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RUSSO-BRITISH CHAMBER OF COMMERCE

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER
1996

Notice of the Russo-British Chamber of Commerce Annual General Meeting
to be held at 2.30 pm on Thursday 19 June 1997 at

The Royal Over-Seas League
Over-Seas House
Park Place
St James's Street
London SW1A 1LR



RUSSO-BRITISH CHAMBER OF COMMERCE

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for the year ended 31 December 1996

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RUSSO-BRITISH CHAMBER OF COMMERCE

COMPANY INFORMATION

Notice is hereby given that the Eighty First Annual General Meeting of the Russo-British Chamber of Commerce will be held at 2.30 pm on Thursday 19 June 1997 at the Royal Over-Seas League, Park Place, St James's Street, London SW1A 1LR

1. To receive and consider the Report of the Executive Council.
2. To receive and consider the accounts for the year ended 31 December 1996.
3. To re-elect Members and to fill vacancies on the Executive Council.
4. To confirm the re-appointment of the auditors Messrs Defries Weiss for 1997.
5. To review the subscription rates and subscription year.
6. To transact such other business as may be properly transacted at an Ordinary General Meeting.

19 May 1997

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

EXECUTIVE DIRECTOR AND SECRETARY

J D Cant

REGISTERED OFFICE:

100 New Bridge Street
London EC4P 6JA

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

RUSSO-BRITISH CHAMBER OF COMMERCE

REPORT OF THE EXECUTIVE COUNCIL

for the year ended 31 December 1996

The directors present their report with the financial statements of the company for the year ended 31 December 1996.

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

After five years of economic transformation, Russia can pride itself on what the International Monetary Fund praises as a "tremendous achievement of economic stabilisation".

Indeed, Russia ended 1996 with low inflation, good opportunities for reducing the cost of credit, and growing political stability. Although GDP fell 6% in 1996, many positive signs provided grounds for optimism: the fall of inflation from 230% in 1995 to 22% in 1996 (even lower than the Government budget had foreseen); the growth of housing construction; and a considerable savings rate increase on the part of the population. It is hoped that the federal budget will receive more revenue in 1997 than it did in 1996, through more effective tax collection.

Moscow should be able to tap international financial markets, following an agreement with the London Club of commercial bank creditors on rescheduling \$25.5 billion of ex-Soviet debt. This should also make it easier for foreign companies to invest in Russia.

UK export figures, given by the DTI, to Russia for 1996 show an increase of 16% over the previous year. In 1996 the UK had a negative trade balance of £265.5 million with Russia, a massive reversal of the slight improvement in the trade balance seen in 1995. Amongst the major UK exports to Russia, which total £1,009.3 million, are: essential oils and perfume materials, office machinery, telecommunications equipment, specialised industrial and electrical machinery and others. Amongst UK imports from Russia, which total £1,274.8 million (an increase of approximately 32% over 1995), major items are: non-ferrous metals, petroleum and related goods, inorganic chemicals, crude animal and vegetable materials, fertilisers, cork and wood and others.

There are many examples of British companies doing successful business in Russia. These include, by way of example:

Boots Healthcare International is to invest between £9 million and £10 million on promoting its Nurofen painkiller in Russia. Nurofen is one of the few international leaders in the analgesic sector. A clinically proven fast and effective painkiller it has the medical and commercial credentials to meet the needs of Russian customers. Nurofen also has the right appeal for Russian pharmacists. It gives them a new general product which they can recommend to their increasingly knowledgeable and demanding patients.

Rolls-Royce, which has been active in the Russian market since 1978, signed an agreement in April 1997 for a joint venture in Russia to turn military jet engines into industrial gas turbines.

Middlesex Holdings, the metal trading company which operates in the former USSR has set up a subsidiary, Middlesex Balli, to export an annual \$300 million (£195 million) of steel products from Oskol Electrometallurgical Kombinat in Russia.

Crawley-based APV has been awarded two contracts worth £55 million to design, install, commission and complete two state-of-the art process plants, each capable of producing 20mt of fermented-milk baby food per shift. These are for dairies in Ekaterinburg and Ivanovo.

Allied Domecq, the drinks and retailing group, opened a £20 million ice cream factory in Moscow in May 1996. The company is aiming for 10% of the \$1 billion (£600 million) annual ice cream market.

Foreign investment in Russia is increasing with the US the largest investor by far, accounting for over 40%.

RUSSO-BRITISH CHAMBER OF COMMERCE

REPORT OF THE EXECUTIVE COUNCIL for the year ended 31 December 1996

RBCC Activities

The Executive Director prepared a Business Plan, after having joined the Chamber in March 1996. This outlined a number of new services and methods whereby the Chamber can enhance its role in Russo-British trade. Services are now offered on a tripartite basis. These include services free-of-charge to members, services which are heavily discounted to members and provided "in-house" and finally, the formation of a "one-stop-shop" whereby members receive preferential terms from other member companies.

There has also been a review of the staff at the Chamber, resulting in a greater number of staff now working in the office, all of whom are bilingual in Russian and English, and many of whom have experience in business.

The Memorandum and Articles were changed in order that the Chamber could adopt a more commercial approach enabling it to offer these services.

There are plans afoot to re-establish the Moscow Office, which was closed prior to the Director's arrival, in the first half of 1997. Apart from staff changes which were mentioned in the previous reports at our Annual General Meetings, further staff changes include the following:-

A Project Co-ordinator, Catherine Reville, was appointed in September 1996.

Daniel Samoilenko, the previous Bulletin Editor, was replaced in November 1996 by Daniel Brennan.

We are currently planning the staging of a major UK trade fair in Nizhny Novgorod in the autumn of 1997.

The Chamber organised the following events:

A programme for a Russian journalist (January)

A meeting with Mr Harrison, Commercial Department of the British Embassy, Moscow (March)

A private working lunch with Mr Boris Nemtsov (December)

The Chamber organised UK presence in the following DTI sponsored exhibitions:

Consumexpo (January), Prodexpo (February) and Transtec (May)

Stands were taken at:

Brinntex (September) and Impex (October)

Trade Mission:

To Nizhny Novgorod was organised, with DTI support (March)

Seminars were co-hosted as follows:

With ITIC - Business and Industry Views on Taxation and Administration (September)

With Control Risks Group - Prospects for Foreign Business Under a New Presidency (September)

The Chamber spoke at the following events:

LCCI on Free Economic Zones in the Leningrad Region (January)

Wilton Park Conference (June)

Ekaterinburg Seminar (September)

EXPIM 96 (September)

Hampshire County Council (September)

British Knitwear and Clothing Export Association (September)

International Business Conference (October)

RUSSO-BRITISH CHAMBER OF COMMERCE

REPORT OF THE EXECUTIVE COUNCIL

for the year ended 31 December 1996

The Chamber celebrated its 80th anniversary in September 1996.

Events included:

A reception in Nizhny Novgorod organised in conjunction with the DTI, EETC and British Embassy, Moscow. (September).

A lunch at the New Connaught Rooms which included a press conference to mark the launch of a book "Foreign Trade: A Time of Change" by Mr O Davydov, Deputy Prime Minister and Minister of Foreign Economic Relations.

The award of certificates for long standing members of the Chamber.

A reception at the Russian Embassy in London hosted by H.E. Anatoly Adamishin, Ambassador.

There was also a Gala reception and dinner at the Royal Opera House which included a performance of Prokofiev's "Romeo and Juliet".

It is gratifying to note that membership is now increasing.

CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations made in 1996.

DIRECTORS

The directors during the year under review were:

British side:

Sir Norman Wooding CBE (President)

R R Land CBE

R C L Charvet

Dr P J Harvey

R R Land CBE

M J Meyer

R A K Scallon

Baroness Smith of Gilmorehill

J S Syrett (Hon. Treasurer)

D Winter OBE (Hon. Legal Advisor and Deputy Chairman)

J A McNeish (Non-voting)

R Henham - resigned 13.6.96

M S Hall - resigned 11.2.96

J D Cant - appointed 11.3.96

Russian side:

Dr A Chesnokov (Vice President)

A A Bakin

V V Kopiev

D G Nikitin

A Novikov

Dr A G Shelepen

Dr A Tchistoserdov

K V Trofimov

I Zolotov

Under the "Rotation of Elected Members of Council" rule, Messrs Bakin, Harvey, Land and Tchistosterdov resign. All are standing for re-election.

Hon. Life President

H E S Hayward

Hon. Life Members

J Cooper CBE

Mrs I Dunn

E P Pitovranov

RUSSO-BRITISH CHAMBER OF COMMERCE

REPORT OF THE EXECUTIVE COUNCIL

for the year ended 31 December 1996

The following have been suggested for Council Membership, to be discussed:

BRITISH

Mr R Shaw Arcon Overseas Limited
Mr S Penney Intourist Travel Limited
Mr A Baker Let's Communicate Int'l Corp. Limited

RUSSIAN

Mr S Andriushkin Homebank
Mr V Sudakov Incombank
Mr A Levchenko Inzhinier
Mr V Telegin Promstroibank
Mr O Preksin FIPC

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 judgments 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.


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.

In preparing this report, the directors have taken advantage of special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

ON BEHALF OF THE EXECUTIVE BOARD:

.....

R R Land CBE - CHAIRMAN

Dated: 23 May 1997

RUSSO-BRITISH CHAMBER OF COMMERCE

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

We have audited the financial statements on pages seven to eleven which have been prepared under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditor

As described on page five 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. 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 state of the company's affairs as at 31 December 1996 and of its deficit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Defries Weiss

Defries Weiss
Registered Auditor
311 Ballards Lane
London N12 8LY

Dated: *23/05/97*.....

RUSSO-BRITISH CHAMBER OF COMMERCE

INCOME & EXPENDITURE ACCOUNT for the year ended 31 December 1996

		<u>31.12.96</u>		<u>31.12.95</u>	
	Notes	£	£	£	£
Income from members:					
Members' subscriptions	2	94,662		133,062	
Membership services	3	<u>95,491</u>		<u>167,157</u>	
			190,153		300,219
Other income:					
Exchange differences		4,313		-	
Bank interest	5	16,573		31,972	
RFCCI contribution		28,150		49,388	
DTI grant		-		26,000	
Licence fees		<u>-</u>		<u>271,262</u>	
			49,036		378,622
			239,189		678,841
Expenditure:					
Staff costs		171,130		229,350	
Telephone		10,936		11,967	
Printing, postage & stationery		8,359		12,821	
Travelling		26,870		20,032	
Motor expenses		3,702		11,733	
Tax penalties		2,733		73,045	
Sundry expenses		12,422		22,578	
Legal & professional fees		27,330		46,087	
Bad debts		1,948		2,714	
Rent, rates & office expenses		36,627		308,855	
Bank charges		2,300		5,032	
Exchange loss		-		1,508	
Depreciation		4,860		20,747	
Loss on disposal of fixed assets		<u>18,362</u>		<u>47,211</u>	
			327,579		813,680
DEFICIT OF EXPENDITURE OVER INCOME BEFORE TAXATION	4		(88,390)		(134,839)
Taxation (credit)/charge			<u>(9,064)</u>		<u>15,096</u>
DEFICIT OF EXPENDITURE OVER INCOME FOR THE YEAR			<u>£(79,326)</u>		<u>£(149,935)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses per the current and previous years.

The notes form part of these financial statements

RUSSO-BRITISH CHAMBER OF COMMERCE

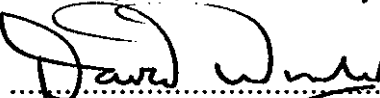
BALANCE SHEET
31 December 1996


		<u>31.12.96</u>		<u>31.12.95</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		14,986		43,970
CURRENT ASSETS:					
Debtors	7	233,877		232,129	
Cash at bank and in hand		<u>341,686</u>		<u>438,760</u>	
		575,563		670,889	
CREDITORS: Amounts falling due within one year	8	<u>464,315</u>		<u>509,299</u>	
NET CURRENT ASSETS:			<u>111,248</u>		<u>161,590</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£126,234</u>		<u>£205,560</u>
REVENUE RESERVES:					
As at 1 January 1996			205,560		355,495
Deficit on income and expenditure account for the year			<u>(79,326)</u>		<u>(149,935)</u>
As at 31 December 1996	9		<u>£126,234</u>		<u>£205,560</u>

In preparing these financial statements, the directors have taken advantage of special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985. The directors have done so on the grounds that, in their opinion, the company is entitled to the benefit of those exemptions because it meets the qualifying conditions for small companies as stated in Section 247 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

 R R Land CBE (Chairman of the Executive Council)

 D Winter OBE (Deputy Chairman of the Executive Council)

 J D Cant (Executive Director and Secretary)

Approved by the Board on 23 May 1997

RUSSO-BRITISH CHAMBER OF COMMERCE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Income

Income represents members' subscriptions and net invoiced sales of services, excluding value added tax.

Tangible fixed assets

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

Motor vehicles	- 25 % on the reducing balance
Office equipment	- 25 % on the reducing balance
Computer equipment	- 33 % on the reducing balance
Office furniture	- 15 % on the reducing balance
Leasehold improvements	- over the life of the lease

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.

Operating leases

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

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to income over the expected useful lives of the relevant assets by equal annual instalments.

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.

2. MEMBERS' SUBSCRIPTIONS

	31.12.96	31.12.95
	£	£
U.K. members	90,660	126,782
Members from Russia and other states	<u>4,002</u>	<u>6,280</u>
	<u>94,662</u>	<u>133,062</u>

3. MEMBERSHIP SERVICES

	31.12.96	31.12.95
	£	£
London	91,255	150,280
Moscow	<u>4,236</u>	<u>16,877</u>
	<u>95,491</u>	<u>167,157</u>

RUSSO-BRITISH CHAMBER OF COMMERCE

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 1996**

4. OPERATING DEFICIT

The operating deficit is stated after charging/(crediting):

	31.12.96	31.12.95
	£	£
Exchange differences	(4,313)	1,508
Hire of plant and machinery	434	432
Depreciation	4,860	20,747
Loss on disposal of fixed assets	18,362	47,211
Auditors' remuneration	2,500	9,000
Auditors' remuneration for non-audit services	<u>3,775</u>	<u>32,080</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.96	31.12.95
	£	£
Bank interest	<u>16,573</u>	<u>31,972</u>

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc
	£
COST:	
At 1 January 1996	147,902
Additions	6,638
Disposals	<u>(69,061)</u>
At 31 December 1996	<u>85,479</u>
DEPRECIATION:	
At 1 January 1996	103,932
Charge for year	4,860
Eliminated on disposals	<u>(38,299)</u>
At 31 December 1996	<u>70,493</u>
NET BOOK VALUE:	
At 31 December 1996	<u>14,986</u>
At 31 December 1995	<u>43,970</u>

7. DEBTORS

	31.12.96	31.12.95
	£	£
Trade debtors	37,547	76,281
Other debtors	2,885	2,871
Prepayments & accrued income	184,354	152,977
Corporation tax recoverable	<u>9,091</u>	<u>-</u>
	<u>233,877</u>	<u>232,129</u>

RUSO-BRITISH CHAMBER OF COMMERCE

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 1996**

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.96	31.12.95
	£	£
Trade creditors	11,321	4,260
V.A.T.	8,973	16,007
Social security & other taxes	5,231	3,344
Deferred income	366,451	359,893
Accruals	<u>72,339</u>	<u>125,795</u>
	<u>464,315</u>	<u>509,299</u>

9. RECONCILIATION OF MOVEMENTS IN RESERVES

	31.12.96	31.12.95
	£	£
Deficit for the financial year	<u>(79,326)</u>	<u>(149,935)</u>
NET REDUCTION OF RESERVES	<u>(79,326)</u>	<u>(149,935)</u>
Opening reserves	<u>205,560</u>	<u>355,495</u>
CLOSING RESERVES	<u>126,234</u>	<u>205,560</u>

10. FINANCIAL COMMITMENTS

At 31 December 1996 the company had annual commitments under operating leases in respect of land and buildings as follows:

	1996	1995
	£	£
Expiring within 2-5 years	15,000	15,000
Expiring in more than 5 years	<u>-</u>	<u>319,713</u>
	<u>15,000</u>	<u>334,713</u>