

**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2001**  
**FOR THE**  
**RUSSO-BRITISH CHAMBER OF COMMERCE**

145140

Notice of the Russo—British Chamber of Commerce  
Annual General Meeting to be held at 12.00 a.m.  
on Monday, 24<sup>th</sup> June, 2002  
at The Brewery, Chiswell Street, London EC1Y 4SD



**RUSO-BRITISH CHAMBER OF COMMERCE**

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**for the Year Ended 31 December 2001**

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**RUSSO-BRITISH CHAMBER OF COMMERCE**

**COMPANY INFORMATION**  
**for the year ended 31 December 2001**

Notice is hereby given that the Eighty-Sixth Annual General Meeting of the Russo-British Chamber of Commerce will be held at 12.00 am.  
on Monday, 24<sup>th</sup> June, 2002  
at The Brewery, Chiswell Street, London EC1Y 4SD

1. To receive and consider the Report of the Executive Council.
2. To receive and consider the accounts for the year ended 31 December 2001
3. To re-elect Members and to fill vacancies on the Executive Council.
4. To confirm the re-appointment of the auditors Defries Weiss for 2002.
5. To transact such other business as may be properly transacted at an Ordinary General Meeting.

| 24/06/02 |

By Order of the Executive Council  
J D Cant, Executive Director and Secretary

**EXECUTIVE DIRECTOR  
AND SECRETARY:**

J D Cant

**REGISTERED OFFICE:**

42 Southwark Street  
London  
SE1 1UN

**REGISTERED NUMBER:**

00145140

**AUDITOR:**

Defries Weiss  
Registered Auditor  
311 Ballards Lane  
London  
N12 8LY

**PRINCIPAL BANKERS:**

Barclays Bank Plc  
Southwark Business Centre  
29 Borough High Street  
London  
SE1 1LY

**SOLICITORS:**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4P 6JA

**LONDON OFFICE:**

42 Southwark Street  
London  
SE1 1UN

**MOSCOW OFFICE:**

Ducat Place II  
Third Floor  
Ul Gasheka 7  
Moscow  
123056

## **RUSSO-BRITISH CHAMBER OF COMMERCE**

### **REPORT OF THE EXECUTIVE COUNCIL** **for the year ended 31 December 2001**

The directors present their report with the financial statements of the company for the year ended 31 December 2001.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of facilitator between UK companies and Russian companies conducting business in their respective markets.

#### **TRADE ENVIRONMENT**

Despite a generally weaker economic environment, UK companies increased their exports to Russia in 2001 (by 34.1%) to £897 million worth of goods, as compared with £669 in 2000 and £537 in 1999. Imports from Russia also increased (by 39%) to £2,132 million for 2001 as compared with £1,532 million in 2000 and £1,360 million in 1999. Russia's macroeconomic performance was very strong in 2001. Although recording a slowdown from the 9% growth of the previous year, Russian GDP grew 5.1% in 2001. Not only does 2001 represent the third consecutive year of sustained growth, but a steady growth of 4% per year is expected for the next few years.

Industrial production also registered a slowdown from 2000's 9% growth: it has expanded by 4.9% this year. Significant growth was registered in the construction, trade and agricultural sectors. Over the year, fixed capital investment grew 8.7%.

Mainly because of high international oil prices, exports in 2000 and 2001 exceeded \$100 billion. Import growth picked up, but showed signs of decelerating by the end of the year. Exports were \$102 billion in 2001, compared to \$105 billion in 2000, but imports increased from \$44 billion in 2000 to \$53 billion in 2001. The trade surplus reached almost \$50 billion in 2001, and the current account surplus was \$35 billion. The structure of exports is still dominated heavily by fuels and raw materials.

Annual consumer price inflation in 2001 was 18.6%, a few points lower than the 20.2% in 2000. A slowing of the inflation rate has been registered for the third year in a row (39% in 1999) and is largely forecast to continue for the near future. Real consumer expenditures and real incomes increased, while unemployment decreased. An impressive fiscal policy has started showing its results: although the new Tax Code has lowered key tax rates, it has simplified procedures and compliance improved and revenues increased in 2001. In contrast to heavy budget deficits in the first decade of the post-Soviet period, the federal budget surplus reached \$8.6 billion, nearly 3% of GDP.

Foreign investment in Russia, on the whole, increased by 30% in 2001 (and 40% by the end of the first quarter of 2002). Investment reached \$1.3 billion in the services sector and \$1.8 billion in the industrial sector. However, FDI fell by 10% over 2001 (and 14% by the end of 2002). Overall growth in investment was directly related to growth in credit and portfolio investment.

A considerable decline in capital flight (estimated \$8 billion decline) was registered in Russia in 2001 and there are encouraging signs of previously fled capital now being repatriated. In 2001, Cyprus became the major source of investment funds (\$19.3 billion) in Russia, displacing the U.S. (\$12.6 billion), who had provided the most foreign funds in 1999 (\$30.6 billion) and in 2000 (\$14.5 billion). Cyprus, which is a major recipient of capital flight from Russia, seems to be returning a considerable amount of that money. Switzerland was the third largest source of investment funds in 2001 (\$9.8 billion), which also presumably represents a return of capital to Russia by Russian owners.

#### **RBCC ACTIVITIES**

In 2001, monthly Business Networking Events and various sectoral seminars continued to take place in London. Incoming delegations, representing the regional administrations and businesses of Rostov, Samara and the Komi Republic, were assisted by the London Office in promoting business and investment in their regions. The RBCC, in association with Moscow Narodny Bank, has also been running a roadshow of Business Breakfast Seminars, covering major cities in the UK, including Aberdeen, Cardiff and London.

## RUSO-BRITISH CHAMBER OF COMMERCE

### REPORT OF THE EXECUTIVE COUNCIL

for the year ended 31 December 2001

The Moscow office continues to expand its activities. During the year it moved to larger premises, recruited more members in Russia and is providing a wider range of services. In 2001, the RBCC was very pleased to celebrate 85 years of actively doing business with Russia. This was commemorated with a full-day event in the Pushkin State Museum, Moscow, followed by an Evening Gala Reception hosted by HRH Prince Michael of Kent. The Bulletin has continued to grow in size and quality and is still being produced and edited in Moscow. This has attracted an increased amount of advertising and interviews with leading political and commercial commentators. The RBCC website continues to be a success. It still receives in excess of 30,000 hits per week. At the end of the year, the RBCC suffered some loss of staff, for a variety of reasons. This, coupled with a substantial bad debt following the publication of its directory, contributed to a disappointing end of year result after what was otherwise a very successful year.

The RBCC was pleased to celebrate its 85<sup>th</sup> Anniversary in Moscow in June and take on a new style of event – an International Debate and Question Time screened live on the Internet. This was extremely successful with high-level speakers making presentations and attended by over 400 delegates from many different countries. It is intended to repeat this style of event in 2002 and beyond. Exhibitions included Britain in Russia, Consumexpo and Prodexpo, all sponsored by British Trade International. These were successful, but the number of UK participants was lower than in previous years. Sector related seminars, roundtables and Business Breakfasts continued in 2001.

The Chamber organised the following:

#### **January**

- Samara Delegation, London
- Exhibition of Modern Russian Paintings, London
- Business Networking Evening, London
- British stand ConsumExpo exhibition, Moscow
- Business breakfast on e-commerce with Lovells and Cable & Wireless, Moscow

#### **February**

- Business Networking Evening, London
- Taxation breakfast with KPMG in English and Russian, Moscow
- Business Networking, Moscow
- British stand at ProdExpo exhibition, Moscow
- Official lunch and press conference with International Business English Exams (IBEE) and EF Education, Moscow

#### **March**

- KPMG Tax Seminar, London
- Economic Roundtable, London
- Legal Issues Seminar, London
- Business Networking Evening, London
- Taxation breakfast with KPMG in English & Russian, Moscow
- Business Networking, Moscow
- Internal Budgeting training for Russian middle management with Arthur Andersen, Moscow
- Reception on behalf of Port of London Authority at the British Embassy, Moscow
- Trade New Zealand Education Delegation briefing and reception, Moscow

#### **April**

- Russia 2001 Conference, London
- Rostov Oblast Delegation, London
- Business Networking, London
- Saratov Oblast Administration presentation, Moscow
- Business Networking, Moscow
- Construction Committee, EBC & AmCham Session, Moscow
- Taxation breakfast with KPMG, Moscow

## **RUSO-BRITISH CHAMBER OF COMMERCE**

### **REPORT OF THE EXECUTIVE COUNCIL** **for the year ended 31 December 2001**

#### **May**

- Doing Business in Russia seminar, London
- Business Networking Evening, London
- Real Estate Investment business breakfast with Moscow Times, Moscow
- Taxation breakfast with KPMG, Moscow

#### **June**

- Economic Round Table seminar, London
- Russian Central Bank Delegation, London
- Banking Roundtable, London
- RBCC 85<sup>th</sup> Anniversary International Debate & Question Time, Moscow
- Cash Flow Statement Analysis training for Russian middle management with Arthur Andersen, Moscow
- Business Networking, Moscow
- Annual General Meeting and Luncheon, Moscow
- Taxation breakfast in Russian with KPMG, Moscow

#### **July**

- Komi Republic Governor Spiridonov visit, London
- Yaroslavl Oblast Presentation and Business Networking, Moscow
- KPMG Legal and Tax Perspective of Leasing in Russia business breakfast, Moscow

#### **August**

- Bowling social event, London

#### **September**

- Economic Roundtable, London
- RAO UES Delegation Reception, London
- MNB Doing Business in Russia, Aberdeen
- Business Networking, London
- Opportunities in the Stavropol Region, London
- Business Networking, Moscow

#### **October**

- Ukrainian Technology Agency business lunch, London
- House of Lords Luncheon, London
- Business Networking, London
- IT Resources seminar, London
- Business Networking, Moscow
- Working breakfast with Alexander Pochinok, Minister of Labour and Social Development, Moscow
- New Land Code Business Breakfast, Moscow
- Presentation of Leningrad Oblast Governor Serdukov, Moscow
- Small Business Week, Moscow

#### **November**

- KPMG Tax Forum seminar, London
- MNB Doing Business in Russia business breakfast, London
- Roundtable briefing with Governor of Sakhalin, London
- MNB Doing Business in Russia business breakfast, Cardiff
- Business Networking, London
- Corporate Governance business breakfast, Moscow
- Economic Development of the RF in 2002 business breakfast, Moscow

#### **December**

- Economic Roundtable Seminar, London
- Ural Federal Region Delegation, London
- Xmas Business Networking, London
- Tax Legislative Changes business breakfast, Moscow

## **RUSO-BRITISH CHAMBER OF COMMERCE**

### **REPORT OF THE EXECUTIVE COUNCIL** **for the year ended 31 December 2001**

The RBCC organised the British stand participation at both Consumexpo and Prodexpo 2001.

#### **CHARITABLE AND POLITICAL DONATIONS**

There were no charitable or political donations made in 2001.

#### **DIRECTORS**

The directors during the year under review were:

<b>Sir Norman Wooding CBE</b>	<b>(President)</b>	<b>Dr A Chesnokov (Vice President)</b>
R R Land CBE	(Chairman)	I Achourbeili
D Winter OBE	(Deputy Chairman)	S. Samolis (resigned Sept 2001)
R A K Scallon	(Honorary Treasurer)	S A Andryushkin
R Shaw		A Goryunov
Dr P J Harvey		D V Shulakov
Baroness Smith of Gilmorehill		V V Kopjev
M J Meyer		I G Souvorov
S Penney (resigned Sept 2001)		A Starkov
Sir Andrew Wood GCMG		Dr A V Tchistoserdov
J Baldwin		O Preksin
T Barton		

#### **Executive Director**

J D Cant

#### **Patron**

HRH Prince Michael of Kent KCVO

#### **Hon. Presidents**

HE Grigory Karasin, Ambassador of the Russian Federation to the UK

HE Sir Roderic Lyne KBE CMG, Ambassador of the UK to the Russian Federation

#### **Hon. Life Member**

J Cooper CBE

D Winter OBE (co-opted for ratification as Honorary Life Member) (24.06.02)

#### **Standing for re-election**

Baroness Smith of Gilmorehill

I Achourbeili

O Preksin

M J Meyer

#### **Co-opted for ratification**

D.M. Jakobashvili (24.06.02)

A. A. Klishas (24.06.02)

M. Komissar (24.06.02)

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors 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 surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to

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

**RUSO-BRITISH CHAMBER OF COMMERCE**

**REPORT OF THE EXECUTIVE COUNCIL**  
**for the year ended 31 December 2001**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITOR**

The auditor, Defries Weiss, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**ON BEHALF OF THE EXECUTIVE COUNCIL:**



.....  
R R Land CBE - CHAIRMAN

Dated: 24/6/02

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF**  
**RUSSO-BRITISH CHAMBER OF COMMERCE**

We have audited the financial statements on pages eight to twelve which have been prepared under the historical cost convention and the accounting policies set out on page ten.

**Respective responsibilities of directors and auditor**

As described on page six the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we received no reply from one of the company's banks, in response to our standard request for a bank report for audit purposes. In consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding cash at bank included in the balance sheet at £14,831.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning cash at bank, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its deficit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

In respect alone of the limitation on our work relating to cash at bank, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and we were unable to determine whether proper accounting records had been kept.



Defries Weiss  
Registered Auditor  
311 Ballards Lane  
London  
N12 8LY

Date 24/06/02

**RUSSO-BRITISH CHAMBER OF COMMERCE**

**Income and Expenditure Account**  
**for the Year Ended 31 December 2001**

Notes	<u>31.12.01</u>		<u>31.12.00</u>	
	£	£	£	£
<b>Income:</b>				
Members' subscriptions	218,842		160,671	
Membership services	28,442		71,885	
Income from exhibitions	76,971		104,581	
RFCCI contribution	56,200		57,214	
Bank interest	<u>4,431</u>		<u>4,458</u>	
		384,886		398,809
<b>Expenditure:</b>				
Staff costs	201,362		191,925	
Consultants	8,230		3,600	
Telephone	27,952		16,392	
Printing, postage & stationery	10,931		14,115	
Travelling and motor expenses	17,381		15,411	
Sundry expenses	528		1,010	
Legal & professional fees	32,244		27,574	
Bad debts	2,293		6,869	
Rent, rates and office expenses	125,037		92,704	
Bank charges and interest	1,911		2,374	
Exchange differences	(3,251)		(2,973)	
Depreciation	7,214		8,744	
Irrecoverable Russian VAT	<u>10,557</u>		<u>-</u>	
		<u>442,389</u>		<u>377,745</u>
<b>(DEFICIT)/EXCESS OF INCOME LESS EXPENDITURE BEFORE TAXATION</b>	<b>2</b>	<b>(57,503)</b>		<b>21,064</b>
Taxation	<b>3</b>	<u>-</u>		<u>-</u>
<b>(DEFICIT)/EXCESS OF INCOME LESS EXPENDITURE FOR THE YEAR</b>		<b><u>£(57,503)</u></b>		<b><u>£21,064</u></b>


**RUSO-BRITISH CHAMBER OF COMMERCE**


**Balance Sheet  
31 December 2001**

		<u>31.12.01</u>		<u>31.12.00</u>	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Intangible assets	4		15,000		-
Tangible assets	5		<u>28,012</u>		<u>33,559</u>
			43,012		33,559
<b>CURRENT ASSETS:</b>					
Debtors	6	161,675		221,933	
Cash at bank and in hand		<u>74,118</u>		<u>130,733</u>	
		235,793		352,666	
<b>CREDITORS:</b> Amounts falling due within one year	7	<u>234,933</u>		<u>284,850</u>	
<b>NET CURRENT ASSETS:</b>			<u>860</u>		<u>67,816</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			<u><u>£43,872</u></u>		<u><u>£101,375</u></u>
<b>RESERVES:</b>					
Income and expenditure account			<u><u>43,872</u></u>		<u><u>101,375</u></u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

**ON BEHALF OF THE EXECUTIVE COUNCIL:**

 R R Land CBE (Chairman)

 J D Cant (Executive Director and Secretary)

Approved by the Board on 24/6/02

The notes form part of these financial statements

## RUSSO-BRITISH CHAMBER OF COMMERCE

### Notes to the Financial Statements for the Year Ended 31 December 2001

#### 1. ACCOUNTING POLICIES

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

##### **Income**

Income represents members' subscriptions and net invoice sales of services, excluding value added tax. Subscriptions received in advance are credited to a deferred income account, and released to the income and expenditure account during the period to which they relate.

##### **Intangible fixed assets**

Development expenditure in respect of specific commercial projects is capitalised, and amortisation is charged over the periods in which the respective commercial projects are expected to generate income.

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment	25% on reducing balance method
Plant and machinery	15% on reducing balance method

##### **Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

##### **Operating leases**

Rentals payable under operating leases are charged to the profit and loss account on an accruals basis.

#### 2. OPERATING (LOSS)/PROFIT

The operating loss (2000 - operating profit) is stated after charging:

	31.12.01	31.12.00
	£	£
Depreciation	7,214	8,744
Auditor's remuneration	<u>3,850</u>	<u>3,650</u>

#### 3. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2001 nor for the year ended 31 December 2000.

**RUSO-BRITISH CHAMBER OF COMMERCE**

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2001**

**4. INTANGIBLE FIXED ASSETS**

	<u>Development expenditure</u>
	£
<b>COST:</b>	
Additions	<u>15,000</u>
At 31 December 2001	<u>15,000</u>
<b>NET BOOK VALUE:</b>	
At 31 December 2001	<u><u>15,000</u></u>

**5. TANGIBLE FIXED ASSETS**

	<u>Plant and machinery etc</u>
	£
<b>COST:</b>	
At 1 January 2001	144,763
Additions	<u>1,667</u>
At 31 December 2001	<u>146,430</u>
<b>DEPRECIATION:</b>	
At 1 January 2001	111,204
Charge for year	<u>7,214</u>
At 31 December 2001	<u>118,418</u>
<b>NET BOOK VALUE:</b>	
At 31 December 2001	<u><u>28,012</u></u>
At 31 December 2000	<u><u>33,559</u></u>

**6. DEBTORS**

	31.12.01	31.12.00
	£	£
Trade debtors	88,401	162,628
Other debtors	440	-
Prepayments & accrued income	71,278	59,305
Russian VAT recoverable	<u>1,556</u>	<u>-</u>
	<u><u>161,675</u></u>	<u><u>221,933</u></u>

## RUSSO-BRITISH CHAMBER OF COMMERCE

### Notes to the Financial Statements for the Year Ended 31 December 2001

#### 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.01	31.12.00
	£	£
Trade creditors	42,143	27,483
Other creditors	1,631	15,152
VAT	3,374	11,952
Social security & other taxes	10,321	7,375
Deferred income	164,827	202,179
Accruals	<u>12,637</u>	<u>20,709</u>
	<u>234,933</u>	<u>284,850</u>

#### 8. FINANCIAL COMMITMENTS

At the balance sheet date the company was committed to operating lease payments of £72,018 (2000: £4,800) during the year ending 31 December 2002 in respect of office premises in London and Moscow. The leases expire in between two and five years.

#### 9. COMPANY LIMITED BY GUARANTEE

The Russo-British Chamber of Commerce is a company limited by guarantee and not having a share capital. Every member of the Chamber has undertaken to contribute to the assets of the Chamber, in the event of its being wound up during the period of membership or up to one year after membership ceases, an amount not exceeding £3.