11,400	3,090
	<u>\$ 11,400</u>	<u>\$ 3,090</u>

5. PREPAYMENTS

Prepayments consisted of the following:

	<u>2023</u>	<u>2022</u>
Advances paid for services under projects	614	737
Project advances	48	118
Prepaid expenses-operating	32	2
	<u>\$ 694</u>	<u>\$ 857</u>

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

6. ADMINISTRATIVE REVENUE

The approved administrative budget for 2023 is \$1,1210 (2022: \$1,131), with actual administrative expenses totaling \$1,183 (2022: \$983). The remaining \$27 is recognized as deferred revenue and has been approved by GB78 for use in ongoing IT developments.

7. OTHER INCOME AND EXPENSES

Other expenses during 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Unrealized foreign exchange gain - bank account balances	422	-
Unrealized foreign exchange loss - accounts receivable from Parties/Partners	\$ (422)	\$ (1,480)
Net unrealized foreign exchange gain/(loss)	\$ -	\$ (1,480)

The unrealized exchange gain of \$422 (2022: \$0) from the revaluation of the bank accounts in currencies other than US dollars was charged to the Undesignated Capital Contribution (UCC) accounts of the relevant funding Party/Partner. The unrealized exchange loss of \$422 (2022: \$1,480) from the revaluation of accounts receivable transactions due under project agreements was charged to the DCC accounts of the relevant funder. These unrealized gains and losses are reported in the Statement of Income and Expenses under "Other income" and "Other expenses".

The exchange rates applied at the period end for the principal currencies were 1.1050 EUR/USD in 2023 vs 1.0666 EUR/USD in 2022.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

8. PROJECT EXPENSES

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

Financial Year	Amount
2023	\$ 8,994
2022	9,947
2021	13,977
2020	5,927
2019	9,869
2018	8,136
2017	4,938
2016	4,358
2015	4,353
2014	8,279
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, 2023	\$ 960,007

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

8. PROJECT EXPENSES (continued)

Cumulative project expenses as of these statements amounted to \$960,007 thousand (2022: \$951,013 thousand) reflect actual expenses incurred on ongoing projects and completed projects. Such expenses consisted of the following in 2023 and 2022 for the Projects:

	<u>2023</u>	<u>2022</u>
Comprehensive services for laboratory supplies	2 029	2 675
Grants to scientists	2 012	1 993
Equipment	1 182	1 556
Travel	995	1 158
Professional services	933	1 094
Other project costs	1 843	1 471
	<u>\$ 8,994</u>	<u>\$ 9,947</u>

Other project costs include trainings, training materials, and banking fees.

9. OPERATING EXPENSES

Operating expenses incurred during 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Administrative budget		
Personnel	831	788
Center operations	294	257
Center facilities and equipment	67	68
Branch offices	18	18
	<u>\$ 1,210</u>	<u>\$ 1,131</u>

	<u>2023</u>	<u>2022</u>
Supplemental budget		
Seminars	709	829
Management information systems	8	40
Expert participation		
United States	308	316
European Union	797	739
Japan	36	116
	<u>\$ 1,858</u>	<u>\$ 2,040</u>

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

10. FUNDING PARTY INFORMATION

The income 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
2023								
EU	4,851	-	1,083	242	(4,851)	(1,083)	10	252
Japan	782	-	119	92	(782)	(119)	-	92
United States	3,251	-	656	333	(3,251)	(656)	-	333
Norway	-	-	-	1	-	-	-	1
South Korea	-	-	-	1	-	-	-	1
Singapore	33	-	-	18	(33)	-	-	18
United Kingdom	77	-	-	4	(77)	-	(10)	(6)
	\$ 8,994	\$ -	\$ 1,858	\$ 691	\$ (8,994)	\$ (1,858)	\$ -	\$ 691
2022								
EU	6,935	-	1,146	91	(6,935)	(1,146)	(1,448)	(1,357)
Japan	652	-	250	35	(652)	(250)	-	35
United States	2,317	-	644	98	(2,317)	(644)	-	98
Norway	-	-	-	-	-	-	-	-
South Korea	-	-	-	-	-	-	-	-
United Kingdom	43	-	-	2	(43)	-	(32)	(30)
	\$ 9,947	\$ -	\$ 2,040	\$ 226	\$ (9,947)	\$ (2,040)	\$ (1,480)	\$ (1,254)

All income 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.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

11. 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 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
EU	7,367	2,632
UK	146	27
Japan	736	755
United States	8,118	2,239
Norway	55	50
South Korea	50	50
Singapore	1,269	
Kazakhstan	100	100
	<u>\$ 17,841</u>	<u>\$ 5,853</u>

12. FINANCIAL COMMITMENTS

At the end of Fiscal Year 2023, financial commitment was pending for six projects approved by the JP, US, EU and EU partner in the amount of \$2,995 (2022- \$336 for pending one project).

13. RELATED PARTIES

Other than the parties to the Agreement described in Note 1, there are no related parties (2022 - None). All transactions with related parties have been undertaken on arm's length terms.

14. FINANCIAL INSTRUMENTS

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	40 865	32 429
Amounts due from funding parties and partners	25 674	10 024
Other receivables (Note 5)	48	73
Accrued income receivable	63	91
	<u>\$ 66,650</u>	<u>\$ 42,617</u>

	<u>2023</u>	<u>2022</u>
Financial liabilities		
Accounts payable	3 785	2 421
Grants payable to institutes	693	659
	<u>\$ 4 478</u>	<u>\$ 3 080</u>

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

14. FINANCIAL INSTRUMENTS (continued)

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 the ISTC as of 31 December 2023 and 31 December 2022 is represented by the carrying amounts of financial assets as disclosed above (see also Note 4 for the amounts due from funding parties and partners). Given the nature of the ISTC funding parties which have established Undesignated Capital Contribution (UCC) accounts at the reporting date create no direct exposure to credit risk. The potential risk is presented in outstanding amounts due from funding partners that don't have UCC accounts and may fail to discharge obligations. As of 31 December 2023, the ISTC had outstanding receivables of \$14,274 (2022 – \$6,934), in current assets and \$11,400 (2022 – \$3,090) in non-current assets due from the funding partners.

Additionally, under the terms of project agreements concluded between the ISTC and the respective recipient institutes, project costs for a given period of time may not be claimed by a recipient institute if it has received project reimbursements from other funding sources for the same period of time. In case the project condition is breached, the ISTC may ultimately terminate the project and demand the return of all payments and goods previously provided. An institute's potential failure to return the funds and goods creates additional credit risk exposure to the ISTC. Recipient institutes' compliance with the above contractual condition cannot be readily verified as no related effective controls or supporting records can be implemented at the ISTC as relevant accounting records of the recipient institutes are not readily available. Nevertheless, such risk of potential reimbursed cost claims is considered remote by the ISTC.

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 \$51,466 thousand as of 31 December 2023 (2022 - \$37,304 thousand). All carrying amounts of the financial liabilities as of 31 December 2023 and 31 December 2022 agree with the respective value of the contractual cash flows and the contractual maturities do not exceed 3 months.

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Notes to the Financial Statements (continued)
(Thousands of U.S. Dollars)

14. FINANCIAL INSTRUMENTS (continued)

Currency risk

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

	EUR	KZT	USD	GBP	JPY	Total
Financial assets as of December 31, 2023						
Cash and cash equivalents, other receivables	13 426	7	27 236	195	1	40 865
Amounts due from funding parties and partners	15 605	-	9 941	128	-	25 674
Other receivables (Note 5)	-	-	48	-	-	48
Accrued income receivable	-	-	63	-	-	63
	\$ 29,031	\$ 7	\$ 37,288	\$ 323	\$ 1	\$ 66,650

	EUR	KZT	USD	GBP	JPY	Total
Financial liabilities as of December 31, 2023						
Accounts payable	3 072	10	647	56	-	3 785
Grants payable to institutes	-	-	693	-	-	693
	\$ 3 072	\$ 10	\$ 1 340	\$ 56	\$ -	\$ 4,478

Net currency position as of December 31, 2022	\$ 25,959	\$ (3)	\$ 35,948	\$ 267	\$ 1	\$ 26 224
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A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2023 would have increased (decreased) excess of income over expenses and capital contributions by \$2,622 thousand. This analysis assumes that all other variables remain constant.

Financial assets as of December 31, 2022						
Cash and cash equivalents, other receivables	9 762	2	22 665	-	-	32 429
Amounts due from funding parties and partners	3 296	-	6 488	240	-	10 024
Other receivables (Note 5)	-	-	73	-	-	73
Accrued income receivable	-	-	91	-	-	91
	\$ 13,058	\$ 2	\$ 29,317	\$ 240	\$ -	\$ 42,617

	EUR	KZT	USD	GBP	KGS	Total
Financial liabilities as of December 31, 2022						
Accounts payable	2 035	69	315	1	1	2 421
Grants payable to institutes	-	-	659	-	-	659
	\$ 2 035	\$ 69	\$ 974	\$ 1	\$ 1	\$ 3,080

Net currency position as of December 31, 2022	\$ 11,023	\$ (67)	\$ 28,343	\$ 239	\$ (1)	\$ 11 194
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INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Notes to the Financial Statements (continued)

(Thousands of U.S. Dollars)

14. FINANCIAL INSTRUMENTS (continued)

A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2022 would have increased (decreased) excess of income over expenses and capital contributions by \$1,120 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. The 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 interest-bearing assets of the ISTC were short-term deposits of \$ 22,519 thousand (2022: \$22,673 thousand) (Note 3).

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 the 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, the ISTC uses market observable data as far as possible. Fair values are categorized 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 categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

The 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 the ISTC approximate their carrying amounts as of 31 December 2023 and 2022 and are classified to Level 3 in fair value hierarchy.