

UNEP/GRID-Arendal Board Report 2006

UNEP/GRID-Arendal's operations continue to focus on serving the United Nations Environment Programme (UNEP) with environmental information products and services.

UNEP's Key Polar Centre

UNEP/GRID-Arendal is designated as UNEP's Key Polar Centre, with particular emphasis on the Arctic. The Polar Regions are receiving increased attention in the media due to the increasingly visible signs of climate change. The Polar Programme focuses on the global significance of these regions in terms of climate and oceans, as well as resources such as fish, petroleum reserves and wilderness. The Polar Programme also works on projects that foster sustainable development and increase the role of indigenous people in decision-making.

Highlights for 2006 include:

- leadership on polar content of UNEP's GEO assessments;
- development of data policy and outreach for the International Polar Year starting March 2007, as well as the establishment of UNEP's role in this two-year event;
- intervention through the Arctic Council to help establish improved monitoring and reporting of biodiversity status and trends;
- collaboration with the oil industry on training and awareness of Arctic environmental and social issues, and
- participation in several projects aimed at developing and testing awareness and appropriate methodology for community-based natural resource management and integrated ecosystem assessment, relating particularly to indigenous communities. This included work on two GEF projects, one collaborative project with the oil industry, development of a course through Saami University College, and a project through UNEP on improving disaster management through the use of indigenous knowledge.

United Nations University/Global Virtual University

Under the guidance and supervision of the UN University, and in cooperation with a network of universities within Norway, Asia, USA and Africa, the UNU-Global University (UNU-GVU) Programme has steadily progressed in developing curriculum and services.

During 2006, the Master's level study programme "Global Environment and Development Studies" (GEDS) continued

with the second and third semester of the two-year study. To date, 24 students have graduated.

UNU-GVU has signed an agreement concerning the development and implementation of a study in bio-safety at masters level with the Institute for Gene Ecology at the University of Tromsø. At end-2006, a course description and a first module were completed in accordance with the GVV quality enhancement guidelines.

UNU-GVU, in cooperation with universities in Africa and the Middle East, has assisted UNEP in developing the programme of "Mainstreaming Education for a Sustainable Development in Africa" (MESA).

In cooperation with Agder University College, UNU-GVU also completed courses in E-teaching 1 and 2, with several students taking their exams in online tutoring.

UNU-GVU also started up a new concept for "Education for Sustainable Societies" in collaboration with Environic Foundation International (EFI).

During the year the AFUNET feasibility phase was concluded. New partners have now signed the UNU-GVU charter and a total number of 15 educational institutions are now members of the network.

Capacity Building

UNEP/GRID-Arendal continues to support UNEP in building capacities in environmental information management of countries and cities.

In 2006, UNEP/GRID-Arendal played a leading role in the environment and security initiative on assessments, with activities and increased visibility in South Eastern Europe, the Caucasus, Eastern Europe and Central Asia. Projects included the Nagorno Karabakh mission on wildland fires, Environment and Security consultations and field visits in the Eastern European (Belarus, Moldova, Ukraine) and East Caspian (Turkmenistan, Kazakhstan) regions.

There was increased cooperation with the European Environment Agency (EEA) in the facilitation of inputs for the Belgrade assessment (the next pan-European assessment to

be launched at the Environment for Europe Conference in October 2007) from the Eastern Europe Caucasus and Central Asia (EECCA) and South Eastern Europe (SEE) regions.

The Capacity Building team also facilitated workshops and training sessions relating to environmental indicators in Sarajevo, Bosnia and Herzegovina; Zagreb, Croatia; Tbilisi, Georgia; and Dushanbe, Tajikistan.

The team is engaged in further advancing applied methodological work in the areas of urban management ("Managing Urban Europe" and GEOcities projects) and the training of journalists.

UNEP Shelf Programme

UNEP/GRID-Arendal entered into its third year leading the UNEP Shelf Programme.

The Programme continued with its main focus on the establishment of initial contact with the States (>35 States), awareness-raising activities and scanning studies (developing states and Small Island Developing States; in Pacific and Africa, Middle America, Latin America, and the Indian Ocean). We also successfully carried out the Nairobi Workshop (Kenya and Tanzania) and on-the-job training for the Kenya Task force.

The One-Stop Data Shop has expanded with new data sources (agreements with major data holders). It provides free-of-charge seismic data services for developing countries. Considerable activity within the Programme has led to the recruitment of three new staff members as full-time UNEP/GRID-Arendal employees.

The development of networking of organisations (DOALOS, IOC and regional organisations) has helped to ensure effective support for developing countries. The outcome from the external evaluation has led to new commitments from the Norwegian government and a revisited three-year work plan.

CO₂ emissions

In December 2006, UNEP/GRID-Arendal signed an agreement with a local travel agency, HRG Nordic, to add

on the carbon fuel emission fee of NOK 228 for every trip made by our staff.

The fees collected by HRG Nordic will go into a fund managed by Naturvernforbundet and goes towards CDM projects in Central Asia.

The different administrative units in the Norwegian Ministry of Foreign Affairs and other ministries adopted this CO₂ emission fee in the wake of our initiative.

Board activities

The Board held two meetings during 2006.

The Board appointed Peter Prokosch the new Managing Director scheduled to start his term of employment with effect from 1 December 2006.

In October 2006, UNEP/GRID-Arendal moved its offices from Longum Park to the UN House. The official opening of the UN House took place in November 2006.

The UN House represents an economic gain for us on a long-term basis because of environmental construction factors that result in economically sound alternative solutions for heating and lighting.

Finance

The result for 2006 is a loss of NOK 4 152 559. The accounts have been rendered under the assumption of continued operations. The main reasons are loss of income on several projects accumulated over a longer period of time as well as overruns on the cost budgets for some of the major projects. The Board concluded that NOK 4 152 559 will be covered from its equity. It should be kept in mind that the Board follows the general principle that earnings will be used solely to support the mission statement and the long-term goals of the foundation. As a non-profit foundation, a main financial goal of UNEP/GRID-Arendal is to have an equity level equivalent to about half of the fixed operational cost. Due to the losses that accumulated over earlier years, this ratio has fallen to below 20% in 2006. For 2006, a provision of 2% of operating revenues was built into cost of future

projects. The board has requested the Managing Director to prepare an action plan for improving the key financial figures in 2007.

Working conditions

Consistent with its overall institutional objective, we are pleased to report that the foundation does not conduct activities that damage the environment, as defined by the Norwegian accounting law. As is the case with many similar organisations, UNEP/GRID-Arendal uses energy, creates waste, consumes paper, and uses hazardous chemicals (eg, in copying machines). Efforts are being made to raise awareness among staff to reduce our ecological footprint through a "green office" policy. UNEP/GRID-Arendal makes determined efforts to use environmentally-friendly materials to reduce the accumulation of waste. We use environmentally-friendly forms of transportation when possible. Since our activities involve extensive coordination on projects requiring face-to-face meetings, UNEP/GRID-Arendal encourages video-conferencing and phone-conferencing to help reduce staff travel.

The working conditions at the new UN House location will be evaluated through an in-depth Staff Satisfactory Survey which will be conducted during the first quarter of 2007. Open space working conditions, as well as new ergonomic furniture to reduce stress and improve teamwork, will be made to create a more conducive working environment for staff.

UNEP/GRID-Arendal has a policy on Gender and Diversity with objectives and goals to be implemented from 2004 to 2007. At the end of 2006 the total staff consisted of 13 women and 24 men. Currently, the Board constitutes five women and four men.

Sick leave in 2006 amounted to 6,9 % of the total working days. There were no injuries to staff in 2006, and there were no significant damages to the equipment of the foundation.

While most of UNEP/GRID-Arendal's activities take place at its headquarters in Arendal, some activities occur from office locations in Stockholm, Sweden; Geneva, Switzerland; and Ottawa, Canada.

Conclusions

While there is continuous need for change and capacity improvements, the Board is generally satisfied with the organisation and management of UNEP/GRID-Arendal. Under the leadership of the new Managing Director, efforts to fulfil our mission to support UNEP and align with UNEP's programme of work have increased. In addition, the new Managing Director has identified new strategic directions to increase the focus and profile of our work portfolio, build internal synergies and increase external partnerships with relevant institutions. The aim is to strengthen the management capability of the foundation and significantly improve the financial situation.

It is the Board's view that the annual accounts give a true and fair view of the foundation's position as of end-2006.

The Board sees the need for continued improvements in UNEP/GRID-Arendal's financial situation.

The Board concludes that it is satisfied that the foundation activities are consistent with its charter purposes and that it has a sound basis for continuing operations and for planning further strategy-relevant operational activities in the future.

25 April, 2007



Olav Orheim



Peter Prokosch
Managing Director



Marion Cheatle



Øystein Dahle



Kari Elisabeth Fagernes



Kathrine Ivsett Johnsen



Paula Kankaanpää



Lars Kristoferson

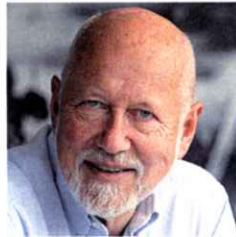


Randi Eidsmo Reinertsen



André Støyen

GRID-Arendal's Board of Directors 2006



Olav Orheim
Chair
(from June 2005)



Marion Cheatle
Officer in Charge
Division of Early Warning and
Assessment
UNEP



Øystein Dahle
Board Chairman
World Watch Institute
Washington D.C.



Kari Elisabeth Fagernæs
Vice Chair



Paula Kankaanpää
Director
Arctic Centre
University of Lapland, Finland



Lars Kristoferson
Secretary-General
World Wide Fund for Nature
WWF-Sweden



Randi Eidsmo Reinertsen
Research Director
Sintef Health Research
Norway



Kathrine Ivsett Johnsen
Deputy Polar Programme
Manager
GRID-Arendal
Staff-elected representative



André Støylen
Commissioner of Finance
Dept. of Finance and Adminis-
tration Policy
Oslo Municipality, Norway

Financial statement

Balance (NOK) as of 31.12		31.12.06	31.12.05
Fixed assets	NOTE		
Machinery and equipment	3	47 369	121 310
Investments in subsidiaries	8	3 012 000	3 012 000
Shares, Geodatasenteret A/S	8	100 000	100 000
Other long-term receivables	5	607 094	396 722
Total fixed assets		3 766 463	3 630 032
Current assets			
Accounts receivable trade		9 774 745	1 984 911
Other receivables		1 884 697	13 000
Work in progress	2, 6	6 737 532	10 426 185
Petty cash and bank accounts	9	3 057 587	665 729
Total current assets		21 454 561	13 089 825
Total assets		25 221 024	16 719 857
Equity			
Paid in capital			
Foundation capital		500 000	500 000
Total paid in capital		500 000	500 000
Retained earnings		4 596 676	8 749 235
Total retained earnings		4 596 676	8 749 235
Total equity		5 096 676	9 249 235
Long-term liabilities			
Loan		800 000	600 000
Total long-term liabilities		800 000	600 000
Short-term liabilities			
Liabilities to financial institutions		2 476 698	2 589 975
Accounts payable trade		2 633 634	560 706
Employee taxes withheld, payable social security etc.		2 879 428	1 126 213
Accrued salaries and vacation fees		1 436 826	1 405 201
Other current liabilities		243 368	557 867
Advance	10	9 654 394	630 660
Total short-term liabilities		19 324 348	6 870 622
Total equity and liabilities		25 221 024	16 719 857

25 April, 2007



Olav Orheim



Marion Cheatle



Paula Kankaanpää



Øystein Dahle



Lars Kristoferson



Kari Elisabeth Fagernes



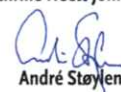
Randi Eidsmo Reinertsen



Peter Prokosch
Managing Director



Kathrine Ivsett Johnsen



André Støylen

NOTE 1

Basic principles – assessment and classification – other issues

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2006 for small companies, consist of the profit and loss account, balance sheet and notes to the accounts. The financial statements give a true and fair view of assets, debt, financial status and result. In order to simplify the understanding of the balance sheet and the profit and loss account, the financial statements have been compressed. The necessary specification has been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and caution. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time of delivery of goods or services sold. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to income are expensed as incurred.

When applying the basic accounting principles and presentation of transactions and other issues, a “substance over form” view is taken. Contingent losses which are probable and quantifiable are taken to cost

Accounting principles for material items

Revenue recognition

Revenue is normally recognised at the time of delivery of goods or services sold.

Cost recognition/matching

Costs are expensed in the same period as the income to which they relate is recognised. Costs that can not be directly related to income are expensed as incurred.

Profit and loss account (NOK)		2006	2005
Operating revenues			
	NOTE		
Operating revenues		36 668 080	37 303 849
Total operating revenues		36 668 080	37 303 849
Operating expenses			
Project costs	2	14 152 147	14 283 292
Personnel costs	4	20 123 954	18 188 524
Depreciation	3	109 541	162 878
Other operating expenses		6 195 450	4 698 445
Total operating expenses		40 581 092	37 333 139
Operating result		-3 913 012	-29 291
Financial income and expenses			
Financial income	5	383 622	232 224
Financial expenses		623 169	327 902
Net financial items		-239 547	-95 679
Result for the year		-4 152 559	-124 969

Fixed assets

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. Assets are capitalised when the economic useful life is more than 3 years, and the cost is greater than NOK 15 000. Operating lease costs are expensed as a regular leasing cost, and are classified as an operating cost.

Depreciation

Based on the acquisition cost, straight line depreciation is applied over the economic lifespan of the fixed assets.

Accounts Receivables

Trade receivables are accounted for at face value with deductions for expected loss.

Pension liability and pension costs

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, are classified as an operating cost, and is presented in the line item payroll and related cost.

NOTE 2

2% of the turnover has been taken as a provision for any losses and deducted as part of project costs.

NOTE 3

Machinery and equipment

Purchase Value 01.01.06	NOK	5 005 690,-
Added this year	NOK	35 600,-
Accumulated depreciation 31.12.06	NOK	4 993 921,-
Book Value 31.12.06	NOK	47 369,-
Depreciation this year:	NOK	109 541,-

NOTE 4

Salary costs.

	2006	2005
Salary and holiday pay	NOK 16 585 492,-	NOK 14 872 208,-
Employer's contribution	NOK 2 041 719,-	NOK 1 862 634,-
Other personnel costs	NOK 1 496 743,-	NOK 1 453 682,-
Total	NOK 20 123 954,-	NOK 18 188 524,-

Average no of employees	39	37
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Salary Managing Director	NOK	580 579,-
Fee Chairman of the Board	NOK	15 501,-
Fee other Board members	NOK	103 499,-

The company is obliged to have a pension scheme for all employees to meet the law of obligatory pension scheme. The company has subscribed to such a pension scheme, which meets the requirements of this law.

The audit fee for 2006 is split into: Audit as required by law NOK 46 000; fee for other authorization services NOK 19 500; other services provided by the auditor NOK 11 000.

NOTE 5

Pension funds

The premium for the year, NOK 1 496 743 is charged to personnel costs. The yield from the pension premium fund of NOK 913 is included under financial income.

NOTE 6

Work in progress

Work in progress carried out and costs incurred, not invoiced at the year-end, related to 37 projects, and costs incurred amounted to a total of NOK 7 470 893.

NOTE 7

Short-term investments

Other shares	No. of shares	Purchase cost	Market value
Earthprint Ltd	3 500	NOK 44 961,-	NOK 0,-

NOTE 8

Long-term investments

Shares subsidiaries	Owners share	Purchase cost	Share of result 2006	Share of equity 31.12.06
Teaterplassen AS	60%	3 012 000,-	-498 614,-	9 323 096,-

Other shares	No. of shares	Purchase cost	Market value
Geodatasenteret AS	1000	NOK 100 000,-	NOK 100 000,-

The shares in Geodatasenteret AS are valued at purchase cost.

NOTE 9

Petty cash and bank accounts

NOK 899 149 of the total cash at bank is restricted to meet the liability arising from payroll taxes withheld.

NOTE 10

Advance

Work in progress invoiced on account and advances at the year end, related to 22 projects and amounted to a total of NOK 9 654 394.



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To the Foundation's Board of Directors for GRID – Arendal

AUDITOR'S REPORT FOR 2006

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the GRID – Arendal Foundation, as of 31 December 2006, showing a loss of NOK 4 152 559. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The annual financial statements comprise the balance sheet, the statements of income and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Foundation's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing 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 a 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. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Foundation's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Foundation as of 31 December 2006 and the results of its operations for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the foundation's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

No matters have come to our attention that would cause us to believe that the process of managing the Foundation and its distribution are not in accordance with the law, the purpose of the Foundation and its bylaws.

Arendal, 25 April 2007
KPMG AS

Terje H. Holst

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Offices in

Oslø	Haugesund	Sandefjord
Bodø	Kristiansand	Sandnessjøen
Ålesund	Larvik	Stavanger
Arendal	Lilleshammer	Sjønd
Bergen	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnøy	Narvik	Tvedestrand
Hamar	Rensø	Ålesund

KPMG AS is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Statsautoriseret revisor - medlem af Den norske Revisorforening



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