



**National Ecological Centre of Ukraine (NECU)**

**Financial Statements**

As at 31 December 2013

Together with Independent Auditor's Report

**National Ecological Centre of Ukraine**  
**IFRS Financial Statements**  
As at 31 December 2013 and for the year then ended

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### **Independent Auditors' Report**

To the members of the National Ecological Centre of Ukraine (NECU)  
6-b, Pankivska Street, Kyiv 01033, Ukraine

We have audited the accompanying balance sheets of **NECU** as of December 31, 2013, and the related statements of income, statement of changes in capital and reserves, and cash flows for the years then ended.

#### **Management's Responsibility**

These financial statements are the responsibility of the Company's management.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing, which are accepted as National standards on Auditing in Ukraine. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **NECU** as of December 31, 2013, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

Director of the «Audit Firm «Sonar»  
K.P. Naumenko  
2013, June 20 th



**National Ecological Centre of Ukraine**  
**IFRS Financial Statements**  
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(in Euro)

**Balance sheet as at December 31, 2013**

<b>Assets</b>	Notes	<b>2 013</b>	<b>2 012</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	8 524	4 351
Intangible Assets	5		
Total Non-current assets		<u>8 524</u>	<u>4 351</u>
<b>Current assets</b>			
Debtors			
Inventories	6	2 178	347
Accrued grant income	7	18 451	26 651
Prepayments	8	12 366	16 408
Other current assets		14	
Cash at bank and on hand	9	21 059	24 509
Total Current assets		<u>54 068</u>	<u>67 915</u>
<b>Total Assets</b>		<u><b>62 592</b></u>	<u><b>72 266</b></u>
Equity and liabilities			
Equity			
Property fund		8 524	4 351
Project fund		22 216	16 708
Provision for foreign currency translation		(2015)	(5514)
Total Equity		<u>28 725</u>	<u>15 545</u>
Current liabilities			
Payable	10	480	58
Other payable			
Other current liabilities	11	33 387	56 663
Total Current liabilities		<u>33 867</u>	<u>56 721</u>
<b>Total Equity and liabilities</b>		<u><b>62 592</b></u>	<u><b>72 266</b></u>

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Income statement for 2013

	Notes	<u>2013</u>	<u>2012</u>
<b>INCOME:</b>			
Grants			
Received from donors	12	249 859	151 204
Deferred the previous year		56 663	38 551
Deferred the next year		(33 387)	(56 663)
Accrued income on grants in the previous year		(26 651)	(19 612)
Accrued income on grants in the current year		18 451	26 651
% Bank		102	41
Unrealized exchange gain			9 355
<b>TOTAL INCOME</b>		<u><b>265 037</b></u>	<u><b>149 527</b></u>
<b>EXPENSES:</b>			
Exchange difference		(2 411)	
Administrative expenses	13	(17 113)	(10 125)
Expenses of carrying out programs	14	(229 033)	(129 804)
<b>TOTAL EXPENSES:</b>		<u><b>(248 557)</b></u>	<u><b>(139 929)</b></u>
The (deficit)/surplus for the year		16 480	9 598
Balance at the beginning		16 708	7 132
Transfer to Property Fund		(8 425)	(517)
Balance at the end		<u><b>24 763</b></u>	<u><b>16 213</b></u>
Exchange income arising from translation income statement account at average rate rather than closing rate		(2 547)	495
Balance at 31 December 2013 (at closing exchange rate)		<u><b>22 216</b></u>	<u><b>16708</b></u>



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<b>Cash flow statement for 2013</b>	<b>2013</b>	<b>2012</b>
Cash flow from operating activities		
The (deficit)/surplus for the year	16 479	9 598
Adjustment for:		
accrued interest of the bank	(102)	(41)
Decrease (Increase) in accrued grant income	8 200	(7 039)
Increase (Decrease) in deferred grant income	(23 276)	18 112
Working capital adjustments:		
Decrease (Increase) in account of inventories	(1 831)	49
Decrease (Increase) in accounts receivable	4 042	(13 189)
Decrease (Increase) in accounts other current assets	(14)	4
Increase (Decrease) in accounts payable	422	41
Increase (Decrease) in account other payable		
Bank interest received	102	41
Cash generated from operating activities	4 022	7 576
Net Cash flow from operating activities		
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(8 425)	(517)
Net cash flow from investing activities	(8 425)	(517)
Effect of foreign exchange rate change on cash and cash equivalents	953	(1 654)
Net change in cash and cash equivalents	(3 450)	5 405
Cash and cash equivalents at beginning of the year	24 509	19 104
Cash and cash equivalents at the year end	21 059	24 509

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**Statement of changes in capital and reserves for 2013**

	Property Fund	Project Fund	Total
Balance at 31 December 2011	4 351	16 708	21 059
The surplus for the year		16 480	16 480
Transfer to property fund	8 425	(8 425)	
Depreciation for the year	(3 622)		(3 622)
Balance at 31 December 2013	9 154	24 763	33 749
Exchange gain arising from translation income statement account at average rate rather than closing rate	(630)	(2 547)	(3 177)
Balance at 31 December 2013 (at closing exchange rate)	8 524	22 216	30 740

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**Notes to financial statements**

## **1. Background**

National Ecological Centre of Ukraine (NECU) is a non-governmental not-for-profit organization created in 1991 when Ukraine has obtained independence. NECU consolidates individuals for common action to protect the environment. Among NECU members are scientists, journalists, artists, students and other people who are willing to add their own effort to environmental protection.

NECU works to bring environmental consideration into the core of any decision. We aim to bring concerns of local population and experts to the politicians, to redesign strategies and projects. We work both to save nature, by maintaining and creating new protected areas, and to decrease human impact on environment, through policy changes in energy and transport sectors.

NECU is willing to maintain political and economic independence, therefore it doesn't accept money from political parties or business corporations. Currently NECU relies on funding from development programs of European governments and private foundations. However, we aim to get more support through donations from individual NECU supporters.

NECU is working in such major directions:

**Biodiversity:** NECU is campaigning for new nature protection zones creation to keep unique species of animals and plants in their natural environment. NECU also makes sure that the existing protected territories remain untouched. With the help of public actions and legal procedures, such as courts and public hearings, NECU stands firm against illegal building construction on green territories in Kyiv region and works with local activities around Ukraine.

**Energy:** NECU is trying to redirect the energy policy of Ukraine away from intensive coal and nuclear energy development to energy efficient economy and alternative energy sources. NECU is working with politicians and officials educating them about the new approaches of energy sector management.

**Global climate change:** NECU is a member of Ukrainian NGO Working Group on climate change that works to integrate climate change issues into Ukrainian government policies. NECU also takes active part in international negotiations on the reduction of greenhouse gas emissions, monitors the implementation of Kyoto protocol mechanisms in Ukraine, and works with media and general public.



Transport: NECU develops policy recommendations to reduce the negative impact of the transport sector. We stress the vital importance of proper land use during road construction and develop effective solutions of transport problems in cities and nationwide.

Multilateral Development Banks: NECU is monitoring the activities of development banks (such as EBRD, EIB, World Bank, etc) in Ukraine to prevent the negative impacts of their projects on environment and local people. We believe that tax-payers money must not be used to harm the society.

Russia, Caucasus and Central Asia: NECU cooperates with NGOs in the region, sharing its experience of working with development banks and on Climate Change issues. NECU monitors the projects connected to oil and gas extraction and transportation from the Caspian Region.

NECU is a member of CEE Bankwatch Network, NGO Working Group on climate change, Ukrainian River Network, IUCN, Climate Action Network International.

## **2. Basis for preparation of financial statements**

Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

National currency of Ukraine is hryvnya. Therefore, the accounting currency for the purposes of given financial statements is hryvnya.

The Company keeps its records in UAH according to Ukrainian National Accounting Standards (UNAS). Certain adjustments not reflected in the Company's accounting registers and required to present the Company's financial position, its operating results and cash flows according to IFRS, make these financial statements different from those prepared under UNAS.

Financial statements are presented in euro (EUR), all amounts are rounded to integer values, if not stated another.

## **3. Key accounting judgments, estimates and assumptions and basic accounting policies**

### *Use of estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are based on information available as at the date of the financial statements. Actual results, therefore, could differ from these estimates. The most significant estimates with regard to these financial statements relate to the valuation of cost and useful lives of property, plant and equipment, intangible assets.

### ***Foreign currency translation***

Based on the economic substance of the underlying events and circumstances, the functional currency of the Company is Ukrainian hryvnia.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates valid at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange valid at the balance sheet date. All resulting differences are reflected in the income statement. Non-monetary assets and liabilities in other currencies are reflected in terms of historical cost and translated using the exchange rate as at the date of the initial transaction.

These financial statements are presented in Euro. The Company maintains its accounting records in Ukrainian Hryvnya ("UAH") in accordance with the requirements of Ukrainian statutory accounting and tax legislation. The accompanying financial statements differ from the financial statements issued for statutory purposes in Ukraine in that they reflect certain adjustments, not recorded in the Company's books, which are appropriate to present the financial position and the results of the Company's operations in accordance with IAS.

Assets and liabilities are translated at the closing rate existing at the date of each balance sheet presented; grants, received in foreign currency were recorded as amounts received. Hryvna is the only legal currency on the territory of Ukraine, therefore received international funds were converted into hryvna. Expences in hryvna by projects, which are financed from funds in Euro or USD, were recalculated in Euro or USD by the conversion rate. Other hryvna expenses and incomes were converted into Euro by average annual exchange rate. The result is included in equity as translation differences.

The Ukrainian hryvnia is not a convertible currency outside Ukraine. Within Ukraine, official exchange rates are determined daily by the National Bank of Ukraine ("NBU"). Market rates may differ from the official rates, but the differences are generally within narrow parameters, monitored by the NBU.

Following is a summary of exchange rates published by the NBU for the currencies of the Company's principal activities:

Currency exchange rates according to NBU:

<b>Official rate by NBU</b>	<b>Euro</b>	<b>USD</b>
31.12.2013	11,041530	7,993
31.12.2012	10,537172	7,993
Annual average NBU rate in 2013	10,612153	7,993
Annual average NBU rate in 2012	10,270554	7,991

### ***Property, plant and equipment***

Property, plant and equipment are valued at acquisition, less accumulated depreciation and accumulated loss from impairment.

Property, plant and equipment are depreciated under the straight-line method over estimated useful lives of corresponding assets:

<b>Group</b>	<b>Useful life</b>
Office equipment	4 years
Other	5 years

### ***Intangible assets***

Intangible assets are valued at acquisition cost, less accumulated depreciation and accumulated loss from impairment.

Intangible assets are amortized on a straight-line basis over 3 years.

### ***Receivables and other assets***

Receivables and other assets are reported at nominal value, where necessary adjusted by specific bad-debt charges

### ***Inventories***

Inventories are assessed at lower of the cost or the net realizable value. Expenses attributable to transportation of each inventory to its current location and present condition, are included in the cost of inventories. Inventories are written-off under FIFO method.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand and short-term bank deposits.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### ***Liabilities***

Liabilities are reported at the prepayment amount.



### ***Income recognition***

Income from grants is recognized in the period in which expenses related to fulfillment of the grant were incurred.

Financing of capital investments is recognized as income in the period of beneficial usage of corresponding investment facilities (fixed assets, intangible assets, etc.) in proportion to the amount of accrued depreciation of such facilities.

Incurred project expenses coordinated with donors are recognized as receivable at the same time as income is recognized.

### ***Interest income***

Revenue is recognized as the interest accrued (taking into account the effective yield on the asset).

### ***Project fund***

This fund includes voluntary contributions from organizations and citizens of Ukraine and non-project contributions from non-residents of Ukraine to support NECU activities.

### ***Property fund (Equipment fund)***

Upon acquisition, through grants, of fixed assets which remain the property of the organization, the funds from grants are transferred to the Property fund. In the future, income from financing is recognized proportional to the amount of accrued depreciation.

## **4. Property, plant and equipment**

During the years ended 31 December, depreciated cost of property, plant and equipment changed as follows:

	Equipment	Car	Total
Value as at 01.01.2013	<u>13 713</u>	<u>569</u>	<u>14 282</u>
Additions	8425		8425
Transfers			
Disposals			
Effect of exchange rate changes	(1199)	(26)	(1225)
Value as at 31.12.2013	<u>20 939</u>	<u>543</u>	<u>21 482</u>
	Equipment	Car	Total
Value as at 01.01.2013	<u>9 362</u>	<u>569</u>	9 931
Depreciation	3 622		3 622
Disposals			
Effect of exchange rate changes	(569)	(26)	(595)
Value as at 31.12.2013	<u>12415</u>	<u>543</u>	12958
Net book value at 31.12.2013	<u>8524</u>		<u>8524</u>



## 5. Intangible assets

The carrying amount of intangible assets for the year ended 31 December 2013 changed as follows:

	Software	Total
Value as at 01.01.2013	123	123
Additions		
Transfers		
Disposals		
Effect of exchange rate changes	(6)	(6)
Value as at 31.12.2013	117	117
	Software	Total
Value as at 01.01.2013	123	123
Depreciation		
Transfers		
Disposals		
Effect of exchange rate changes	(6)	(6)
Value as at 31.12.2013	117	117
Net book value as at 31.12.2013	0	0

## 6. Inventories

	2013	2012
brochures	1582	347
postage-stamp and office supplies	265	
sample of the solar collector	331	
	<b>2178</b>	<b>347</b>

## 7. Accrued grant income

As at 31 December accrued grant income included:

	2013	2012
CEE Bankwatch Network	3644	7428
European Commission Direktorat	4706	
Norges naturvernforbung		9815
Rotes Kreuz	1871	
STICHTING EUROPEAN CLIMATE	4599	
Swedish NGO SSNC	926	
WECF	2705	9408
<b>Total</b>	<b>18451</b>	<b>26651</b>

## 8. Prepayments

As at 31 December prepayments included:

	2013	2012
Prepayments to suppliers for equipment and intangible assets		0
Prepayments to suppliers for services	12366	16408
<b>Total</b>	<b>12366</b>	<b>16408</b>

## 9. Cash and cash equivalents

As at 31 December cash and cash equivalents included:

	2013	2012
Cash at banks and on hand in local currency	189	1457
Cash at banks in foreign currency	20 870	23052
<b>Total</b>	<b>21 059</b>	<b>24509</b>

## 10. Payables

	2013	2012
Payables to suppliers for equipment and intangible assets	0	0
Payables to suppliers for services	480	58
<b>Total</b>	<b>480</b>	<b>58</b>

## 11. Deferred grants

	2013	2012
Global Greengrants Fund		1 893
Norges naturvernforbning	5965	9 442
Swedish NGO		2 760
WI		2 242
CAN		1 594
European Commission Directorate		38 732
UNDEF	27422	
<b>Total</b>	<b>33387</b>	<b>56 663</b>

**12. Received from donors**

	<b>2013</b>	<b>2012</b>
Income:		
CEE Bankwatch Network	26536	35213
Global Greengrants Fund		
Norges naturvernforbung	75 583	10000
Swedish NGO	59 201	39291
CAN		1594
European Commission directorate		53100
Rotes Kreuz	20936	
STICHTING EUROPEAN CLIMATE	20000	
UNDF	36154	
Royal Netherlands Embassy		3738
Germany Embassy in Ukraine		7927
WECF	10539	
Other	910	341
<b>Total:</b>	<b>249859</b>	<b>151204</b>

**13. Administrative expenses**

	<b>2013</b>	<b>2012</b>
Salary and accrual	17 075	9771
Bank fee	951	354
Depreciation	(3 622)	
Other	2 709	
<b>Total:</b>	<b>17 113</b>	<b>10125</b>

