

Note 1. Summary of the policies used in preparation of this report

1. 1. Base for preparation

This financial report has been prepared in conformity with the Macedonian legal regulation and with the standards issued by the International Accounting Standards Committee.

MCIC in its work and annual financial reporting uses the purchase price (accruals based) concept. This concept is used for this report as well, together with the cash-flow concept (required by the donors). Exception from cash-flow concept is calculation of depreciation of fixed assets in operational costs, as MCIC is not procuring new assets for this program, but is using existing facilities, equipment and vehicles.

1. 2. Donations

Donations granted for this program are registered upon receipt in MCIC and are presented in the Revenues, in received currency and in MKD.

1. 3. Expenditures

MCIC registers expenditures as charitable (direct) and operational.

The charitable expenditures include the expenses for support of projects, transferred upon the beneficiaries.

The operational expenditures include the expenses incurred by MCIC for the implementation of regular activities, namely: expenditures for the staff, transportation, communications and general expenses (international co-operation, consultancy services, etc.). Indirect expenditures include the salaries and expenditures for the central management and for the administrative and financial staff.

1. 4. Exchange rates

MCIC receives most of the funds in foreign currency (EUR, USD etc.). Most of the donations for this program are received in EUR. In the Statement of finances exchange rates on the 31.12.2004 is 1 EUR = 61.31 MKD).

1. 5. Reporting period

The report covers the period of 01.01.- 31.12.2004.

Note 2. Coordination activities - no expenditures are registered under this budget line, as costs acquired are participation of the partners in the programme, paid directly to suppliers (not through MCIC and therefore are not subject of MCIC accounting).

Note 3. Capacity building activities - covers projects expenditures for the projects: 04-12 BNT 101, 03-12 BNT 102, 04-12 BNT 103, 04-12 BNT 104.

Note 4. Information - covers projects expenditures for the projects: 04-12 BNT 101, 04-12 BNT 104.

Note 5. Operational costs

Operational costs are divided into program-related and indirect costs for central administrative and financial services.

Evidence of resources usage is the base for distribution of these costs (e.g. registration of kilometers is used to distribute transport costs per program).

Operational costs related to these program include:

Human resources - covers expenditures for gross salaries of the program related staff and program related consultant services (corresponding budget lines Personnel in MCIC annual report- note 43)

Travel - covers expenditures for transport (corresponding budget line Transport in MCIC annual report- note 43)

Office services - covers expenditures for office costs, rent, daily allowances (corresponding budget lines Office Services and Office in MCIC annual report - note 43)

Financial services - covers expenditures for financial services (corresponding budget line Financial Services in MCIC annual report - note 43)

Note 6. Administration - covers expenditures for indirect costs (corresponding budget line Indirect Costs in MCIC annual report - note 43)

Note 7. Balance - remaining balance at the end of the year, originating from ICCO donation (as un-earmarked), will be used for the continuation of the programme in 2005.