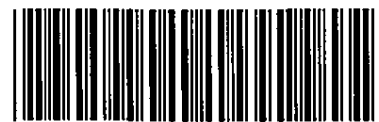


Company Registration No. 4529663 (England and Wales)
Charity Registration No. 1093811

FUTURE OF RUSSIA FOUNDATION
TRUSTEE'S REPORT AND FINANCIAL STATEMENTS
30 SEPTEMBER 2008

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FUTURE OF RUSSIA FOUNDATION

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FUTURE OF RUSSIA FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

| | |
|----------------------------------|---|
| Trustee | Farrer & Co Trust Corporation Limited |
| Bankers | HSBC Private Bank (UK) Limited 78 St James's Street London SW1A 1JB |
| Solicitors | Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH |
| Auditors | Saffery Champness Lion House Red Lion Street London WC1R 4GB |
| Investment advisers | Smith & Williamson Investment Management 25 Moorgate London EC2R 6AY |
| Registered Address | 66 Lincoln's Inn Fields London WC2A 3LH |
| Registered company number | 4529663 |
| Registered charity number | 1093811 |
| Company Secretary | Tyrolese (Secretarial) Limited 66 Lincoln's Inn Fields London WC2A 3LH |

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE TRUSTEE FOR THE YEAR ENDED 30 SEPTEMBER 2008

The Trustee presents its annual report and the financial statements for the year ended 30 September 2008.

Constitution and objects

The Foundation was incorporated in England and Wales as a company limited by guarantee on 9 September 2002 under the registered number 4529663. It is a registered charity, with the registered charity number 1093811, and is managed by the Trustee, who is also the director of the company. The Trustee has the power to delegate day to day administration and investment activities to suitably qualified individuals and organisations. The Trustee is appointed by the members of the company. Additional trustees may be appointed by the Trustee and their appointment be ratified at the subsequent Annual General Meeting.

The Foundation's objects are:

- (1) the advancement of the education of children and young people in Russia and other countries of Eastern Europe;
- (2) the advancement of education of the public in the history, arts, music and language of Russia and other countries in Eastern Europe; and
- (3) to promote such other purposes for the benefit of the public throughout the world as deemed by English Law to be charitable.

Organisation

Details of the Trustees serving since the last Trustees' report are as follows:

Farrer & Co Trust Corporation Limited

On 9 November 2005, a sole Corporate Trustee was appointed to administer the Foundation's activities. The new Trustee is responsible for all matters relating to the governance of the Foundation and its assets.

Statement of Trustee's responsibilities

Company law requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that period. In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in the foreseeable future.

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE TRUSTEE (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

Trustee's Responsibilities

The trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and to enable it to ensure that the financial statements comply with the Companies Act 1985 and relevant Statements of Recommended Accounting Practice. It is also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the trustee is aware, there is no relevant information that has not been disclosed to the company's auditors and the trustee believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the company's auditors have been made aware of that information.

Reserves policy

The assets of the Foundation are held largely in the form of an expendable endowment. The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustee to spend on charitable activities.

The adequacy of the reserves is reviewed annually.

Grant making policy

Following advice received from the Foundation's solicitors, and endorsed by the Charity Commission, the Trustee has suspended grant-making activities for the foreseeable future.

On 9th November 2005, a sole Corporate Trustee was appointed to take on the responsibility of Trustee of the Foundation, and to hold the Foundation's assets during this period of dormancy.

| Financial review | 2008 | 2007 |
|--|-------------|-------------|
| | £ | £ |
| Incoming resources for the year : | | |
| Investment income | 653,499 | 589,624 |
| Investment management and administration expenses were | (10,037) | 11,668 |
| Total net assets of the Foundation increased by | 663,536 | 577,956 |

Investment policy

The Trustee is holding the funds in accordance with professional advice obtained from Smith & Williamson Investment Management.

Risk Management

The Trustee has examined the major strategic, business and operational risks which the Foundation faces and confirms that the necessary steps have been taken to minimise these risks.

FUTURE OF RUSSIA FOUNDATION

**REPORT OF THE TRUSTEE (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2008**

Auditors

Saffery Champness have expressed their willingness to continue as auditors.

Approved by the Trustee on 2009.





Farrer & Co Trust Corporation Limited

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEE FOR THE YEAR ENDED 30 SEPTEMBER 2008

We have audited the financial statements on pages 6 to 10. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The trustee's (who is also the director of Future of Russia Foundation for the purposes of company law) responsibilities for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether, in our opinion, the information given in the trustees' report is consistent with the financial statements. We also report to you if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read the Trustee's Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view of the charity's state of affairs as at 30 September 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the trustees' report is consistent with the financial statements.

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors
Lion House
Red Lion Street
London
WC1R 4GB

30th July 2009

FUTURE OF RUSSIA FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 SEPTEMBER 2008

| | Note | Unrestricted funds - Income £ | Expendable endowment £ | Total 2008 £ | Total 2007 £ |
|--|------|--|------------------------------|--------------------|--------------------|
| Incoming resources: | | | | | |
| Investment income | 2 | 653,499 | - | 653,499 | 589,624 |
| Total incoming resources | | 653,499 | | 653,499 | 589,624 |
| Resources expended | | | | | |
| Governance costs | | | | | |
| Governance costs | 3 | (10,037) | - | (10,037) | 11,668 |
| Total resources expended | | (10,037) | - | (10,037) | 11,668 |
| Net incoming resources | | 663,536 | - | 663,536 | 577,956 |
| Net movement in funds for the Year | | 663,536 | | 663,536 | 577,956 |
| Balances brought forward at 30 September 2007 | | 1,814,936 | 10,000,000 | 11,814,936 | 11,236,980 |
| Balances carried forward at 30 September 2008 | 4 | 2,478,472 | 10,000,000 | 12,478,472 | 11,814,936 |

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

The notes on pages 9 and 10 form part of the financial statements.

FUTURE OF RUSSIA FOUNDATION

BALANCE SHEET

AS AT 30 SEPTEMBER 2008

| | Note | Unrestricted Funds - Income £ | Expendable endowment £ | Total 2008 £ | Total 2007 £ |
|---|----------|--|------------------------------|--------------------|--------------------|
| Fixed assets | | | | | |
| Investment cash balances held on deposit | | 2,465,615 | 10,000,000 | 12,465,615 | 11,779,139 |
| | | <u>2,465,615</u> | <u>10,000,000</u> | <u>12,465,615</u> | <u>11,208,343</u> |
| Current assets | | | | | |
| Accrued interest income | | 1,537 | - | 1,537 | 35,715 |
| Cash at bank | | 44,903 | - | 44,903 | 43,701 |
| | | <u>46,440</u> | <u>-</u> | <u>46,440</u> | <u>79,416</u> |
| Creditors: amounts falling due within one year | | | | | |
| Professional fees | | 21,679 | - | 21,679 | 31,716 |
| Other creditors | | 11,903 | - | 11,903 | 11,903 |
| | | <u>33,582</u> | <u>-</u> | <u>33,582</u> | <u>43,619</u> |
| Net assets | | <u>2,478,473</u> | <u>10,000,000</u> | <u>12,478,473</u> | <u>11,814,936</u> |
| Financed by: | | | | | |
| Funds | 4 | <u>2,478,473</u> | <u>10,000,000</u> | <u>12,478,473</u> | <u>11,814,936</u> |

The notes on pages 9 and 10 form part of the financial statements.

The financial statements were approved by the Trustee on 2009.




Farrer & Co Trust Corporation Limited

FUTURE OF RUSSIA FOUNDATION**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 SEPTEMBER 2008**

| | | 2008 | 2007 |
|---|------------|----------------|----------------|
| | | £ | £ |
| Net cash flow from operating activities | (a) | 687,678 | 571,942 |
| | | <hr/> | <hr/> |
| Increase in investment cash and cash at bank | (b) | 687,678 | 571,942 |
| | | <hr/> | <hr/> |

NOTES TO THE CASHFLOW STATEMENT**(a) Reconciliation of changes in resources to net cash flow from operating activities**

| | | |
|---|-----------------|-----------------|
| Net incoming resources | 663,536 | 577,956 |
| Decrease/ (increase) in debtors | 34,178 | (17,682) |
| Increase in creditors | (10,036) | 11,668 |
| | <hr/> | <hr/> |
| Net cashflow from operating activities | 687,678 | 571,942 |
| | <hr/> | <hr/> |

(b) Analysis of the increase in investment cash and cash at bank

| | | |
|-----------------------------|-------------------|-------------------|
| Net balance brought forward | 11,822,840 | 11,250,898 |
| Net balance carried forward | 12,510,518 | 11,822,840 |
| | <hr/> | <hr/> |
| | 687,678 | 571,942 |
| | <hr/> | <hr/> |

The notes on pages 9 and 10 form part of the financial statements.

FUTURE OF RUSSIA FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

1 Accounting policies

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention. They also comply with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005).

1.2 Incoming resources

Investment income is accounted for on a receivable basis.

Donations are accounted for in the year in which the Foundation is entitled to receipt.

1.3 Resources expended

Expenditure is included on an accruals basis.

Governance costs include those costs of administering the charity as a legal entity.

1.4 Grants and donations

Grants and donations payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, and therefore recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as an expense.

1.5 Investments

All investments are currently held as cash deposit and are included at cost at the year end.

1.6 Fund accounting

The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustee to spend on charitable activities.

2 Investment income

| | 2008 | 2007 |
|-----------------------|-----------------------|-----------------------|
| | £ | £ |
| Bank deposit interest | <u>653,499</u> | <u>589,624</u> |

3 Governance costs

| | Unrestricted fund | Expendable endowment | Total | Total |
|--------------------------------------|------------------------------|---------------------------------|------------------------|----------------------|
| | £ | £ | 2008 £ | 2007 £ |
| Professional and administrative fees | 17,463 | - | 17,463 | 8,403 |
| Audit fee | 2,500 | - | 2,500 | 3,265 |
| Credited in year | (30,000) | - | (30,000) | - |
| | <u>(10,037)</u> | <u>-</u> | <u>(10,037)</u> | <u>11,668</u> |

No remuneration or reimbursement of expenses was received by the Trustee in either year.

FUTURE OF RUSSIA FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2008

4 Funds

The Income Fund represents the balance of income from all sources after deduction of donations and other necessary expenditure.

The Expendable Endowment Fund represents all the other assets of the Foundation. The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income.