

National Ecological Centre of Ukraine (NECU)

Financial Statements

As at 31 December 2015

Together with Independent Auditor's Report

National Ecological Centre of Ukraine
IFRS Financial Statements
As at 31 December 2015 and for the year then ended

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Independent Auditors' Report

To the members of the National Ecological Centre of Ukraine (NECU)
52-A, Saksaganskogo Street, Kyiv 01033, Ukraine

We have audited the accompanying balance sheets of **NECU** as of December 31, 2015, 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 management of the organization.

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, 2015, 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
2016 June 14th



National Ecological Centre of Ukraine
IFRS Financial Statements
As at 31 December 2015 and for the year then ended
(in Euro)

Balance sheet as at December 31, 2015

Assets	Notes	2015	2014
Non-current assets			
Property, plant and equipment	4	16 598	7 312
Intangible Assets	5	3 366	4 281
Total Non-current assets		19 964	11 593
Current assets			
Debtors			
Inventories	6	1 114	27
Accrued grant income	7	65 572	54 010
Prepayments	8	19 299	10 377
Other current assets		73	19
Cash at bank and on hand	9	61 199	6 573
Total Current assets		147 257	71 006
Total Assets		167 221	82 599
Equity and liabilities			
Equity			
Property fund		19 964	11 593
Project fund		31 851	23 646
Provision for foreign currency translation		(1 551)	526
Total Equity		50 264	35 765
Current liabilities			
Payable	10	15	213
Other payable			
Other current liabilities (Deferred grant income)	11	116 942	46 621
Total Current liabilities		116 957	46 834
Total Equity and liabilities		167 221	82 599

Executive Director



Y. Urbansky

Chief Accountant



S. Korobova

National Ecological Centre of Ukraine
IFRS Financial Statements
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Income statement for 2015

	Notes	2015	2014
INCOME:			
Grants			
Received from donors	12	494 404	342 497
Deferred the previous year		46 621	33 387
Deferred the next year		(116 942)	(46 621)
Accrued income on grants in the previous year		(54 010)	(18 451)
Accrued income on grants in the current year		65 572	54 010
% Bank			
Realized exchange gain		322	3 303
Unrealized exchange gain			10 360
TOTAL INCOME		435 967	378 485
EXPENSES:			
Exchange difference		(976)	
Administrative expenses	13	(64 667)	(20 753)
Expenses of carrying out programs	14	(363 179)	(348 770)
TOTAL EXPENSES:		(428 822)	(369 523)
The (deficit)/surplus for the year		7 145	8 962
Balance at the beginning		23 646	22 216
Transfer to Property Fund		(12 807)	(10 509)
Balance at the end		17 984	20 669
Exchange income arising from translation income statement account at average rate rather than closing rate		13 867	2 977
Balance at 31 December (at closing exchange rate)		31 851	23 646

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As at 31 December 2015 and for the year then ended
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Cash flow statement for 2015		
	2015	2014
Cash flow from operating activities		
The (deficit)/surplus for the year	7 145	8 962
Adjustment for:		
accrued interest of the bank		
Decrease (Increase) in accrued grant income	(11 562)	(35 559)
Increase (Decrease) in deferred grant income	70 321	13 234
Working capital adjustments:		
Decrease (Increase) in account of inventories	(1 087)	2 151
Decrease (Increase) in accounts prepayments	(8 922)	1 989
Decrease (Increase) in accounts other current assets	(54)	(5)
Increase (Decrease) in accounts payable	(198)	(267)
Increase (Decrease) in account other payable		
Bank interest received		
Cash generated from operating activities	55 643	(9 495)
Net Cash flow from operating activities		
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(12 807)	(10 509)
Net cash flow from investing activities	(12 807)	(10 509)
Effect of foreign exchange rate change on cash and cash equivalents	11 790	5 518
Net change in cash and cash equivalents	54 626	(14 486)
Cash and cash equivalents at beginning of the year	6 573	21 059
Cash and cash equivalents at the year end	61 199	6 573

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Statement of changes in capital and reserves for 2015

	Property Fund	Project Fund	Total
Balance at 31 December 2014	11 593	23 646	35 239
The surplus for the year		7 145	7 145
Transfer to property fund	12 807	(12 807)	
Depreciation for the year	(4 436)		(4 436)
Balance at 31 December 2015	19 964	17 984	37 948
Exchange gain arising from translation income statement account at average rate rather than closing rate		13 867	13 867
Balance at 31 December 2015 (at closing exchange rate)	19 964	31 851	51 815

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National Ecological Centre of Ukraine
IFRS Financial Statements
As at 31 December 2015 and for the year then ended
(in Euro)

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. From 2013 NECU is also working on climate change adaptation by developing expertise and engaging in policy dialogs.

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 Organization keeps its records in UAH according to Ukrainian National Accounting Standards (UNAS). Certain adjustments not reflected in the Organization's accounting registers and required to present the Organization'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 currencies

Based on the economic substance of the underlying events and circumstances, the functional currency of the Organization 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 Organization 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 Organization's books, which are appropriate to present the financial position and the results of the Organization's operations in accordance with IAS.

Current assets and liabilities are translated at the closing rate existing at the date of each balance sheet presented. Non-current assets are translated at the historical exchange rate; 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. Expenses 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.

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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:

Official rate by NBU	Euro	USD
31.12.2015	26,223 129	24,000 667
31.12.2014	19,232 90	15,367 6
Annual average NBU rate in 2015	24,228 700	21,844 7
Annual average NBU rate in 2014	15,715 9	11,886 7

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:

Group	Useful life
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 -5 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.

Accordingly, deferred grant income comprises income received in advance of the period to which it relates, is excluded from income, and accounted for as a current liability.

Similarly, accrued grant income which is income designated for the current year but received subsequent to the financial year end, is included in income and accounted for as a current asset.

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 01.01.2014	20 939	543	21 482
Additions	4 910		4 910
Transfers			
Disposals			
Effect of exchange rate changes	(9 816)	(231)	(10 047)
Value as at 31.12.2014	16 033	312	16 345

	Equipment	Car	Total
Value as at 01.01.2014	12 415	543	12 958
Depreciation	1 950		1 950
Disposals			
Effect of exchange rate changes	(5 644)	(231)	(5 875)
Value as at 31.12.2014	8 721	312	9 033
Net book value at 31.12.2014	7 312		7 312

	Equipment	Car	Total
Value as at 01.01.2015	16 033	312	16 345
Additions	12 807		12 807
Transfers			
Disposals			
Effect of exchange rate changes			
Value as at 31.12.2015	28 840	312	29 152

	Equipment	Car	Total
Value as at 01.01.2015	8 721	312	9 033
Depreciation	3 521		3 521
Disposals			
Effect of exchange rate changes			
Value as at 31.12.2015	12 242	312	12 554
Net book value at 31.12.2015	16 598		16 598

5. Intangible assets

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

	Intangible Assets	Total
Value as at 01.01.2014	117	117
Additions	5 599	5 599
Transfers		
Disposals		
Effect of exchange rate changes	(1 073)	(1 073)
Value as at 31.12.2014	4 643	4 643

	Intangible Assets	Total
Value as at 01.01.2014	117	117
Depreciation	361	361

Transfers
Disposals
Effect of exchange rate changes
Value as at 31.12.2014
Net book value as at 31.12.2014

	(116)	(116)
	362	362
	4 281	4 281

Value as at 01.01.2015
Additions
Transfers
Disposals
Effect of exchange rate changes
Value as at 31.12.2015

Intangible Assets	Total
4643	4643

Value as at 01.01.2015
Depreciation
Transfers
Disposals
Effect of exchange rate changes
Value as at 31.12.2015
Net book value as at 31.12.2015

Intangible Assets	Total
362	362
915	915
1 277	1 277
3 366	3 366

6. Inventories

Brochures

2015	2014
1 114	27

7. Accrued grant income

As at 31 December accrued grant income included:

CEE Bankwatch Network
European Commission Directorat
Norges naturvernforbning
Rozes Kreuz
STICHTING EUROPEAN CLIMATE
WECF
Other
Total

2015	2014
12 825	4 263
14 595	8 761
9 604	14 586
	22 625
21 188	
7 120	3 775
240	
65 572	54 010

8. Prepayments

As at 31 December prepayments included:

	2015	2014
Prepayments to suppliers for equipment and intangible assets		
Prepayments to suppliers for services	19 299	10 377
Total	19 299	10 377

9. Cash and cash equivalents

As at 31 December cash and cash equivalents included:

	2015	2014
Cash at banks and on hand in local currency	16 894	21
Cash at banks in foreign currency	44 305	6 552
	61 199	6 573

10. Payables

	2015	2014
Payables to suppliers for equipment and intangible assets		
Payables to suppliers for services	15	213
Total	15	213

11. Other current liabilities (Deferred grant income)

	2015	2014
Mott Foundation	65 678	
Swedish Society for Nature Conservation	47 176	3 993
Rozes Kreuz	2 885	
Stichting European Climate		3 593
University AARHUS		2 500
UNDEF		36 535
Other	1 203	
Total	116 942	46 621

12. Received from donors

	2015	2014
Income:		
CEE Bankwatch Network	39 532	56 990
Norges naturvernforbning	45 555	24 326
Swedish NGO		62 238
Swedish Society for Nature Conservation	153 348	35 002
European Commission directorate	72 417	33 940
Rozes Kreuz	43 325	39 000
Stichting European Climate		24 115
UNDEF	64 548	62 008
University AARHUS		2 500
Mott Foundation	69 267	
Silicon Valley Community Foundation	2 273	
Other	4 139	2 378
Total:	494 404	342 497

13. Administrative expenses

	2015	2014
Salary and accrual	41 492	17 661
Bank fee	3 109	2 309
Office rent	20 066	
Other		783
Total:	64 667	20 753

14. Expenses carrying out programs

	Total	CEE Bankwatch Network	CEE Bankwatch Network	SSNC	NNV	NNV	Rozes Kreuz	ECF	EC	WECF	Mott Foundation	UNDEF	Others
Salaries	162 713	12 151	23 250	42 649	8 130	1 403	9 812	7 862	34 999			20 183	2 276
Consultants	38 008	613		4 222	6 869			6 169	2 080		1 197	16 678	180
Audit	3 862				1 303	327						2 232	
Local Travel	4 757	260		89	845		173	24	618	50		2 699	
International Travel	29 122	1 206		14 436	1 167		519	2 783	7 706			91	1 214
NECU Conferences	3 584			2 286	1 297								
Conferences and meetings	30 421	31		4 298	1 573			1 022	3 258	2 364		17 718	157
Translation	4 381	116	2 222	304	398		17	494	707		25	78	21
Editing, design, layout	3 539		111	955	253	138		287	1 457			338	
Publication	15 928	109		1 801	504	143	529	1 919	1 967	806		8 151	
Film	4 634											4 634	
Promo	450			256			194						
Web hosting	648				167				462				20
Grants to Ukrainian organizations	30 841			758			5 734		13 782			8 361	2 207
Experts	25 633	619		12 175	2 825				31	126		9 857	
Telephone and internet	1 008			258			51	247	373			79	
Post	964	40		653	21			149				102	
Office materials	2 686	125	6	1 144	368			159	38			847	
Sub Total	363 179	15 271	25 589	86 283	25 719	2 011	17 028	21 115	67 475	3 345	1 221	92 046	6 075

Equipment (new and repair)	12 807	81	38	2 375	64		664	297	886			7 258	1 144
Sub Total	12 807	81	38	2 375	64		664	297	886			7 258	1 144

Administrative expenses

Salaries	41 492	4 985	1 155	13 405	1 799	3 068		2 411	7 886			6 783	
Office rent	20 066	646		6 781	1 171	3 785		865	1 719		1 651	1 964	1 484
Bank fee	3 109	23	307	1 301	142		233	92	286		212	449	64
Sub Total	64 667	5 655	1 462	21 487	3 112	6 853	233	3 369	9 890		1 863	9 196	1 548

TOTAL	440 653	21 006	27 089	110 145	28 895	8 863	17 925	24 781	78 251	3 345	3 085	108 500	8 766
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Executive Director

Y. Urbansky

Chief Accountant

S. Korobova