INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

Financial Statements
For the year ended December 31, 2024

with independent Auditor's report

CONTENT

RSM Qazaqstan LLP
Office 60, 210 "B" Dostyk Ave.
Almaty, 050051
Republic of Kazakhstan
Tel.: +7 727 325 55 55
www.rsm.kz

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 "Company"), which comprise the statement of financial position as at December 31, 2024, 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 Company as at December 31, 2024, 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 Company 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. We have also 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 form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of 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:

- 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 Company'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 Company'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 Company 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 on 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
№ 24017613 issued by the Ministry of finance of the Republic of Kazakhstan
on 30 April 2024

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

August 12, 2025

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Financial Position
As at December 31, 2024 and 2023
(Thousands of U.S. Dollars)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	49,972	40,865
Receivables		
Receivables from funding parties (Note 4)	15,845	14,274
Prepayments (Note 5)	3,372	742
Interest receivable on deposit	54	63
	69,243	55,944
NON-CURRENT ASSETS		
Receivables from funding parties (Note 4)	10,469	11,400
TOTAL ASSETS	$ 79,712	$ 67,344
LIABILITIES AND CAPITAL CONTRIBUTIONS		
CURRENT LIABILITIES		
Accounts payable		
Projects	$ 95	$ 253
Administration and project vendors	1,226	3,505
Deferred revenue (Note 6)	2	27
Grants payable to institutes	390	693
	1,713	4,478
CAPITAL CONTRIBUTIONS		
DESIGNATED CAPITAL CONTRIBUTIONS (“DCC”) – PROJECTS	52,881	40,888
DESIGNATED CAPITAL CONTRIBUTIONS (“DCC”) – OPERATING		
Administrative budget	3,381	2,399
Supplemental budget	625	4,805
UNDESIGNATED CAPITAL CONTRIBUTIONS (“UCC”)	21,112	14,774
	77,999	62,866
TOTAL LIABILITIES AND CAPITAL CONTRIBUTION	$ 79,712	$ 67,344

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 August 12, 2025

Karina Anguelieva
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Income and Expenses
For the year ended December 31, 2024 and 2023
(Thousands of U.S. Dollars)

	2024	2023
REVENUES		
Project revenues (Capital movement note (a))	$ 10,100	$ 8,994
Supplemental budget (Capital movement note (b))	1,819	1,858
Operating revenues		
Administrative revenues (Note 6)	1,328	1,183
Administrative budget (Capital movement note (b))	*1,330*	*1,210*
Changes in deferred revenue	*(2)*	*(27)*
Interest income (Capital movement note (c))	289	691
Other income (Note 7)	–	844
	13,536	13,570
EXPENSES		
Project expenses (Note 8)	10,100	8,994
Projects ongoing	*10,333*	*8,569*
Projects completed	*(233)*	*425*
Supplemental budget (Note 9)	1,819	1,858
Operating expenses		
Administrative costs	1,328	1,183
Administrative expenses (Note 9)	*1,330*	*1,210*
Changes in administrative commitments	*(2)*	*(27)*
Other expenses (Note 7)	2,021	–
	15,268	12,035
EXCESS OF REVENUES OVER EXPENSES	$ (1,732)	$ 1,535

Acompanying 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 August 12, 2025

Karina Angueliev a
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Cash Flows
For the year ended December 31, 2024 and 2023
(Thousands of U.S. Dollars)

	2024	2023
Cash flows from operating activities		
Cash received from funding parties (Note 11)	26,085	17,841
Cash out	(16,914)	(10,528)
Cash generated from operation	9,171	7,313
Net cash from operating activities	9,171	7,313
Cash flows from investing activities		
Interest income	698	720
Net cash used in investing activities	698	720
Cash flows from financing activities		
Effects of exchange rate changes on cash and cash equivalents	(762)	403
Net increase in cash and cash equivalents	9,107	8,436
	40,865	32,429
Cash and cash equivalents at end of period (Note 3)	49,972	40,865

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 August 12, 2025

Karina Anguelieva
Executive Director

INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER
Statement of Movements in Capital Contributions
For the year ended December 31, 2024 and 2023
(Thousands of U.S. Dollars)

Movements in capital accounts during fiscal years 2024 and 2023 are as follow:

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	U.K.	U.S.	Japan	Norway	JO	SG	Total
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 project expenses transfer to UCC	(57)	–	(358)	(2)	–	–	–	(417)
DCC projects - December 31, 2023								
and January 1, 2024	$ 22,243	$ 183	$ 15,281	$ 1,154	–	–	2,027	$ 40,888
Transfers to statement of income and expenses	(4,192)	(147)	(4,466)	(1 021)	–	(22)	(252)	(10,100)
New projects signed during 2024	4,724	94	19,388	688	264	24	–	25,182
New project awarded	(446)	–	(1,659)	–	–	–	–	(2,105)
Transfers from admin to DCC	–	–	5	–	–	–	–	5
Foreign exchange differences	(971)	(1)	–	–	–	–	–	(972)
Funding received in excess of closed project expenses transfer to UCC	–	–	(6)	(11)	–	–	–	(17)
DCC projects - December 31, 2024	$ 21,358	$ 129	$ 28,543	$ 810	$ 264	$ 2	$ 1,775	$ 52,881

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

(Thousands of U.S. Dollars)

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

Administrative operating budget as of December 31, 2024 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, 2022 and January 1, 2023	–	–	–	–	–	–	–	1,287	1,287
New budget approved 2023	590	–	50	160	50	50	40	–	940
Additional contribution (net of adjustments)	–	–	–	–	–	–	–	1,382	1,382
Transfer to statement of income and expenses	(590)	–	(50)	(160)	(50)	(50)	(40)	(270)	(1,210)
Administrative operating budget - December 31, 2023 and January 1, 2024	–	–	–	–	–	–	–	2,399	2,399
New budget approved 2024	400	–	50	159	50	50	100	–	809
Additional contribution (net of adjustments)	–	–	–	–	–	–	–	1,503	1,503
Transfer to statement of income and expenses	(400)	–	(50)	(159)	(50)	(50)	(100)	(521)	(1,330)
Administrative budget - December 31, 2024	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3,381	$ 3,381

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, 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 budget - December 31, 2023					
and January 1, 2024	259	–	4,449	97	4,805
Transfer to statement of income and expenses	(967)	–	(675)	(177)	(1,819)
Additional contribution	1,006	–	881	307	2,194
Transfer to UCC for unused funds	(51)	–	(4,449)	(55)	(4,555)
Supplemental operating budget - December 31, 2024	$ 247	$ -	$ 206	$ 172	$ 625

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

(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 2 for additional explanations).

	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	$18	$ –	$ 14,774

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, 2023	$ 6,154	$ 203	$ 5,187	$ 3,148	$ 27	$ 37	$ 18	$ –	$ 14,774
Increase of capital									
Contributions from parties	2,434	–	6,448	680	–	–	–	100	9,662
Investment income allocation	161	2	53	56	2	–	15	–	289
Transfer from DCC for unused funds on programs under operating - supplemental budget	51	–	4,449	55	–	–	–	–	4,555
Transfer from DCC - projects for approved funding in excess of expenses	–	–	6	11	–	–	–	–	17
Decrease of capital									
Transfer to DCC - projects for signed projects	(687)	(94)	(2,598)	(688)	(5)	–	–	–	(4,072)
Transfer to DCC for operating - administrative budget	(402)	(9)	(215)	(108)	–	(36)	–	(100)	(870)
Transfer to DCC for operating - supplemental budget	(1,006)	–	(882)	(306)	–	–	–	–	(2,194)
Foreign exchange differences	(1,049)	–	-	-	–	–	–	–	(1,049)
UCC - December 31, 2024	$ 5,656	$ 102	$ 12,448	$ 2,848	$ 24	$ 1	$ 33	$ –	$ 21,112

Accompanying notes, as presented on pages 9-27, form an integral part of these financial statements.
Signed on behalf of International Science and Technology Centre on August 12, 2025.

Karina Angueliéva
Executive Director

1. ORGANIZATION AND BUSINESS

The International Science and Technology Center (hereinafter the "ISTC" or the "Company") was established in 1992. The agreement continuing the ISTC was signed on December 9, 2015 at the GB 61 in Astana city, the Republic of Kazakhstan and fully ratified on December 14, 2017. The parties to the Continuing Agreement are 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 (the Parties). Funding parties, which contribute to the ISTC are the States parties, government and non-government partners.

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.

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 USD 160,244 in 2024 and USD 126,885 in 2023.

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 April 18, 1961, shall be exempt from all taxes, fees and duties, personal or property, state, regional and municipal.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 2024 – USD 1,568 thousand; 2023 – USD 1,182 thousand (Note 8). For the administrative needs, ISTC did not acquire non-current assets in 2024, USD 4 thousand in 2023. Non-current were whereas in 2023 acquired for $4 thousand.

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".

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Statement of Cash Flows is prepared based on direct method.

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

Going concern

The ISTC has prepared the financial statements on the basis that it will continue to operate as a going concern. As of December 31, 2024 available funds in Designated capital contribution amounts USD 52,881 thousand. The major funding Parties - the United States of America, the European Union, Japan commit to continue funding of existing and new projects.

These financial statements were approved by the ISTC management, including the Executive Director and the Chief Financial Officer, on July 28, 2025. The statements were subsequently sent to the Governing Board members via written procedure using negative concurrence on July 28, 2025, with approval requested no later than August 11, 2025. No comments were received from the Governing Board members, and the financial statements are therefore considered approved by the Governing Board. The Governing Board retains the power to reject the financial statements and the right to request that new financial statements be issued.

b. Functional and presentation currency and foreign currency transactions

The US dollar (or USD) 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 US dollar best reflects the economic substance of the transactions and circumstances of the ISTC. All financial information presented in US dollars has been rounded to the nearest thousand.

Foreign currency transactions are translated into US dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US 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 1.0437 (2023: 1.1050), USD/KZT 523.54 (2023: 454.56).

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 *Revenue from Contracts with Customers*, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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

<u>Administrative and operating budget ("AOB")</u>

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.

<u>Supplemental operating budget ("SOB")</u>

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 2a, 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 accounts receivable 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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. 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 14 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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, 2c 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 debtor'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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

n. New standards, interpretations and amendments adopted to the existing standards and interpretations adopted by the Company for the first time

The Company has adopted for the first time certain standards and amendments that are effective for annual reporting periods starting 1 January 2024 or later (except when otherwise stated). The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

In January 2020 and October 2022, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current, including non-current liabilities with covenants. The amendments clarify that:

- Where a right to defer settlement of a liability arising from a loan arrangement for at least twelve months is subject to compliance with covenants in future periods (future covenants), this right exists even if such future covenants are not complied with at the reporting date.
- Management expectations of the likelihood of using the deferral do not affect the existence of the right. A liability is classified as non-current at the reporting date even if settlement of the liability has occurred in the period after the reporting date but before the issue of financial statements.
- Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the option is classified as an equity instrument and recognized separately from the liability as an equity component of a compound financial instrument in accordance with IAS 32 Financial Instruments: Presentation.

In addition, the amendments introduce the requirement to disclose additional information about liabilities arising from loan arrangements if the entity classifies such liabilities as non-current and its right to defer settlement of these liabilities is subject to its compliance with covenants within twelve months after the reporting date. The amendments had no impact on the Company's financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures that clarify the characteristics of supplier finance arrangements and require additional disclosures for such arrangements. The disclosure requirements in the amendments aim to assist users of financial statements in understanding the impact of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Transitional provisions in the amendments state that entities do not have to disclose certain comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments, and certain information as at the beginning of the year otherwise required to be disclosed as at the beginning of the annual reporting period in which the entity first applies those amendments. The amendments had no impact on the Company's financial statements.

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

In September 2022, the IASB issued amendments to IFRS 16 Leases that clarify the requirements that a seller-lessee shall use in measuring the lease liability arising in a sale and leaseback transaction with fully variable lease payments, so that the seller-lessee does not recognize any gain or loss that relates to the right of use it retains in the asset. The amendments had no impact on the Company's financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

o. Standards issued but not yet effective

The new and amended standards and interpretations that were 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 IAS 21 – *Lack of Exchangeability* (1 January 2025)
- Amendments to IFRS 9 and IFRS 7 – *Amendments to the Classification and Measurement of Financial Instruments* (1 January 2026)
- Annual Improvements to IFRS Accounting Standards – *Volume 11 (1 January 2026)*:
    - *Cost method* (Amendments to IAS 7)
    - *Derecognition of lease liabilities* (Amendments to IFRS 9)
    - *Determination of a 'de facto agent'* (Amendments to IFRS 10)
    - *Disclosure of deferred difference between fair value and transaction* price (Amendments to Guidance on Implementing IFRS 7)
    - *Gain or loss on derecognition* (Amendments to IFRS 7)
    - *Hedge accounting by a first-time adopter* (Amendments to IFRS 1)
    - *Introduction* (Amendments to Guidance on implementing IFRS 7)
    - *Credit risk disclosures* (Amendments to Guidance on Implementing IFRS 7)
    - *Transaction price* (Amendments to IFRS 9)
- IFRS 18 *Presentation and Disclosure in Financial Statements* (1 January 2027)
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (1 January 2027)

These amendments and new standards are not expected to have a material impact on the Company, except for IFRS 18 for which the Company is currently in the process of analyzing its impact on the financial reporting.

In April 2024, the IASB issued a new standard, IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements, the most important of which are:

- On the classification of income and expenses in the statement of profit or loss into three defined categories corresponding to operating, investing and financing activities. It also requires all entities to provide new defined subtotals, such as:
    - Operating profit or loss, and
    - Profit or loss before financing and income taxes
- On the disclosure of information on management-defined performance measures in the financial statements, including reconciliation of those measures to the closest total or subtotal presented in the statement of profit or loss
- On the presentation of aggregated and disaggregated financial information in the primary financial statements and in the notes

IFRS 18 has also introduced limited changes to the statement of cash flows and certain other changes.

Entities shall apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. If an entity applies this standard for an earlier period, it shall disclose that fact. The amendments are not expected to have a material impact on the Company's financial statements

(Thousands of U.S. Dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for cash flow purposes:

	2024	2023
Cash and short-term deposits	49,972	39,877
Securities custody account	–	988
	$ 49,972	$ 40,865

As of 31 December 2024, and 2023 cash equivalents are placed in foreign banks. Interest rates earned on interest bearing deposits are in line with market rates prevailing in the countries of placement and range from 0.38% to 0.50% for Euro-denominated deposits and from 1.00% to 4.40% for USD-denominated deposits.

4. RECEIVABLES FROM FUNDING PARTIES

Receivables from funding parties as of December 31, 2024 and 2023 were as follows:

	2024	2023
Due within one year		
Funding parties and partners	15,845	14,274
	$ 15,845	$ 14,274
Due after one year		
Funding parties and partners	10,469	11,400
	$ 10,469	$ 11,400

5. PREPAYMENTS

Prepayments consisted of the following:

	2024	2023
Advances paid for services under projects	3,012	662
Project advances	328	48
Prepaid expenses-*operating*	32	32
	$ 3,372	$ 742

(Thousands of U.S. Dollars)

6. ADMINISTRATIVE REVENUE

The approved administrative budget for 2024 is $1,330 (2023: $1,210), with actual administrative expenses totaling $1,328 (2023: $1,183). The remaining $2 (2023: $27) is recognized as deferred revenue and has been approved by GB78 for use in ongoing IT developments.

7. OTHER INCOME AND EXPENSES

Other income and expenses during 2024 and 2023 consisted of the following:

	2024	2023
Unrealized foreign exchange loss - bank account balances	$ (1,049)	$ 422
Unrealized foreign exchange loss - accounts receivable from Parties/Partners	$ (972)	$ 422
Net unrealized foreign exchange (loss) / gain	$ (2,021)	$ 844

The unrealized exchange loss of $1,049 in 2024 (2023: $422 gain) from 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. It is reported in the Statement of Income and Expenses under "Other expenses".

The unrealized exchange loss of $972 in 2024 (2023: $422 gain) resulted from the revaluation of accounts receivable transactions due under project agreements. This amount was charged to the Designated Capital Contribution (DCC) accounts of the relevant funder and is also reported in the Statement of Income and Expenses under "Other expenses".

The exchange rates applied at the period end for the principal currencies were 1.0389 EUR/USD in 2024 vs 1.1050 USD/EUR in 2023.

(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
2024	**$ 10,100**
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, 2024	$ 970,107

(Thousands of U.S. Dollars)

8. PROJECT EXPENSES (continued)

Cumulative project expenses as of these statements amounted to $970,107 thousand (2023: $960,007 thousand) reflect actual expenses incurred on ongoing projects and completed projects. Such expenses consisted of the following in 2024 and 2023 for the Projects:

	2024	2023
Comprehensive services for laboratory supplies	143	2,029
Comprehensive services for engineering and construction	282	–
Grants to scientists	2,371	2,012
Equipment	1,568	1,182
Travel	1,453	995
Professional services	2,562	933
Other project costs	1,721	1,843
	$ 10,100	$ 8,994

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

9. OPERATING EXPENSES

Operating expenses incurred during 2024 and 2023 consisted of the following:

	2024	2023
Administrative budget		
Personnel	914	831
Center operations	330	294
Center facilities and equipment	68	67
Branch offices	18	18
	$ 1,330	$ 1,210

	2024	2023
Supplemental budget		
Seminars	553	709
Management information systems	22	8
Expert participation		
United States	349	308
European Union	813	797
Japan	82	36
	$ 1,819	$ 1,858

(Thousands of U.S. Dollars)

10. FUNDING PARTY INFORMATION

Project related income and expenses during the year have been allocated to the funding parties as follows:

	Project Revenues	Supplemental Budget Revenues	Interest Income	Project Expenses	Supplemental Budget Expenses	Net Other Income (Expenses)	Total
2024							
EU	4,192	967	161	(4,193)	(967)	(2,021)	(1,861)
Japan	1,021	177	56	(1,021)	(177)	–	56
United States	4,466	675	53	(4,465)	(675)	–	54
Norway	–	–	2	–	–	–	2
South Korea	–	–	–	–	–	–	–
Singapore	252	–	15	(252)	–	–	15
Jordan	22	–	–	(22)	–	–	
United Kingdom	147	–	2	(147)	–	–	2
	$ 10,100	$ 1,819	$ 289	$ (10,100)	$ (1,819)	$ (2,021)	$ (1,732)
2023							
EU	4,851	1,858	242	(4,851)	(1,083)	834	1,851
Japan	782	–	92	(782)	(119)	–	(27)
United States	3,251	–	333	(3,251)	(656)	–	(323)
Norway	–	–	1	–	–	–	1
South Korea	–	–	1	–	–	–	1
Singapore	33	–	18	(33)	–	–	18
United Kingdom	77	–	4	(77)	–	10	14
	$ 8,994	$ 1,858	$ 691	$ (8,994)	$ (1,858)	$ 844	$ 1,535

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.

(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 2024 and 2023 were as follows:

	2024	2023
EU	2,320	7,367
UK	–	146
Japan	732	736
United States	22,287	8,118
Norway	336	55
South Korea	14	50
Singapore	280	1,269
Jordan	16	–
Kazakhstan	100	100
	$ 26,085	$ 17,841

12. FINANCIAL COMMITMENTS

At the end of Fiscal Year 2024, financial commitment was pending for one approved by the JP Party project in the amount of $300 (2023- $2,995 for pending six projects approved by the JP, US, EU and EU partner projects).

13. RELATED PARTIES

Other than the parties to the Agreement described in Note 1, there are no related parties (2023 - None). All transactions with related parties have been undertaken on arm's length terms.

14. FINANCIAL INSTRUMENTS

	2024	2023
Financial assets		
Cash and cash equivalents	49,972	40,865
Amounts due from funding parties and partners (Note 4)	26,314	25,674
Interest receivable on deposit	54	63
	$ 76,340	$ 66,602

	2024	2023
Financial liabilities		
Accounts payable	1,323	3,785
Grants payable to institutes	390	693
	$ 1,713	$ 4,478

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 the 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 2024 and 31 December 2023 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 2024, the ISTC had outstanding receivables of $15,845 (2023 – $14,274), in current assets and $10,469 (2023 – $11,400) 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 $67,530 thousand as of 31 December 2024 (2023 - $51,466 thousand). All carrying amounts of the financial liabilities as of 31 December 2024 and 31 December 2023 agree with the respective value of the contractual cash flows and the contractual maturities do not exceed 3 months.

(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	CHF	KGS	Total
Financial assets as of December 31, 2024							
Cash and cash equivalents	11,224	1	38,483	114	150	–	49,972
Amounts due from funding parties and partners	16,346	–	9,841	127	–	–	26,314
Accrued income receivable	–	–	54	–	–	–	54
	$ 27,570	$ 1	$ 48,378	$ 241	$ 150	$ –	$ 76,340

	EUR	KZT	USD	GBP	CHF	KGS	Total
Financial liabilities as of December 31, 2024							
Accounts payable	806	12	502	–	–	1	1,321
Grants payable to institutes	–	–	390	–	–	–	390
	$ 806	$ 12	$ 892	$ –	$ –	$ 1	$ 1,711
Net currency position as of December 31, 2024	**$ 26,764**	**$ (11)**	**$ 47,486**	**$ 241**	**$ 150**	**$ (1)**	**$ 74,629**

A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2024 would have increased (decreased) excess of income over expenses and capital contributions by $2,714 thousand. This analysis assumes that all other variables remain constant.

	EUR	KZT	USD	GBP	JPY	Total
Financial assets as of December 31, 2023						
Cash and cash equivalents	13,426	7	27,236	195	1	40,865
Amounts due from funding parties and partners	15 605	–	9,941	128	–	25 674
Accrued income receivable	–	–	63	–	–	63
	$ 29,031	$ 7	$ 37,240	$ 323	$ 1	$ 66,602

	EUR	KZT	USD	GBP	JPY	Total
Financial liabilities as of December 31, 2023						
Accounts payable	3,072	10	620	56	–	3,758
Grants payable to institutes	–	–	693	–	–	693
	$ 3,072	$ 10	$ 1,313	$ 56	$ –	$ 4,451
Net currency position as of December 31, 2023	**$ 25,959**	**$ (3)**	**$ 35,927**	**$ 267**	**$ 1**	**$ 62,151**

14. FINANCIAL INSTRUMENTS (continued)

A 10 percent weakening (strengthening) of the U.S. dollar against EUR at 31 December 2024 would have increased (decreased) excess of income over expenses and capital contributions by $9,496 thousand (as at 31 December 2023: $6,217 thousand). This analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. ISTC manages interest rate risks by entering into deposit and current account agreements with interest rates that do not significantly differ from market rates. At the reporting date, the interest-bearing assets of ISTC were short-term deposits of $ 22,473 thousand (2023: $22,519 thousand).

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer 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, 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 2024 and 2023 and are classified to Level 3 in fair value hierarchy.

15. SUBSEQUENT EVENTS

In 2025, the International Science and Technology Center (ISTC) received an announcement letter regarding the forthcoming expenditure verification of the following contracts signed between ISTC and the European Commission:

- IFS/2020/420-489 – "Preparedness and Response for Mass Gatherings and other Health Threats in Central Asia (PRECA – CoE Project 87)"

- INSC/2019/411-539 – "Water Monitoring System in Central Asia"

The expenditure verification (audit) will be conducted by the European Commission.